



Management Interlocks

FIL-8-95
January 10, 1995

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Procedures for Obtaining FDIC Approval to Continue Dual Service Under Recent Statutory Amendments*

Under the Depository Institution Management Interlocks Act of 1978, (the "Interlocks Act"), a management official of a depository institution or a depository holding company may not serve as a management official of any other depository institution or depository holding company, with certain exceptions. One such exception, in Section 206 of the statute, provided a 15-year grandfather period that allowed a management official in an otherwise prohibited interlock to continue serving in that capacity through November 10, 1993. However, the Riegle Community Development and Regulatory Improvement Act of 1994, signed into law on September 23, 1994, adds a new Section 206(c) to the Interlocks Act extending the statutory grandfather period an additional five years, through November 10, 1998, provided that the person serving in the interlock petitions the appropriate federal regulatory agency in a timely manner and receives permission by March 23, 1995. The following information describes the general procedures to be followed when filing a petition with the FDIC.

If the person serves in an interlock between insured state nonmember banks, a petition should be submitted to the FDIC. If the person serves in an interlock between depository institutions supervised by different federal banking agencies -- for example, an interlock between an insured nonmember bank supervised by the FDIC and a savings association supervised by the Office of Thrift Supervision -- a petition should be submitted to both agencies simultaneously. The two agencies will coordinate the processing of the petitions.

After a petition is filed under Section 206 of the Interlocks Act, the FDIC is required by March 23, 1995 to review, on a case-by-case basis, the circumstances under which the petitioner has served as a management official under the statutory grandfather. By that same date, the FDIC shall permit the management official to continue to serve in this position until November 10, 1998, only if two conditions are met. First, the boards of directors of each affected depository institution or holding company must adopt a resolution certifying to the FDIC that there is no other qualified candidate from the community with the necessary expertise who is willing to serve as a management official at the institution or holding company. Second, the FDIC must determine that the continuation of this management interlock does not produce an anti-competitive effect for the affected depository institution or holding company.

To provide the FDIC with sufficient processing time, all such petitions should be sent to the appropriate Regional Director of the FDIC's Division of Supervision (DOS) as soon as possible but preferably no later than February 15, 1995. Requests should contain sufficient information to address the statutory factors for approval listed in this letter. Petitioners who do not file in a timely manner will not be eligible for continued service in a management interlock.

The FDIC eventually will revise Part 348 of the agency's regulations to reflect the 1994 statutory changes in the Interlocks Act. Until then, the instructions in this letter should be followed. You may direct any questions about management interlocks to your DOS regional office.

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Director

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