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Office of the General Counsel

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March 12, 1997

The Honorable Alfonse M. D'Amato
Chairman
The Honorable Paul S. Sarbanes
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jim Leach
Chairman
The Honorable Henry B. Gonzalez
Ranking Minority Member
Committee on Banking and Financial Services
House of Representatives

Subject: Board of Governors of the Federal Reserve System: Bank Holding
Companies and Change in Bank Control (Regulation Y)

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Board of Governors of the Federal Reserve System, entitled "Bank Holding Companies and Change in Bank Control (Regulation Y)" (Docket Nos. R-0935; R-0936). We received the rule on February 24, 1997. It was published in the Federal Register as a final rule on February 28, 1997. 62 Fed. Reg. 9290.

The final rule amends Regulation Y to improve the competitiveness of bank holding companies by eliminating unnecessary regulatory burden and operating restrictions and streamlining the application and notice process.

Enclosed is our assessment of the Board of Governors' compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review indicates that the Board of Governors complied with the applicable requirements.

If you have any questions about this report, please contact James Vickers, Assistant General Counsel, at (202) 512-8210. The official responsible for GAO evaluation work relating to the Board of Governors of the Federal Reserve System is Jean Gleason Stromberg, Director, Financial Institutions and Markets Issues. Ms. Stromberg can be reached at (202) 512-8678.

Robert P. Murphy
General Counsel

Enclosure

cc: Mr. Donald J. Winn
Assistant to the Board
Board of Governors
Federal Reserve System

ANALYSIS UNDER 5 U.S.C. § 801(a)(1)(B)(i)-(iv) OF A MAJOR RULE
ISSUED BY
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
ENTITLED
"BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL
(REGULATION Y)"
(DOCKET NOS. R-0935; R-0936)

(i) Cost-benefit analysis

A cost-benefit analysis was not required or prepared for the final rule.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607 and 609

The Board of Governors has concluded that the final rule will have a significant economic impact on a substantial number of small entities, and an initial regulatory flexibility analysis and final regulatory flexibility analysis have been prepared and are included in the notice of proposed rulemaking and the final rule notice, respectively, as required by sections 603 and 604. The analyses comply with the informational requirements of the sections including the number and sizes of the small entities affected and the alternatives considered to reduce the burden on small entities.

The final analysis points out that the expedited application/notice procedures and the removal of unnecessary and outmoded regulatory restriction will be particularly helpful to small bank holding companies.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

The rule, promulgated by an independent regulatory agency, is not subject to title II of the act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The rule was promulgated through notice and comment rulemaking procedures of 5 U.S.C. § 553. The proposed rulemaking was published in the Federal Register on September 6, 1996, 61 Fed. Reg. 47242, and afforded interested parties the opportunity to comment on the proposed rule. Over 300 comments were received.

The final rule discusses and summarizes the comments submitted and the response to them in promulgating the final rule.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The preamble to the final rule discusses the information collection requirements of the final rule, the reason for the collections, and burden estimates.

The various information collections have already been approved by the Office of Management and Budget under the act and issued OMB control numbers which are listed in the preamble.

The preamble points out that the number of responses and burden hours associated with the collections are greatly reduced because of the streamlined procedures now available to bank holding companies under the final rule. The total cost of complying with the information collections prior to the issuance of the final rule was estimated to be \$2,743,130. It is estimated that the reduction in responses and burden hours will result in a savings of \$1,273,975 or a new yearly cost of compliance of \$1,469,155.

Statutory authorization for the rule

The final rule was promulgated under the authority of section 5(b) of the Bank Holding Company Act of 1956 (12 U.S.C. § 1844(b)); sections 8 and 13(a) of the International Banking Act of 1978 (12 U.S.C. §§ 3106 and 3108); section 7(j)(13) of the Federal Deposit Insurance Act, as amended by the Change in Bank Control Act of 1978 (12 U.S.C. § 1817(j)(13)); section 8(b) of the Federal Deposit Insurance Act (12 U.S.C. § 1818(b)); section 914 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (12 U.S.C. § 1831i); section 106 of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. § 1972) and the International Lending Supervision Act of 1983 (Public Law 96-181).

Executive Order No. 12866

As an independent regulatory agency, rules promulgated by the Board of Governors of the Federal Reserve System are not subject to review under the executive order.