registration requirement through sub-
mission of its first annual report to the
Board as required by paragraph (b) of
this section.

(b) Reports of bank holding companies.
Each bank holding company shall fur-
nish, in the manner and form pre-
scribed by the Board, an annual report
of the company’s operations for the fis-
tcal year in which it becomes a bank
holding company, and for each fiscal
year during which it remains a bank
holding company. Additional informa-
tion and reports shall be furnished as
the Board may require.

(c) Examinations and inspections. The
Board may examine or inspect any
bank holding company and each of its
subsidiaries and prepare a report of
their operations and activities. With
respect to a foreign banking organiza-
tion, the Board may also examine any
branch or agency of a foreign bank in
any state of the United States and may
examine or inspect each of the organi-
zation’s subsidiaries in the United
States and prepare reports of their op-
erations and activities. The Board shall
rely, as far as possible, on the reports
of examination made by the primary
federal or state supervisor of the sub-
sidiary bank of the bank holding com-
pany or of the branch or agency of the
foreign bank.

§ 225.6 Penalties for violations.
(a) Criminal and civil penalties. (1) Sec-
tion 8 of the BHC Act provides criminal
penalties for willful violation, and civil
penalties for violation, by any com-
pany or individual, of the BHC Act or
any regulation or order issued under it,
or for making a false entry in any
book, report, or statement of a bank
holding company.

(2) Civil money penalty assessments
for violations of the BHC Act shall be
made in accordance with subpart C of
the Board’s Rules of Practice for Hear-
gings (12 CFR part 263, subpart C). For
any willful violation of the Bank Con-
tral Act or any regulation or order
issued under it, the Board may assess a
civil penalty as provided in 12 U.S.C.
1817(j)(15).

(b) Cease-and-desist proceedings. For
any violation of the BHC Act, the Bank
Control Act, this regulation, or any
order or notice issued thereunder, the
Board may institute a cease-and-desist
proceeding in accordance with the Fi-
nancial Institutions Supervisory Act of
1966, as amended (12 U.S.C. 1818(b) et
seq.).

§ 225.7 Exceptions to tying restric-
tions.
(a) Purpose. This section establishes
exceptions to the anti-tying restric-
tions of section 106 of the Bank Holding
Company Act Amendments of 1970 (12
U.S.C. 1971, 1972(1)). These exceptions
are in addition to those in section 106.
The section also restricts tying of elec-
tronic benefit transfer services by bank
holding companies and their nonbank
subsidiaries.

(b) Exceptions to statute. Subject to
the limitations of paragraph (c) of this
section, a bank may:
(1) Extension to affiliates of statutory
exceptions preserving traditional banking
relationships. Extend credit, lease or
sell property of any kind, or furnish
any service, or fix or vary the consider-
atation for any of the foregoing, on the
condition or requirement that a cus-
tomer:
(i) Obtain a loan, discount, deposit,
or trust service from an affiliate of the
bank; or
(ii) Provide to an affiliate of the
bank some additional credit, property,
or service that the bank could require
itself pursuant to section 106(b)(1)(C) of
the Bank Holding
Company Act Amendments of 1970 (12
U.S.C. 1972(1)(C)).

(2) Safe harbor for combined-balance
discounts. Vary the consideration for
any product or package of products
based on a customer’s maintaining a
combined minimum balance in certain
products specified by the bank (eligible
products), if:
(i) The bank offers deposits, and all
such deposits are eligible products; and
(ii) Balances in deposits count at
least as much as nondeposit products
toward the minimum balance.

(3) Safe harbor for foreign transactions.
Engage in any transaction with a cus-
tomer if that customer is:
(i) A corporation, business, or other
person (other than an individual) that:
(A) Is incorporated, chartered, or
otherwise organized outside the United
States; and


§ 225.11 Transactions requiring Board approval.

The following transactions require the Board's prior approval under section 3 of the Bank Holding Company Act except as exempted under §225.12 or as otherwise covered by §225.17 of this subpart:

(a) Formation of bank holding company. Any action that causes a bank or other company to become a bank holding company.

(b) Acquisition of subsidiary bank. Any action that causes a bank to become a subsidiary of a bank holding company.

(c) Acquisition of control of bank or bank holding company securities. (1) The acquisition by a bank holding company of direct or indirect ownership or control of any voting securities of a bank or bank holding company, if the acquisition results in the company's control of more than 5 percent of the outstanding shares of any class of voting securities of the bank or bank holding company.

(2) An acquisition includes the purchase of additional securities through the exercise of preemptive rights, but does not include securities received in a stock dividend or stock split that does not alter the bank holding company's proportional share of any class of voting securities.

(d) Acquisition of bank assets. The acquisition by a bank holding company or by a subsidiary thereof (other than a bank) of all or substantially all of the assets of a bank.

(e) Merger of bank holding companies. The merger or consolidation of bank holding companies, including a merger through the purchase of assets and assumption of liabilities.

(f) Transactions by foreign banking organization. Any transaction described in paragraphs (a) through (e) of this section by a foreign banking organization that involves the acquisition of an interest in a U.S. bank or in a bank holding company for which application would be required if the foreign banking organization were a bank holding company.

§ 225.12 Transactions not requiring Board approval.

The following transactions do not require the Board's approval under §225.11 of this subpart:

(a) Acquisition of securities in fiduciary capacity. The acquisition by a bank or other company (other than a trust that is a company) of control of voting securities of a bank or bank holding company in good faith in a fiduciary capacity, unless:

(1) The acquiring bank or other company has sole discretionary authority to vote the securities and retains this authority for more than two years; or