§ 225.123 Activities closely related to banking.

(a) Effective June 15, 1971, the Board of Governors has amended §225.4(a) of Regulation Y to implement its regulatory authority under section 4(c)(8) of the Bank Holding Company Act. In some respects activities determined by the Board to be closely related to banking are described in general terms that will require interpretation from time to time. The Board’s views on some questions that have arisen are set forth below.

(b) Section 225.4(a) states that a company whose ownership by a bank holding company is authorized on the basis of that section may engage solely in specified activities. That limitation refers only to activities the authority for which depends on section 4(c)(8) of the Act. It does not prevent a holding company from establishing one subsidiary...
to engage, for example, in activities specified in §225.4(a) and also in activities that fall within the scope of section 4(c)(1)(C) of the Act—the “servicing” exemption.

(c) The amendments to §225.4(a) do not apply to restrict the activities of a company previously approved by the Board on the basis of section 4(c)(8) of the Act. Activities of a company authorized on the basis of section 4(c)(8) either before the 1970 Amendments or pursuant to the amended §225.4(a) may be shifted in a corporate reorganization to another company within the holding company system without complying with the procedures of §225.4(b), as long as all the activities of such company are permissible under one of the exemptions in section 4 of the Act.

(d) Under the procedures in §225.4(a)(c), a holding company that wishes to change the location at which it engages in activities authorized pursuant to §225.4(a) must publish notice in a newspaper of general circulation in the community to be served. The Board does not regard minor changes in location as within the coverage of that requirement. A move from one site to another within a 1-mile radius would constitute such a minor change if the new site is in the same State.

(e) Data processing. In providing packaged data processing and transmission services for banking, financial and economic data for installation on the premises of the customer, as authorized by §225.4(a)(8)(ii), a holding company should limit its activities to providing facilities that perform banking functions, such as check collection, or other similar functions for customers that are depository or other similar institutions, such as mortgage companies. In addition, the Board regards the following as incidental activities necessary to carry on the permissible activities in this area:

(A) Equipment is not purchased solely for the purpose of creating excess capacity;
(B) Hardware is not offered in connection therewith; and
(C) Facilities for the use of the excess capacity are not designed, or appreciably enhanced, for the purpose of marketability.

In order to eliminate or reduce to an insignificant degree any possibility of unfair competition where services, facilities, by-products or excess capacity are provided by a bank holding company’s nonbank subsidiary or related entity, the entity providing the services, facilities, by-products and/or excess capacity should have separate books and financial statements, and should provide these books and statements to any new or renewal customer requesting financial data. Consolidated or other financial statements of the bank holding company should not be provided unless specifically requested by the customer.

(Interprets and applies 12 U.S.C. 1843 (c)(8))

§ 225.124 Foreign bank holding companies.

(a) Effective December 1, 1971, the Board of Governors has added a new §225.4(g) to Regulation Y implementing its authority under section 4(c)(9) of the Bank Holding Company Act. The Board’s views on some questions that have arisen in connection with the meaning of terms used in §225.4(g) are set forth in paragraphs (b) through (g) of this section.