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DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Parts 545, 559, 560, 563, 567, 571

[No. 96-47]

RIN 1550-AA88

Subsidiaries and Equity Investments

AGENCY: Office of Thrift Supervision, Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Office of Thrift Supervision (OTS) is proposing to update, reorganize, and streamline its subsidiaries and equity investment regulations and policy statements. This proposal follows a detailed review of each pertinent regulation and policy statement to determine whether it is necessary, imposes the least possible burden consistent with safety and soundness, and is written in a clear, straightforward manner. Today's proposal is being made pursuant to the Regulatory Reinvention

Initiative of the Vice President's National Performance Review and section 303 of the Community Development and Regulatory Improvement Act of 1994.

DATES: Comments must be received on or before [insert date 60 days from date of publication in the Federal Register].

ADDRESSES: Send comments to Manager, Dissemination Branch, Records Management and Information Policy, Office of Thrift Supervision, 1700 G Street, NW., Washington, D.C. 20552, Attention Docket No. 96-47. These submissions may also be hand-delivered to 1700 G Street, NW., from 9:00 A.M. to 5:00 P.M. on business days or may be sent by facsimile transmission to FAX Number (202) 906-7755. Comments will be available for inspection at 1700 G Street, NW., from 9:00 A.M. until 4:00 P.M. on business days.

FOR FURTHER INFORMATION CONTACT: Debra Merkle, Project Manager, Supervision Policy, (202) 906-5688; Donna Miller, Senior Program Manager, Supervision Policy, (202) 906-7488; Susan Miles, Senior Attorney, Regulations and Legislation Division, (202) 906-6798; Dean Shahinian, Senior Counsel for Corporate Activities, Business Transactions Division, (202) 906-7289; or Deborah Dakin, Assistant Chief Counsel, (202) 906-6445, Regulations and Legislation Division, Chief

Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, D.C. 20552.

SUPPLEMENTARY INFORMATION:

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I. Background of the proposal

In a comprehensive review of the agency's regulations in the spring of 1995, OTS identified numerous provisions for immediate repeal, plus several key regulatory areas for further intensive, systematic regulatory burden analysis. These areas -- lending and investment authority, subsidiaries and equity investments, insurance referrals and loan-related fees, and charter and bylaws -- were selected because they are vital to thrift operations, and have not been developed on an interagency basis or been comprehensively reviewed for many years. Today's proposal presents the results of an intensive review of OTS's subsidiary and equity investments regulations and related policy statements.

Since commencing its reinvention initiative in the spring of 1995, OTS has already repealed eight percent of its regulations. In addition, in January of 1996, OTS issued a comprehensive proposal on its lending and investment regulations.[1] That proposal, once adopted in final form, will reduce the number of lending and investment regulations from 43 to 23. Burden reduction proposals regarding charter and bylaws and insurance referrals and loan-related fees will be issued in the near future.

Today's proposal regarding subsidiaries and equity investments is also expected to result in significant regulatory burden reduction. In developing this proposal, OTS considered the relevant regulations, guidance, legal interpretations, and reporting requirements of the other federal banking agencies. In addition, as with our other regulatory reinvention efforts, this proposal was prepared in consultation with those who use the regulations on a daily basis, including the agency's regional examination staff and a focus group composed of representatives of the thrift industry.

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[1]61 FR 1162 (January 17, 1996).

The consensus that emerged from this process is that the primary need in the subsidiaries and equity investment area is to enhance flexibility and clarify available investment options, as opposed to simply eliminating large portions of regulatory text. Thus, although today's proposal does call for the elimination of 12 paragraphs of regulatory text, the most significant burden reduction is expected to result from clarifying investment options and streamlining procedural requirements.

II. Objectives

The overarching goal of OTS's reinvention initiative is to reduce regulatory burden on savings associations to the greatest extent possible consistent with statutory requirements and safety and soundness. In the context of the subsidiary and equity investment regulations, we believe that maximum burden reduction can be achieved by pursuing the following six specific objectives:

A. Create more user-friendly subsidiary and equity investment regulations.

Our first objective is to make it easier for savings associations to find and understand the regulations governing subsidiaries and equity investments. Industry representatives and other reviewers expressed concern that the current subsidiary and equity investment regulations are scattered throughout the regulations and are worded in a confusing manner. Accordingly, this proposal: