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Obstacle Removed For Small Banks Seeking to Attract Qualified Managers

WASHINGTON, D.C. -- A final rule appears in today's Federal Register that will revise the bank management interlocks rule. The new rule allows management interlocks between an institution under $20 million in assets and an institution with assets of $20 million or more that are both located in the same metropolitan statistical area, a large urban-suburban area generally centered on a major city. The final rule, which takes effect October 1, is published jointly by the Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Reserve Board and Office of Thrift Supervision.

The change is intended to provide small institutions with a larger pool of qualified candidates for management positions. However, management interlocks between unaffiliated institutions remain impermissible, regardless of the size of the institutions, when the institutions are in the same community.

The final rule also implements provisions of the Riegle Community Development and Regulatory Improvement Act of 1994 by allowing banks to have interlocks that otherwise would be impermissible if the bank seeking to add a management official meets the criteria in the rule for obtaining an exemption. These exemptions are available, for instance, when an individual has special knowledge or experience that would improve the provision of credit to low- and moderate-income areas or when a bank, after undertaking a reasonable search, is unable to find someone who is qualified, interested in serving, and not prohibited by the statute from serving.

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