

Transmittal



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Attached is a proposal regarding setting up, operating and reinventing savings associations' subsidiaries. The proposal is the latest step in the Office of Thrift Supervision's (OTS) program to reinvent its regulations to make them less burdensome on the thrift industry.

The proposal reflects extensive input from OTS examiners and industry representatives and achieves their requests to enhance flexibility, clarify available investment options and streamline procedural requirements.

To make the rules more user friendly, the proposal draws together in one place (new part 559) provisions that had been scattered throughout the regulations. It also rewrites them in the plain language style promoted by Vice President Gore's Regulatory Reinvention Initiative. The new regulations include a chart to allow easy comparison of the different requirements that apply to an operating subsidiary and a service corporation.

To further clarify investment options, the proposed rule adds a section dealing with pass-through equity investments in such entities as limited partnerships or mutual funds that until now have been discussed only in legal opinions and policy statements.

The list of preapproved service corporation activities has been revised. The proposal confirms that all activities permitted for federal savings associations, except deposit taking, are preapproved for service corporations. Also preapproved are additional activities that OTS has already routinely approved on a case-by-case basis.

Procedural requirements for establishing or acquiring a new operating subsidiary would be streamlined. All savings associations would merely give OTS 30 days' notice, instead of having to file an application and await a decision. At present, only the

ons can avoid the ap-
notify the agency.

Also simplified are rules that apply when a savings association wants to convert an existing service corporation to an operating subsidiary, or the reverse.

In addition, the proposal clarifies the calculation of a thrift institution's investment limits in a service corporation by simplifying the standards that determine when an institution's loans to a service corporation count toward these limits. The calculation of capital required to be held against subsidiary investments is also made less burdensome by changing the definition of a subsidiary under the capital rule.

The notice of proposed rulemaking was published in the June 13, 1996, edition of the *Federal Register*, Vol. 61, No. 115, pp. 29976-29992. Written comments must be received on or before August 12, 1996, and should be addressed to: Manager, Dissemination Branch, Records Management and Information Policy Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552.

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Attachment