

Press Releases

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OTS 98-31 - Teachers Insurance, A.G. Edwards Approved by OTS for Thrift Charters

Office of Thrift Supervision

NEWS

FOR RELEASE at noon EDT

For further information

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OTS 98-31

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Teachers Insurance, A.G. Edwards Approved By OTS For Thrift Charters

WASHINGTON, D.C., April 22, 1998 - Teachers Insurance and Annuity Association of America (TIAA) and A.G. Edwards, a brokerage firm, have each received a federal thrift charter to set up trust operations.

Both the TIAA-CREF Trust Company and A.G. Edwards Trust Company FSB will operate out of offices in St. Louis. TIAA, its Board of Overseers, TIAA Holdings, Inc., and TCT Holdings, Inc., all of New York, collectively become a thrift holding company. A.G. Edwards also received thrift holding company status. In approving the applications, the Office of Thrift Supervision (OTS) imposed a number of generally similar conditions governing the new thrifts' operations.

Affiliates that engage in securities brokerage activities must operate totally separate from the savings banks. The institutions must make clear to customers the difference between insured and non-insured products, adhering to the policies and statements formulated on an interagency basis by the federal banking regulators. The banks also must abide by OTS regulations pertaining to transactions with affiliates within its holding company structure.

Each thrift must submit quarterly activity reports to OTS concerning the number and type of trust accounts and their total value. They must follow the principles set forth in OTS regulations regarding conflicts of interest and corporate opportunity so that affiliates do not take advantage of business opportunities that are of potential benefit to the thrifts. The savings bank and/or holding company must apply to OTS for authority to engage in any business expansion beyond their trust operations. The public will be given the opportunity to comment on any new activity.

Each thrift's Year 2000 project management program must conform to the Year 2000 guidance issued by OTS and the Federal Financial Institutions Examination Council (FFIEC). This OTS policy applies to nearly all types of application approvals.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATIONS FOR PERMISSION TO ORGANIZE A FEDERAL SAVINGS BANK, TRUST POWERS AND HOLDING COMPANY ACQUISITION

Order No.98-40

Date:April 20, 1998

A.G. Edwards, Inc., St. Louis, Missouri (the "Holding Company"), has applied for approval of the Office of Thrift Supervision (the "OTS") pursuant to 12 U.S.C. § 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3 for permission to organize and acquire A.G. Edwards Trust Company FSB, St. Louis, Missouri (the "Savings Bank"), and pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. Section 550.2, to exercise full trust powers (collectively, "the Applications").

The Director or her designee (the "Director") has considered the Applications under the factors set forth in 12 U.S.C. §§ 1464(e), 1464(n) and 1467a(e), and 12 C.F.R. §§ 543.3, 550.2, 552.2-1, and 574.7 and other applicable statutes and regulations. The OTS also has considered the Applications under the Community Reinvestment Act, 12 U.S.C. § 2901 et seq., and the OTS regulations thereunder, 12 C.F.R. Part 563e.

In addition, the Director has considered a digest from the Midwest Regional Office, an analysis prepared by Corporate Activities and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the Director finds that the Applications satisfy the applicable approval standards provided that the

following conditions are complied with in a manner satisfactory to the Midwest Regional Director, or his designee ("Regional Director"). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The proposed transaction shall be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Regional Director;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officer of the Savings Bank and the Holding Company shall certify to the Regional Director, in writing, that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Savings Bank and the Holding Company, respectively, since the date of the financial statements submitted with the Applications;
3. The Savings Bank shall obtain all required regulatory and shareholder approvals prior to consummation, and will act to satisfy all requirements and conditions imposed by the OTS, and comply with all applicable laws, rules and regulations;
4. No later than 5 calendar days from the date of consummation of the proposed transaction, the Savings Bank shall file with the Regional Director, a certification by legal counsel stating the effective date of the proposed transaction and of the Savings Bank's insurance of accounts, and that the transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Applications and this order;
5. The Savings Bank shall submit independent audit reports to the Regional Office for its first three fiscal years. These reports shall be in compliance with the audit rules set forth in 12 C.F.R. Section 562.4;
6. The Savings Bank shall operate within the parameters of its business plan. Any proposed major deviations or material changes from the plan, and in particular, those pertaining to the cross-marketing of deposit and non-deposit products, shall receive the prior, written non-objection of the Regional Director. The request for change shall be submitted a minimum of 30 days before the proposed change is implemented;
7. Prior to engaging in any business other than that permitted pursuant to OTS approval under section 5(n) of the HOLA, the Savings Bank must apply to the OTS, and receive approval of an application to engage in such business. The OTS will consider any such application under the standards set forth at section 5(e) of the HOLA and OTS regulations thereunder, and under the Community Reinvestment Act and OTS regulations thereunder at 12 C.F.R. Section 563e.29. In addition, OTS may require public notice, consider public comments, and arrange meetings in connection with its review of any such application, and may impose conditions on approval of any such application;
8. Any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, shall be provided to the Regional Director at least 30 days prior to execution and shall receive his written non-objection prior to implementation. In addition, on an annual basis, the Holding Company shall provide attestation as to the fairness of the 15 basis points on asset value charge to the Savings Bank regarding the contracts with affiliates;
9. The Savings Bank shall submit to the Regional Office quarterly activity reports on the number and type of trust accounts serviced, the total asset values of these accounts and the minutes on the meetings of the Savings Bank's Trust Committee. In addition, the Savings Bank shall submit to the Regional Office the reports of examination on the affiliated trust companies located in Missouri, New Jersey, Texas and Florida, as these reports are completed by the respective regulatory agencies;
10. The Holding Company shall submit the tax sharing agreement between the Holding Company and the Savings Bank to the Regional Director for his review and approval;
11. Any subsidiary of the Holding Company that engages in securities brokerage activities ("Broker Dealer affiliate") must be operated as a separate legal entity from the Savings Bank so that: 1) their respective accounts and records are not intermingled; 2) each observes the procedural formalities of separate legal titles; 3) each is held out

- to the public as a separate enterprise; and 4) none dominates another to the extent that one is treated as a mere department of the other;
12. With respect to transactions between the Savings Bank and any Broker Dealer affiliate, the Savings Bank and the Broker Dealer affiliate must take measures necessary to ensure that their officers and directors adhere to the principles set forth in OTS regulations on conflicts of interest, 12 C.F.R. Section 563.200; corporate opportunity, 12 C.F.R. Section 563.201; self-dealing, 12 C.F.R. Section 550.10; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the Savings Bank and the Broker Dealer affiliate are prohibited from using their influence to: a) take advantage of a business opportunity for the Broker Dealer affiliate's benefit when the opportunity is of present or potential advantage to the Savings Bank; or b) place the Broker Dealer affiliate in a position that leads to, or could create the appearance of a potential conflict of interest;
 13. The Savings Bank, the Holding Company and the Broker Dealer affiliate are subject to the provisions of 12 C.F.R. Section 563.76, Offers and Sales of Securities at an Office of Savings Association, and related policy established in OTS Thrift Bulletins 23-2, InterAgency Statement on Retail Sales of Nondeposit Investment Products (the "InterAgency Statement"), and 23a, Limited Exceptions to Prohibitions on Sales of Savings Institution's Securities, and any additional or successor statements of policy or regulations addressing these subjects. The Savings Bank and the Holding Company shall ensure compliance by the Broker Dealer affiliate with, at a minimum, the General Guidelines in Disclosures and Advertising set forth in the InterAgency Statement whenever the Broker Dealer affiliate or their representatives market, or offer for sale, deposit products of the Savings Bank; and
 14. The Savings Bank's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("FFIEC"), including the May 5, 1997 FFIEC Year 2000 Project Management Awareness statement, the December 17, 1997 FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk, the March 17, 1998 FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness, the March 17, 1998 FFIEC Guidance Concerning the Year 2000 Impact on Customers, the April 10, 1998 Guidance Concerning Testing for Year 2000 Readiness and any subsequent OTS or FFIEC Year 2000 guidance.

By Order of the Director of the Office of Thrift Supervision, or her designee, effective April 20, 1998.

John E. Ryan

Acting Executive Director, Supervision

OFFICE OF THRIFT SUPERVISION

**APPROVAL OF APPLICATIONS FOR PERMISSION TO ORGANIZE A FEDERAL SAVINGS
BANK, TRUST POWERS AND HOLDING COMPANY ACQUISITION**

Order No.-43

Date: April 21, 1998

TIAA Board of Overseers, Teachers Insurance and Annuity Association of America, TIAA Holdings, Inc. and TCT Holdings, Inc., New York, New York (collectively, the "Applicants"), have applied to the Office of Thrift Supervision ("OTS"), pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3, to organize and acquire TIAA-CREF Trust Company, FSB, St. Louis, Missouri (the "Savings Bank"). In addition, the Savings Bank has applied, pursuant to 12 C.F.R. § 559.11, to establish an operating subsidiary that will act as an investment adviser (TIAA-CREF Financial Advisors, Inc.), and pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. § 550.2, to exercise full trust powers. (The foregoing are collectively referred to herein, as "the Applications.") The Savings Bank will be a member of the Savings Association Insurance Fund.

The OTS has considered the Applications under the standards set forth in 12 U.S.C. §§ 1464(e), 1464(n) and 1467a(e), and 12 C.F.R. §§ 543.3, 550.2, 552.2-1(b) and 574.7, and under the Community Reinvestment Act, 12 U.S.C. §§ 2901 et seq., and the OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, the OTS has also considered the digest by the OTS Midwest Regional Office ("Regional Office"), a legal opinion by the Business Transactions Division, and an analysis by Corporate Activities (collectively the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS has determined that the Applications satisfy all applicable statutory and regulatory criteria, provided that the conditions set forth below are satisfied. Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The Applicants and the Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Office;
2. On the business day prior to the date of consummation of the proposed transaction, the Chief Financial Officers of the Applicants and the Savings Bank must certify in writing to the Midwest Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Applicants and the Savings Bank, respectively, as disclosed in the Applications, including but not limited to directors, shareholders, or the business plan; and provided further, that no additional information having an adverse bearing on any feature of the Applications has been brought to the attention of the Applicants, the Savings Bank or the OTS since the date of the financial statements submitted with the Applications;
3. The proposed transaction must be consummated within one hundred and twenty (120) calendar days from the date of this Order or within such additional period as the Midwest Regional Director, or his designee, may grant;
4. The Applicants and the Savings Bank must advise the Regional Office in writing within 10 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications and this Order;
5. The Savings Bank must submit independent audit reports to the Regional Office for its first three fiscal years. These reports must be in compliance with the audit rules set forth at 12 C.F.R. § 562.4;
6. The Savings Bank must operate within the parameters of its business plan. Any proposed major deviations or material changes from the plan will require the Savings Bank to submit a revised business plan for the approval of the Midwest Regional

- Director, or his designee. The request for change must be submitted a minimum of 30 days before the proposed change is implemented;
7. Prior to engaging in any business activity other than that authorized pursuant to section 5(n) of the HOLA, the Savings Bank must apply to the OTS and receive approval of its application to engage in such business activity. The OTS will consider any such application under the standards tests required of a new federal thrift charter which are set forth at section 5(e) of the HOLA and OTS regulations thereunder, and under the Community Reinvestment Act and OTS regulations thereunder at 12 C.F.R. Section 563e.29. Any such application may be subject to the public notice and comment procedures set forth at 12 C.F.R. Part 516, Subparts B and C;
 8. Any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, must be provided to the Midwest Regional Director, or his designee, at least 30 days prior to execution and must receive his written non-objection prior to implementation;
 9. The Savings Bank must submit to the Midwest Regional Office quarterly activity reports on the number and type of trust accounts serviced, the total asset values of these accounts, and the minutes on the meetings of the Savings Bank's Trust Committee;
 10. The Savings Bank must submit to the Midwest Regional Director, or his designee, a complete notice at least 30 days prior to establishing any additional agency offices. These notices should detail the location of the office to be established, as well as the types of activities to be engaged in at that office. The requisite agency office fees, if applicable, should also be included with these notices;
 11. Any affiliate of the Applicant that engages in securities brokerage activities ("Broker Dealer affiliate") must be operated as a separate legal entity from the Savings Bank so that: (a) their respective accounts and records are not intermingled; (b) each observes the procedural formalities of separate legal titles; (c) each is held out to the public as a separate enterprise; and (d) none dominates another to the extent that one is treated as a mere department of the other;
 12. The Savings Bank and the Broker Dealer affiliate must take measures necessary to ensure that their officers and directors adhere to the principles set forth in OTS regulations on conflicts of interest, 12 C.F.R. § 563.200; corporate opportunity, 12 C.F.R. § 563.201; self-dealing, 12 C.F.R. § 550.10; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the Savings Bank and the Broker Dealer affiliate are prohibited from using their influence to: (a) take advantage of a business opportunity for the Broker Dealer affiliate's benefit when the opportunity is of present or potential advantage to the Savings Bank; or (b) place the Broker Dealer affiliate in a position that leads to, or could create the appearance of a potential conflict of interest;
 13. The Savings Bank, the Applicant and the Broker Dealer affiliate are subject to the provisions of 12 C.F.R. § 563.76, Offers and Sales of Securities at an Office of Savings Association, and related policy established in OTS Thrift Bulletins 23-2, InterAgency Statement on Retail Sales of Nondeposit Investment Products (the "InterAgency Statement"), and 23a, Limited Exceptions to Prohibitions on Sales of Savings Institution's Securities, and any additional or successor statements of policy or regulations addressing these subjects. The Savings Bank and the Applicant shall ensure compliance by the Broker Dealer affiliate with, at a minimum, the General Guidelines in Disclosures and Advertising set forth in the InterAgency Statement whenever the Broker Dealer affiliate or their representatives market, or offer for sale, trust services of the Savings Bank;
 14. To ensure compliance with the exception set forth in Section 23B(b)(1) of the Federal Reserve Act and 12 C.F.R. § 563.42(b)(1), the Savings Bank must appoint two additional independent directors to its board of directors that are not officers or directors of the Applicant, Savings Bank or any affiliate thereof; and
 15. The Savings Bank's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("FFIEC") including the May 5, 1997 FFIEC Year 2000 Project Management Awareness statement, the December 17, 1997 FFIEC Safety and Soundness Guidelines

Concerning the Year 2000 Business Risk, the March 17, 1998 FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness, the March 17, 1998 FFIEC Guidance Concerning the year 2000 Impact on Customers, the April 10, 1998 Guidance Concerning Testing for Year 2000 Readiness and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements.

By Order of the Director of the Office of Thrift Supervision, or her designee, effective April 20, 1998.

John E. Ryan

Acting Executive Director, Supervision