

## Press Releases

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October 7, 2003

### OTS 03-34 - OTS Issues Final Regulations Governing Affiliate Transactions

#### Office of Thrift Supervision

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For further information

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OTS 03-34

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### OTS Issues Final Regulations Governing Affiliate Transactions

WASHINGTON - The Office of Thrift Supervision (OTS) today issued a final rule revising its regulations governing transactions between thrifts and their affiliates. The final rule reflects public comments on an interim final rule published by OTS in the December 20, 2002, issue of the *Federal Register*.

Section 11 of the Home Owners' Loan Act (HOLA) generally requires OTS rules on transactions with affiliates to be consistent with Federal Reserve Board rules. On December 12, 2002, the Federal Reserve Board issued Regulation W, a new comprehensive rule that implements restrictions on affiliate transactions contained in sections 23A and 23B of the Federal Reserve Act, including revisions mandated by the Gramm-Leach-Bliley Act. Section 23A limits loans and other covered transactions with affiliates, and section 23B generally requires affiliate transactions to be made on "market terms" -- i.e., the same or similar to the terms prevailing at the time for comparable transactions with unaffiliated companies.

The final rule issued by OTS today incorporates applicable provisions of the new Regulation W into OTS regulations in accordance with HOLA. The rule also provides guidance on additional restrictions on affiliate transactions specifically applicable to thrifts under section 11 of the HOLA.

The final rule contains several changes from the interim final rule published in December. Among them, it conforms the OTS definition of control of an affiliate to the definition in Regulation W, and clarifies how to calculate quantitative limits, among other matters.

In addition, the rule clarifies several issues regarding HOLA section 11, which prohibits a thrift from making a loan to an affiliate that is engaged in non-bank holding company activities. It states that repurchase agreements are not prohibited loans because section 11 did not contemplate that treatment; and that, similarly, section 11 does not prohibit a loan to a third party merely because loan proceeds are used for the benefit of, or are transferred to, an affiliate that is engaged in non-bank holding company activities. It also withdraws previously issued guidance regarding when activities of a subsidiary are attributed to a parent for the purposes of the prohibition.

The OTS final rule appeared in today's *Federal Register*, and is effective November 6.

Final Rule - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2003-34a.pdf>

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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's 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 visit the OTS web page at [www.ots.treas.gov](http://www.ots.treas.gov).