



How Do I Comply?

July 22, 2020

Laws, Regulations and Policies

The main governing statute for savings and loan holding companies (SLHCs) is the **Home Owners' Loan Act**. Other statutes apply to both SLHCs and bank holding companies (BHCs), such as the **Change in Bank Control Act** and the **Management Interlocks Act**.

On August 12, 2011, the Board of Governors (Board) of the Federal Reserve issued an **interim final rule establishing regulations for SLHCs**. The interim final rule implemented the transfer from the Office of Thrift Supervision (OTS) to the Board the regulations necessary to supervise SLHCs and established **Regulation LL** and **Regulation MM**.

Regulation Y does not apply to SLHCs and, although SLHCs are similar to BHCs, SLHCs are not subject to the Bank Holding Company Act. In particular, SLHCs may engage in a wider array of activities than those permissible for BHCs and may have concentrations in real estate lending that are not typical for BHCs.

Moreover, unlike BHCs, SLHCs are currently not subject to regulatory consolidated capital requirements, nor have they previously been subject to a formal source-of-strength doctrine. Guidance for assessing the capital adequacy of SLHCs is included in **Attachment C to SR 11-11/CA 11-5, Supervision of Savings and Loan Holding Companies**.

The Dodd-Frank Wall Street Reform and Consumer Protection Act transferred all supervisory guidance applicable to SLHCs to the Board on the July 21, 2011, transfer date. Both the Board's and the OTS's supervisory guidance is largely based on principles of safety and soundness.

Accordingly, the majority of Board guidance for BHCs should be equally relevant for the operations of SLHCs. The Board currently is reviewing OTS guidance and, as a general matter, has found that much of it is similar to that of the Board or was issued on an interagency basis. As noted in SR 11-11/CA 11-5, the Board intends to publish more detailed information about the application of Board supervisory guidance to SLHCs at a later date.

During the first supervisory cycle, examiners should evaluate an SLHC using the same safety-and-soundness and consumer compliance risk management principles that are applied to a BHC. The principles to be applied during the first supervisory

cycle are largely set forth in the following documents:

- **SR Letter 13-21: Inspection Frequency and Scope Requirements for Bank Holding Companies and Savings and Loan Holding Companies with Total Consolidated Assets of \$10 Billion or Less**
- **SR Letter 13-13/CA Letter 13-10: Supervisory Considerations for the Communication of Supervisory Findings**
- **SR Letter 09-4: Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies**
- **SR Letter 08-9/CA Letter 08-12: Consolidated Supervision of Bank Holding Companies and the Combined U.S. Operations of Foreign Banking Organizations**
- **SR Letter 04-18: Bank Holding Company Rating System**
- **SR Letter 12-17/CA 12-14: Consolidated Supervision Framework for Large Financial Institutions**
- **SR Letter 97-24: Risk-Focused Framework for Supervision of Large Complex Institutions**

Federal Reserve Bank Holding Company Supervision Manual:

- **Section 2010 (supervision of subsidiaries)**
- **Section 2020 (intercompany transactions)**
- **Section 4010 (parent company financial factors)**
- **Section 4060 (consolidated earnings)**
- **Section 4070 (BHC rating system)**
- **Section 5000 (BHC inspection program)**

SLHCs preparing for Federal Reserve inspections may find it helpful to become familiar with the above guidance, in addition to **SR 11-11/CA 11-5**, **Regulation LL**, and **Regulation MM**.
