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The attached final rule clarifies the circumstances under which OTS would permit management officials of thrift institutions to serve unaffiliated, competing institutions or their holding companies at the same time.

Such management interlocks are generally prohibited by law because of the potential for anticompetitive actions. However, OTS has adopted regulations to grant exemptions on a case-by-case basis, in order to expand the pool of available managerial talent for small institutions.

The new rule was issued jointly by the four federal banking agencies to reduce regulatory burden and implement Section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994. The law narrowed the banking agencies' authority to exempt otherwise impermissible interlocks. Under the law, OTS must find that the individual is critical to the institution's safe and sound operations, that the interlock will not produce an anticompetitive effect, and that the management official meets any additional requirements imposed by the agency.

Other changes to the OTS management interlocks rule were made to reduce regulatory burden. For example, under the old rule, an officer of one thrift could be granted an exemption to perform similar duties for another thrift in the same metropolitan area, but only if both institutions had assets of less than $20 million. The new rule permits such an exemption if only one institution has assets below the $20 million level.

The final rule was published in the August 2, 1996, edition of the *Federal Register*, Vol. 61, No. 150, pp. 40293–40311.

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Attachments