

## MEMORANDUM

**TO:** Public File

**FROM:** Karen Osterloh, <sup>KO</sup> Special Counsel

**DATE:** May 25, 2007

**RE:** Summary of Meeting  
OTS Docket No. 2007-0008; Prohibited Service at Savings and Loan Holding Companies

### Attendees:

On Monday, May 14, 2007, the following individuals representing the American Bankers Association (ABA) and the Office of Thrift Supervision (OTS) held a conference call to discuss OTS' interim rule on prohibited service at savings and loan holding companies (SLHCs):

ABA  
Dawn Causey,  
Greg Taylor  
Chris Paridon

OTS  
Donna Deale,  
Karen Osterloh

### Summary of Discussion

The following topics were addressed:

- ABA asked whether OTS consulted with other federal regulators before publishing the rules. OTS reported that the interim rule incorporated interpretations and procedures contained in the FDIC rules and policy statements on section 19(a) of the FDIA. OTS also indicated that it had contacted the FRB regarding its plans for implementing section 19.
- ABA observed that OTS-regulated SLHCs include insurance companies, and requested clarification concerning the application of the rule to insurance agents. OTS indicated that it intends to work with the states regarding the interplay between section 19 and restrictions on service imposed by the state insurance regulators. It encouraged the ABA to submit comments on this matter.
- OTS verified that the rule applies to SLHCs (as defined in 12 CFR 583.20) and includes all intermediate holding companies. However, the definition of SLHC does not include non-depository institution *subsidiaries* of SLHCs.
- ABA and OTS discussed 12 CFR 585.100, which exempts an employee of a SLHC if the employee's responsibilities are limited solely to agriculture, forestry, retail merchandising, manufacturing, and public utilities operations. ABA was concerned that the exemption was not broad enough. OTS explained that the list

of operations was based on its review of non-financial activities conducted by existing SLHCs, as reported by NAIC code. It invited ABA to comment on additional operations that should be listed.

- ABA inquired whether applications for case-by-case exemptions would be handled in the regional offices or OTS headquarters. OTS has not decided this matter.
- ABA asked whether appeals hearings would be conducted in Washington DC or other locations, and whether administrative law judges (ALJs) would conduct the hearings. OTS noted that 12 CFR 509.301(a) permits hearings in Washington DC or any other place designated by OTS. This rule also states that a hearing would be conducted before a presiding officer designated by the Director. OTS clarified that a presiding officer could be an individual other than an ALJ.
- Under the rule, an agreement to enter into a pretrial diversion disqualifies a person from holding a position with a SLHC, but an expunged criminal conviction does not. ABA observed that SLHCs may have difficulty obtaining information on these matters.
- ABA and OTS discussed 12 CFR 585.50(b), which states that certain de minimis criminal offenses are not covered by the rule. To be a de minimis criminal offense, an offense must be punishable by imprisonment of less than one year and a fine of less than \$1,000. OTS encouraged ABA to address whether the one-year/\$1,000 limit is appropriate.