

## Press Releases

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December 3, 1996

OTS 96-79 - OTS Cuts Organizational Rules for Federal Savings Associations

**Office of Thrift Supervision**

### News Release

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For further information

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### **OTS CUTS ORGANIZATIONAL RULES FOR FEDERAL SAVINGS ASSOCIATIONS**

WASHINGTON, D.C., Dec. 3, 1996 -- Updated and streamlined rules under which federal savings associations are organized and conduct business were issued today by the Office of Thrift Supervision (OTS). It is the first revamping of these rules since 1983.

In a final corporate governance rule published in today's Federal Register and effective Jan. 1, 1997, OTS reduced by more than a third the number of charter and bylaw rules and policy statements on corporate governance, from 33 to 21.

One action alone -- moving the model bylaws from regulations to the Application Processing Regulatory Handbook -- results in 10 pages being cut from the Code of Federal Regulations (CFR). The move reflects OTS' determination that the model bylaws serve as guidance, not binding norms.

However, at the request of commenters, the standard federal mutual and stock thrift charters will remain in OTS regulations instead of being moved to the handbook, as OTS proposed on June 25, 1996. Otherwise, the final regulation is similar to the June proposal.

The standard charters were updated and unnecessary language was removed. Instead of filing an application and paying a fee, institutions may now simply notify OTS after adopting charter and bylaws amendments that have been preapproved by the agency. A preapproved charter amendment was added that enables mutuals with old charters to raise the cap on the number of votes any one depositor may cast to 1,000. (Within the established cap, each depositor gets one vote for every \$100 in deposits.) This is the charter amendment institutions have most frequently asked OTS to approve in the past.

OTS removed some corporate governance rules because they were obsolete. Included are rules on mutual capital certificates, emergency preparedness, and the requirement that the president of an institution also be a director and CEO. Certain other regulations were

eliminated because their substance is covered elsewhere or they merely cross reference other regulations covering such topics as corporate titles (official institution names), mutual to stock conversions, charter amendments, and savings deposits. In other changes, the agency:

1. Rewrote sections to clarify meaning or to give institutions more flexibility. For example, federal stock savings associations now have the option of following certain corporate governance laws of their home state, their holding company's home state, Delaware General Corporation Law, or the Model Business Corporation Act, for matters on which OTS regulations are silent. Federal mutual savings associations have a similar option where state corporate governance laws have been enacted for mutual institutions.
2. Removed restrictions on the location of shareholder meetings and authorized the gathering of proxies over the phone or electronically. Other provisions exempt wholly owned stock associations from certain requirements designed to protect minority shareholders, such as providing notice of shareholders meetings and compiling shareholder voting lists.
3. Permits all stock institutions to take actions based on unanimous written consent of shareholders in lieu of a vote at a formal shareholders meeting.

While the options cited in the regulations provide savings associations with a comprehensive set of clear, modern and flexible corporate governance rules, institutions may continue to apply, on a case-by-case basis, to adopt non-standard charter and bylaw provisions.

OTS emphasized that today's changes do not require any institution to change its current charter. Those institutions that wish to update their charters and bylaws to reflect the new provisions need only obtain director and shareholder approvals and then file an after-the-fact notice with OTS.

Today's slimmed down regulation is the latest in OTS' ongoing effort to reduce regulatory burden on the thrift industry. Each OTS regulation and policy statement in the Code of Federal Regulations has been reviewed to determine whether it is necessary, imposes the least possible burden consistent with safety and soundness, and is written in a clear and straightforward manner.

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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](http://www.ots.treas.gov).