

Transmittal

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The Office of Thrift Supervision, by the attached final rule, is amending its regulations pertaining to transactions between savings associations and their subsidiaries and affiliates in order to implement § 11 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, which applies §§ 23A and 23B of the Federal Reserve Act, as well as certain other restrictions, to savings associations.

The Office is also modifying its loans-to-one-borrower limitations regulatory scope to accord with the transactions-with-affiliates rule and to clarify the special exception to the loans-to-one-borrower limitations.

The final transactions-with-affiliates rule, which is effective in 30 days, permits a savings association and its subsidiaries to engage in certain covered transactions with an

affiliate, including purchases from an affiliate or loans to an affiliate, up to amount equal to 10 percent of the thrift's capital stock and surplus. The aggregate of such covered transactions with all affiliates may not exceed 20 percent of the thrift's capital stock and surplus.

Because virtually all comments on the rule, which was proposed March 27, 1990, objected to the treatment of non-conforming subsidiaries of savings associations as affiliates, the Office was persuaded that such subsidiaries should not be treated differently from bank subsidiaries and has changed the final rule accordingly.

The final rule is published in the *Federal Register*, Vol. 56, No.143, pp. 34005-34014.

Director
Office of Thrift Supervision

Attachment