

OFFICE OF THRIFT SUPERVISION

Approval of Mutual Holding Company Activity Application

Order No. 2002-20

Date: May 17, 2002

Re: Docket No. H-3740

Oneida Financial MHC, Oneida, New York (Applicant), and Oneida Financial Corporation, Oneida, New York (Holding Company), have applied to the Office of Thrift Supervision (OTS), pursuant to 12 C.F.R. § 575.11(a), for permission for their subsidiary depository institution, Oneida Savings Bank, Oneida, New York (Savings Bank), a § 10(l) state-chartered savings bank, to hold a New York state-chartered bank, State Bank of Chittenango, Chittenango, New York (Bank), as a wholly owned subsidiary. The Bank would accept deposits from local governments in New York that are not able to deposit funds with a savings association, such as the Savings Bank.

Section 575.11(a) specifies that a Mutual Holding Company (MHC) may engage in activities specified by § 10(c)(2) or 10(c)(9)(A)(ii) of the Home Owners' Loan Act (HOLA),¹ and activities described in § 575.10(a)(6). Section 575.10(a)(6) provides that an MHC may acquire control of, and make non-controlling investments in the stock of, any corporation other than a savings association or savings and loan holding company only if: (1) the corporation is engaged exclusively in activities permitted by § 575.11(a), or the corporation's stock would be a permissible investment for a federal savings association under Part 559 or by a state savings association under the law of any state where the MHC's subsidiary thrift has its home office; and (2) the corporation is not controlled, directly or indirectly, by a savings association subsidiary of the MHC.²

With respect to the first criterion, the Bank, which will accept deposits insured by Federal Deposit Insurance Corporation from local governments and will invest in federal funds, federal agency securities and mortgage-backed securities, will engage in activities that are permissible for a federal savings association.³

With respect to the second criterion, § 575.10(a)(6)(ii) provides that corporations in which a mutual holding company invests under the authority of 12 C.F.R. § 575.10(a)(6) must not be "controlled, directly or indirectly, by a savings association subsidiary of the

¹ 12 U.S.C. § 1467a(c)(2) or § 1467a(c)(9)(A)(ii).

² 12 C.F.R. §§ 575.10(a)(6) (2002).

³ See 12 C.F.R. § 559.3(e)(1). The investment would meet the operating subsidiary requirements applicable to federal associations because the Savings Bank will hold all of the Bank's stock and no other entity will have operating control of the Bank.

mutual holding company.” In proposing Part 575, OTS stated that the purpose of § 575.10(a)(6)(ii) was to authorize, subject to certain activities restrictions,

mutual holding companies to acquire control of, and make non-controlling investments in the stock of, corporations other than savings associations or savings and loan holding companies only where the corporation in question is not directly or indirectly controlled by a subsidiary savings association of the mutual holding company (so as to prevent *double leveraging*).⁴ (Emphasis added.)

Where the savings association directly holds all of its subsidiary’s common stock, and the holding company does not otherwise hold any securities of the savings association’s subsidiary, it is clear that the double leveraging concern does not exist. OTS reads § 575.10(a)(6)(ii) as only prohibiting a mutual holding company from directly or indirectly holding investments in subsidiaries of its savings association subsidiary other than through the savings association itself. Accordingly, the Savings Bank’s proposed investment in the Bank is permissible under the MHC Regulations.

Recent examinations show the Savings Bank to be a well-capitalized and well-managed institution. The Northeast Regional Office has reviewed the proposal and determined that the Savings Bank has the requisite experience and expertise to manage the Bank.

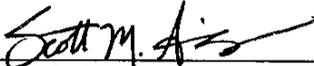
For the reasons set forth above, OTS has determined that the Application satisfies all applicable approval standards and criteria, provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee (together, the Regional Director). Accordingly, the Application is hereby approved, subject to the following conditions:

1. The Applicant must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals supplied to the Regional Office;
2. The Bank must not materially deviate from any of the activities, facts or representations described in the application, except with the prior written non-objection of the Regional Director;
3. The acquisition of the Bank must be consummated within 120 days of the date of this approval order;

⁴ 56 FR 1126, 1134 (Jan. 11, 1991).

4. The Applicant must advise the Regional Director in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Application, and this Order;

By order of the Director of the Office of Thrift Supervision, or his designee, effective May 17, 2002.



Scott M. Albinson
Managing Director
Office of Supervision