

OFFICE OF THRIFT SUPERVISION

Application Requesting Exemption Under The Depository Institution Management Interlocks Regulations

Order No.: 2006-37
Date: October 13, 2006
Docket Nos.: H-3281, 15660

The Office of Thrift Supervision (OTS) has reviewed an application (Application) requesting an exemption under the Depository Institution Management Interlocks Act (Act) and 12 C.F.R. § 563f.6(a) of OTS's management interlocks regulations (Interlocks Regulations) on behalf of Mr. Frank E. O'Bryan (Individual), regarding the Individual's proposal to continue serving as a member of the boards of directors of First American Corporation (FACO), Santa Ana, California, and its federal savings association subsidiary, First American Trust, FSB (Trust), Santa Ana, California, and as a director of Farmers & Merchants Bank of Long Beach (F&M), Long Beach, California.

The Individual is currently serving as a director of FACO, Trust and F&M. The interlock recently became subject to the "major assets" prohibition of the Act¹ and the Interlocks Regulations due to an increase in FACO's assets, as calculated under the Interlocks Regulations. The Act and 12 C.F.R. § 563f.3(c) prohibit a management official of a depository organization (or any affiliate thereof) from simultaneously serving as a management official of an unaffiliated depository organization (or any affiliate thereof), regardless of where the depository organizations are located, if one of the depository organizations in question has total assets in excess of \$2.5 billion and the other depository organization has total assets in excess of \$1.5 billion. FACO's total assets and F&M's total assets each exceed \$2.5 billion.

Pursuant to section 563f.6(a), OTS may grant an exemption for an otherwise prohibited interlock if it determines that the interlock would not result in a monopoly or substantial lessening of competition, or threaten safety and soundness. In analyzing the competitive effects of a proposed interlock, OTS considers the product lines of the entities involved and the market areas in which they compete to determine whether the proposed interlock would create a monopoly or substantially lessen competition. In doing so, OTS generally applies Department of Justice Guidelines for reviewing horizontal mergers.

FACO and Trust, and F&M, through their respective subsidiaries, affiliates and other related entities, provide a range of financial services that includes deposits, multifamily and commercial real estate lending and trust services. Competition exists between FACO and Trust, and F&M (or their affiliates) in the Los Angeles—Long Beach—Santa Ana Metropolitan Statistical Area and southern California geographic markets with respect to the foregoing product markets.

¹ 12 U.S.C. § 3203.

OTS has considered the market shares of FACO and Trust, and F&M (and their affiliates) in each of several product markets and submarkets, including deposits, multifamily and commercial real estate lending and trust services. With respect to each product market and relevant geographic market, OTS has determined, based on the level of concentration in the respective markets and the market shares of the relevant entities, that the proposed interlock would not create a monopoly or substantially diminish competition.

OTS has evaluated the proposed interlock from a supervisory perspective, and has concluded that the interlock will not present safety and soundness concerns.

Based on the Application and the foregoing analysis, OTS concludes that the Individual's proposed service as a director of FACO and Trust while serving as a director of F&M meets the applicable approval criteria. Accordingly, the Application is hereby approved.

By order of the Director of the Office of Thrift Supervision, or his designee, effective October 13, 2006.



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Managing Director
Office of Examinations, Supervision and
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