

Interpretive Letter #1187
November 2025

August 13, 2025

[REDACTED]

Subject: [REDACTED] – Section 23A/Regulation W Exemption Request

Dear [REDACTED]:

I am writing on behalf of Comptroller Gould in response to your letter dated October 9, 2024 (“Request”), submitted on behalf of [REDACTED], [REDACTED] requesting an exemption from the quantitative limits of section 23A of the Federal Reserve Act (Section 23A) and the implementing regulations in 12 CFR 223 (Regulation W)¹ in order to engage in the proposed internal corporate reorganization involving [REDACTED] and its affiliate, [REDACTED].

The Bank is a full-service national bank with approximately [REDACTED] in assets. The Bank is a wholly owned subsidiary of [REDACTED], an intermediate holding company, which in turn is a direct, wholly owned subsidiary of [REDACTED], a financial holding company. [REDACTED] which is wholly owned by [REDACTED] is an [REDACTED] that is primarily engaged in wealth management activities for individuals within [REDACTED] is supervised by the Federal Reserve Bank of Atlanta (FRB Atlanta).

Under the proposed reorganization, [REDACTED] would contribute all its equity in [REDACTED] to the Bank. [REDACTED] would thus become a direct, wholly owned subsidiary of the Bank.

Section 23A and Regulation W limit the amount of “covered transactions” between a bank and any single affiliate to 10 percent of the bank’s capital stock and surplus and limit the amount of covered transactions between a bank and all its affiliates to 20 percent of the bank’s capital stock and surplus.² “Covered transactions” include the purchase of assets from an affiliate and the purchase of or an investment in securities issued by an affiliate.³ In addition, Section 23A and Regulation W prohibit a bank from purchasing low-quality assets from an affiliate and require

¹ See 12 USC 371c; 12 CFR 223. See also 12 CFR 31.3(c)–31.3(d).

² 12 USC 371c(a)(1); 12 CFR 223.11–223.12.

³ 12 USC 371c(b)(7)(B) and (b)(7)(C); 12 CFR 223.3(h)(2)–(h)(3).

that all covered transactions between a bank and an affiliate be on terms that are consistent with safe and sound banking practices.⁴

Under Section 23A and Regulation W, an “affiliate” includes any company that controls the member bank and any company that is controlled by a company that controls the member bank.⁵ The Bank and [REDACTED] are wholly owned subsidiaries of the same holding company, [REDACTED]. Accordingly, [REDACTED] and [REDACTED] are affiliates of the Bank.

A bank’s acquisition of a security issued by a company that was an affiliate of the member bank before the acquisition is treated as a purchase of assets from an affiliate for purposes of Section 23A and Regulation W, if: 1) as a result of the transaction, the company becomes an operating subsidiary of the bank; and 2) the company has liabilities, or the bank gives cash or any other consideration in exchange for the security.⁶ The contribution of the equity of [REDACTED] from [REDACTED] to the Bank is deemed a purchase of assets from an affiliate pursuant to Section 23A, and therefore must be valued in accordance with Regulation W.⁷

The Bank reported capital stock and surplus of \$[REDACTED] as of March 31, 2025, and [REDACTED] reported \$[REDACTED] in deposits and other liabilities. The value of the covered transaction resulting from the contribution of [REDACTED] to the Bank would be \$[REDACTED] billion as of March 31, 2025, which represents approximately [REDACTED] percent of its total capital stock and surplus.⁸ This transaction would exceed the single and aggregate affiliate quantitative limitations of Section 23A and Regulation W, and the reorganization transaction therefore requires an exemption.⁹

Section 23A specifically authorizes the OCC by order to exempt transactions or relationships of a national bank from the requirements of the statute if: (i) the OCC and the Board jointly find that the exemption is in the public interest and consistent with the purposes of Section 23A; and (ii) the Federal Deposit Insurance Corporation (FDIC) does not object in writing to the finding based on a determination that the exemption presents an unacceptable risk to the Deposit

⁴ 12 USC 371c(a)(3) and (a)(4); 12 CFR 223.13, 223.15. [REDACTED] held approximately \$[REDACTED] in loans on which principal or interest payments are more than 30 days past due, which would generally be deemed low-quality assets. However, based on prior Board precedent, the Bank would not be deemed to be purchasing any low-quality assets at the time of the reorganization because, in part, the total capital contributed to the member bank in the transaction is greater than or equal to the value of the low-quality assets, subject to [REDACTED] complying with all commitments pursuant to the exemption request. *See* Letter from Robert deV. Frierson, Deputy Secretary of the Board, to Winthrop N. Brown, Esq. (Dec. 22, 2004); Letter from Robert deV. Frierson, Deputy Secretary of the Board, to Carl V. Howard, Esq. (Aug. 28, 2001).

⁵ 12 USC 371c(b)(1)(A); 12 CFR 223.2(a)(1)–(a)(2).

⁶ 12 CFR 223.31(a).

⁷ 12 CFR 223.31(b). The Bank will provide no cash or other consideration to [REDACTED] in connection with the contribution of the equity of [REDACTED]; however, [REDACTED] will have deposits and other liabilities at the time of the proposed reorganization. Therefore, the Bank’s acquisition of the shares of [REDACTED] would be a covered transaction under Section 23A and Regulation W.

⁸ The value of the covered transaction will ultimately be determined by [REDACTED] total deposits and other liabilities at the time of the reorganization.

⁹ *See* 12 USC 371c(a)(1); 12 CFR 223.11–223.12. Section 23B of the Federal Reserve Act (Section 23B) also generally requires any transactions between a depository institution and an affiliate to be on terms and under circumstances that are substantially the same as, or at least as favorable to the depository institution or its subsidiary, as comparable transactions with unaffiliated companies. *See* 12 USC 371c-1(a)(1). The Bank is required to comply with Section 23B and does not seek an exemption from the requirements of Section 23B.

Insurance Fund. An exemption may be in the public interest if, among other things, it reduces operational costs, increases efficiency, or improves a member bank's ability to serve its clients.¹⁰ The twin purposes of Section 23A are: (i) to protect against a depository institution suffering losses in transactions with affiliates; and (ii) to limit the ability of an institution to transfer to its affiliates the subsidy arising from the institution's access to the federal safety net, meaning deposit insurance from the FDIC.¹¹

Granting the exemption is in the public interest because the transaction is part of a broader effort to streamline [REDACTED] organizational structure and would also generate additional profitability for the Bank. The reorganization would simplify and optimize [REDACTED] structure, create efficiencies, enhance services for Bank customers, and create new opportunities for the wealth management operations of the U.S. enterprise. Pro forma financials indicate that the Bank's pre-tax annual income would increase by an estimated [REDACTED]. The transaction would enable the Bank to enhance its financial position and provide additional services to consumers, which is in the public interest.

Granting the exemption is also consistent with the twin purposes of Section 23A. The Bank is not providing any consideration to [REDACTED] in exchange for the equity in [REDACTED] and, while the Bank is acquiring [REDACTED] liabilities, any risk in such assumption is offset by [REDACTED] acquisition of assets for no other consideration and its expectations for profit. [REDACTED] has a stable business and history of profitable operations. In addition, [REDACTED] is independently operated, is subject to minimum capital level requirements, and is also subject to FRB Atlanta's oversight and examination on an ongoing basis to ensure it is operating in a safe and sound manner. [REDACTED] also takes deposits and is not reliant on the Bank to fund its operations. Accordingly, the transaction does not result in a transfer of a subsidy arising from the institution's access to the federal safety net.

In light of these considerations and all the facts presented, the OCC finds that the exemption is in the public interest and consistent with the purposes of Section 23A. The Board has informed the OCC that it similarly finds that the exemption is in the public interest and consistent with the purposes of Section 23A. Furthermore, the FDIC has informed the OCC that the exemption does not present an unacceptable risk to the Deposit Insurance Fund. Accordingly, the OCC hereby grants the requested exemption.

¹⁰ For example, transactions related to internal corporate reorganizations have routinely been determined to be in the public interest due to the reduction in costs and enhanced customer services associated with a more streamlined business. *See, e.g.*, Board Interpretive Letter (Apr. 22, 2009); Board Interpretive Letter (June 30, 2006). Similarly, real estate acquisitions from affiliates have been deemed to be in the public interest due to the reduction in the bank's operating expenses and access to rental income related to the space the bank does not occupy. *See, e.g.*, Board Interpretive Letter (June 6, 2018). *See also* Board Letter to OCC Acting Comptroller Blake Paulson (Jan. 29, 2021) (finding a proposed transaction to be in the public interest because of the expected reduction in operating costs and resulting lower fees and better service for clients); Board Letter to FDIC Acting Chairman Martin Gruenberg (Nov. 23, 2022) (finding a proposed transaction to be in the public interest because of the expectation that it would achieve efficiencies and cost savings and improve the bank's ability to provide products and services to customers); Board Letter to OCC Senior Deputy Comptroller and Chief Counsel Benjamin W. McDonough (July 14, 2023) (finding a proposed transaction to be in the public interest because of the expected savings in annual rental expenses and generation of lease income).

¹¹ 67 Fed. Reg. 76560, 76560 (Dec. 12, 2002).

The granting of this exemption is based on the Bank's compliance with all the commitments and representations made in connection with its exemption request. It is also based on the specific facts and circumstances described in the Bank's request and this letter.

Sincerely,

/s/

Jonathan Fink
Director, Bank Advisory
Chief Counsel's Office

cc: Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation