

## ALERTS

## Federal Reserve Delays Effective Date of New, More Flexible ‘Control’ Rule for Six Months

**March 31, 2020**

On Jan. 30, 2020, the Federal Reserve Board (“Board”) issued a final rule (to be published in 12 C.F.R. Parts 225 and 238) (“Final Rule”)[1] simplifying and increasing the transparency of its regulations governing determinations of whether a company “controls” another company for purposes of the Bank Holding Company Act (“BHCA”)[2] or the Home Owners’ Loan Act (“HOLA”).[3] At that time, the Final Rule was scheduled to become effective tomorrow, April 1, 2020.

However, the Board announced today that it will delay the effective date for its revised control framework by six months (i.e., from April 1, 2020 to Sept. 30, 2020). The Board indicated that the delay “will reduce operational burden and allow institutions to focus on current economic conditions.” No changes were made to the Final Rule itself.

As discussed in our prior *Alert* on the Final Rule,[4] we expect it will make investments in bank holding companies, savings and loan holding companies and depository institutions (collectively, “Banking Organizations”) more attractive to investors (including private equity funds, hedge funds and activist investors) and will better facilitate joint ventures and minority investments by Banking Organizations. We also expect the Final Rule to benefit Banking Organizations that sponsor investment funds.

*Authored by Joseph P. Vitale and Jessica Romano.*

If you have any questions concerning this *Alert*, please contact your attorney at Schulte Roth & Zabel or one of the authors.

---

[1] The Final Rule is available here.

[2] 12 U.S.C. §§ 1841, *et seq.*

[3] 12 U.S.C. §§ 1461, *et seq.*

[4] “Federal Reserve Provides Greater Clarity and Flexibility for Noncontrolling Investments in (and by) Banking Organizations,” *SRZ Alert*, Jan. 31, 2020, available here.

---

*This communication is issued by Schulte Roth & Zabel LLP for informational purposes only and does not constitute legal advice or establish an attorney-client relationship. In some jurisdictions, this publication may be considered attorney advertising. ©2020 Schulte Roth & Zabel LLP.*

*All rights reserved. SCHULTE ROTH & ZABEL is the registered trademark of Schulte Roth & Zabel LLP.*

---

## Related People



**Jessica  
Romano**

Special Counsel

New York

---

# Practices

**BANK REGULATORY**

---

## Attachments

↓ [Download Alert](#)