



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

MICHAEL BRADFELD
GENERAL COUNSEL

Baldwin B. Tuttle, Esq.
Milbank, Tweed, Hadley & McCloy
International Square Building
1825 Eye Street, N.W.
Washington, D.C. 20006

Dear Mr. Tuttle:

This is in response to your letter of December 19, 1988, in which you request an interpretation of section 205 of the recently amended Depository Institution Management Interlocks Act (12 U.S.C. § 3201 *et seq.*) ("Interlocks Act"). Specifically, it is your view that the proposed service of Mr. Robert H. Dedman as a director with both NCNB Texas Bancorporation ("NCNB Texas") and Franklin Federal Bancorp ("Franklin Federal"), would not be prevented by the Interlocks Act due to the Act's exception for failed or failing institutions which are acquired.

As you are aware, the Interlocks Act excepts from its prohibitions for five years interlocking service by a management official of a depository institution or a depository holding company which is closed or is in danger of closing and is acquired by another depository institution or depository holding company. Management Interlocks Revision Act of 1988, Pub. L. No. 100-650 § 4 (to be codified at 12 U.S.C. § 3204(7)).

In order to address the failing bank situation at First Republic Bank Corporation ("First Republic"), a bridge bank, which later became NCNB Texas National Bank, was created by the Federal Deposit Insurance Corporation to acquire the assets and assume the deposits and liabilities of all of First Republic's subsidiary Texas banks. NCNB Texas National Bank was acquired by NCNB Texas, a subsidiary of NCNB Corporation, on November 22, 1988.

In my view, the failed or failing institution exception in the Interlocks Act covers situations such as that described above. Accordingly, based on the facts presented by

- 2 -

you, I concur in your view that Mr. Dedman's interlocking service with NCNB Texas and Franklin Federal would be permissible under the Interlocks Act until November 22, 1993.

Sincerely,

(signed)

Michael Bradfield