



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

May 3, 2016

Mr. Michael A. Leininger
President and Chief Executive Officer
The American Bank of Sidney, Nebraska
P.O. Box 19
Sidney, Nebraska 69162

Dear Mr. Leininger:

This is in response to your request on behalf of The American Bank of Sidney, Nebraska (“The American Bank”) for an exemption from the prohibitions of the Depository Institution Management Interlocks Act (“Interlocks Act”)¹ and Regulation L² to permit Mr. James Cabela to remain a director on the board of The American Bank while at the same time serving as a director of World’s Foremost Bank, both of Sidney, Nebraska.

The Interlocks Act and Regulation L prohibit a management official of a depository organization³ from serving at the same time as a management official of an unaffiliated depository organization if the depository organizations in question (or a depository institution affiliate thereof) have offices in the same community.⁴ The American Bank and World’s Foremost Bank each have offices in Sidney, Nebraska.

¹ 12 U.S.C. § 3201 *et seq.*

² 12 CFR Part 212.

³ A “depository organization” means a depository holding company or a depository institution. 12 CFR 212.2(h).

⁴ 12 U.S.C. § 3202(2); 12 CFR 212.3(a). “Community” means any city, town, or village, and contiguous or adjacent cities, towns, or villages. 12 CFR 212.2(d). The Board’s Regulation L provides an exemption from the community prohibition if the depository organizations (and their depository institution affiliates) hold, in the aggregate, no more than 20 percent of the deposits in each community in which the depository organizations (or their depository institution affiliates) have

Mr. Cabela became a director of The American Bank⁵ in January 1980. In 2003, Mr. Cabela also became a management official of World's Foremost Bank. At that time, the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") granted general exemptions permitting Mr. Cabela's dual service at The American Bank and World's Foremost Bank. On December 31, 2015, The American Bank converted from a national bank to a Nebraska-chartered state member bank. The change in the charter of The American Bank is a change in circumstance that caused the interlock, previously exempted by the OCC and the FDIC, to become impermissible.⁶ Within 15 months of the conversion, or by March 31, 2017, Mr. Cabela must either terminate his service at The American Bank or World's Foremost Bank or receive a general exemption under Regulation L.⁷

Under the general exemption provision of Regulation L, the Board may permit an interlock that otherwise would be prohibited by the Interlocks Act if the Board determines that the interlock would not result in a monopoly or in a substantial lessening of competition and would not present safety and soundness concerns.⁸ While the Board applies a strong presumption against granting a general exemption, the Board has allowed exemptions to be granted in certain limited situations. The Board has delegated to its General Counsel, in consultation with the Director of the Division of Banking Supervision and Regulation ("Director"), authority to grant exemptions under this provision of Regulation L.

The interlock between The American Bank and World's Foremost Bank would not result in a monopoly or in a substantial lessening of competition. World's Foremost Bank is a credit-card bank for purposes of the Bank Holding Company Act of 1956. World's Foremost Bank does not provide the cluster of retail banking products and services. World's Foremost Bank's lending activities are limited to credit-card operations, and the bank does not make commercial loans except for credit card loans to small businesses. World's Foremost Bank does not accept demand deposits, and the bank does not accept any savings or time

offices ("small market share exemption"). 12 CFR 212.5. The combined deposits of The American Bank and World's Foremost Bank exceed the 20-percent deposit threshold in the Cheyenne County, Nebraska, market. As such, the prohibited interlock does not qualify for the small market share exemption.

⁵ At that time, The American Bank was a national bank named The American National Bank of Sidney.

⁶ 12 CFR 212.7(a).

⁷ 12 CFR 212.7(b).

⁸ 12 CFR 212.6(a).

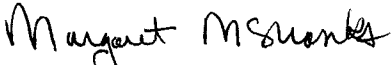
deposits of less than \$100,000. World's Foremost Bank controls 73.2 percent of the deposits of the Cheyenne County, Nebraska, market on an unweighted basis; however, for the purposes of evaluating the competitive effects in the relevant markets of a merger or other banking combination, the Board, when calculating the Herfindahl-Hirschman Index ("HHI") for a particular banking market, has weighted the deposits of special-purpose banks, such as credit-card banks, at 0 percent. If the proposed interlock were evaluated as if The American Bank were merging with World's Foremost Bank with World's Foremost Bank as the surviving entity, the competitive effects of the combination in the relevant local retail banking market, as measured by the HHI and the combined market share in the market, would be consistent with Board precedent and within the thresholds of the Department of Justice Bank Merger Competitive Review guidelines.⁹

In addition, the interlock does not present safety and soundness concerns. Mr. Cabela has more than 55 years of business experience and has approximately 35 years of experience as a director of The American Bank. His continued service at The American Bank and World's Foremost Bank would provide managerial continuity to both organizations.

Based on all the facts of this case and for the reasons discussed above, the General Counsel, acting pursuant to authority delegated by the Board and after consultation with the Director, has granted an exemption to allow Mr. Cabela to serve as a director of The American Bank while also serving as a director of World's Foremost Bank.

The Board reserves the right to revoke the exemption should the interlock result in a monopoly or a substantial lessening of competition or present safety and soundness concerns.

Sincerely yours,


Margaret McCloskey Shanks
Deputy Secretary of the Board

⁹ Department of Justice, Bank Merger Competitive Review – Introduction and Overview, available at <http://www.justice.gov/sites/default/files/atr/legacy/2007/08/14/6472.pdf> (current as of September 2000). The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points.