



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

SCOTT G. ALVAREZ  
GENERAL COUNSEL

November 23, 2016

T. J. Grasmick, Esq.  
Manatt, Phelps & Phillips, LLP  
11355 West Olympic Boulevard  
Los Angeles, California 90064-1614

Dear Mr. Grasmick:

This is in response to your letter, dated November 10, 2016 and received on November 14, to the Federal Reserve Bank of San Francisco requesting a waiver from an application requirement under the Bank Holding Company Act of 1956, as amended (“BHC Act”),<sup>1</sup> for CVB Financial Corp. (“CVB”), Ontario, California, a bank holding company, to acquire Valley Commerce Bancorp (“Valley”), a bank holding company, and thereby indirectly acquire its wholly-owned subsidiary state nonmember bank, Valley Business Bank (“Valley Bank”), both of Visalia, California.

The purpose of the proposed transaction is to facilitate the merger of Valley Bank with and into CVB’s wholly-owned subsidiary state nonmember bank, Citizens Business Bank (“Citizens Bank”), Ontario, California. The transaction would occur as follows: (1) Valley would merge with and into CVB, with CVB as the resulting entity; and (2) immediately thereafter, Valley Bank would merge with and into Citizens Bank, with Citizens Bank as the resulting entity (“Bank Merger”). You have indicated that Valley Bank would exist as a wholly-owned subsidiary of CVB for only a moment in time and that Valley Bank would never operate as a separate subsidiary of CVB.

Section 3 of the BHC Act and the Board’s Regulation Y require the approval of the Board before the merger or consolidation of bank holding companies and before a bank holding company may acquire direct or indirect ownership or control of a bank.<sup>2</sup> Through the transaction described above, CVB is merging with Valley and indirectly acquiring Valley Bank. Accordingly, CVB would be required to obtain the

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<sup>1</sup> 12 U.S.C. § 1841 *et seq.*

<sup>2</sup> 12 U.S.C. § 1842(a); 12 CFR 225.11.

Board's approval under section 3 of the BHC Act and Regulation Y before acquiring Valley and Valley Bank.

In certain circumstances, however, in order to avoid duplication of regulatory review by federal banking regulators, the Board's rules provide that a bank holding company seeking to merge with another bank holding company or acquire shares or control of a bank need not obtain the Board's prior approval. Specifically, section 225.12(d)(2) of the Board's Regulation Y provides that a bank holding company need not receive the Board's approval if the transaction is subject to review by a federal banking agency under section 18(c) of the Federal Deposit Insurance Act ("the Bank Merger Act"),<sup>3</sup> and meets certain other criteria.<sup>4</sup> Your proposal meets all of the applicable criteria, and CVB has provided all necessary information.

The Bank Merger requires the prior approval of the FDIC under the Bank Merger Act.<sup>5</sup> In acting on the merger proposal, the FDIC must consider the impact the acquisition would have on competition, the financial and managerial resources and future prospects of the combined organization, the convenience and needs of the communities served by Valley Bank and Citizens Bank, the institutions' records of performance under the Community Reinvestment Act, the institutions' effectiveness in combating money laundering activities, and risks to the stability of the United States banking or financial system.<sup>6</sup> These criteria are substantially similar to the criteria the Board would consider under section 3 of the BHC Act.<sup>7</sup>

Additionally, at no time would Valley Bank operate as a separate subsidiary of CVB. Following the transaction, the separate corporate existence of Valley Bank would cease, and Citizens Bank would continue to operate as a state nonmember bank. Under these circumstances, review of the transaction under section 3 of the BHC Act would be duplicative of the review under the Bank Merger Act.

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<sup>3</sup> 12 U.S.C. § 1828(c).

<sup>4</sup> 12 CFR 225.12(d)(2).

<sup>5</sup> 12 U.S.C. § 1828(c). Citizens Bank filed a Bank Merger Act application with the FDIC dated November 1, 2016, requesting prior approval of the Bank Merger. CVB has provided the Board with a copy of the application.

<sup>6</sup> 12 U.S.C. §§ 1828(c)(5) and (11), 2902(3)(E), 2903(a)(2).

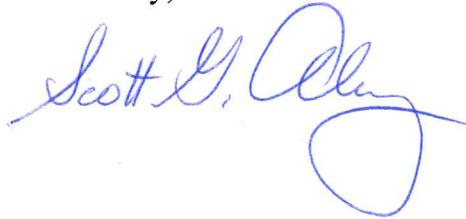
<sup>7</sup> See 12 U.S.C. § 1842(c); 12 CFR 225.13.

Based on a review of these and other facts presented, the Legal Division believes that no regulatory purpose would be served by requiring CVB to file a formal application under section 3 of the BHC Act. The Legal Division, therefore, would not recommend that the Board take action to require a filing of a formal application by CVB in connection with the transaction described above. This opinion is subject to the receipt by CVB, Citizens Bank, Valley, and Valley Bank of all other necessary regulatory approvals and compliance with any terms and conditions that may be imposed upon approval of the proposal.

This opinion is based on all the facts and representations presented to Federal Reserve staff. Any material change in those facts or representations should be communicated immediately to Federal Reserve staff and may cause this opinion to be reconsidered. This opinion is limited to this proposal and does not apply to any other transaction.

If you have any questions regarding this matter, please contact Derald Seid at (202) 452-2246 or Evans Muzere at (202) 452-2621, of my staff.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott G. Allen". The signature is fluid and cursive, with a large loop at the end.

cc: Federal Deposit Insurance Corporation