



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

SCOTT G. ALVAREZ
GENERAL COUNSEL

June 9, 2017

Mr. Matthew T. Radetic
President
RPA Consulting, Inc.
4210 Shawnee Mission Parkway
Suite 202A
Fairway, Kansas 66205

Dear Mr. Radetic:

This is in response to your letter to the Federal Reserve Bank of Kansas City, dated May 30, 2017, and received on May 31, 2017, requesting a waiver from an application requirement under the Bank Holding Company Act of 1956, as amended (“BHC Act”),¹ for Amsterdam Bancshares, Inc. (“Amsterdam”), Amsterdam, Missouri, a bank holding company, to acquire Bates County Bancshares, Inc. (“Bates”), a bank holding company, and Bates’ wholly owned subsidiary, Security Bank, a state nonmember bank, both of Rich Hill, Missouri.

The purpose of the proposed transaction is to facilitate the merger of Security Bank with and into Amsterdam’s wholly owned subsidiary, Citizens Bank, Amsterdam, Missouri, a state nonmember bank. The transaction would occur as follows: (1) Bates would merge with and into Amsterdam, with Amsterdam as the surviving entity; and (2) immediately thereafter, Security Bank would merge with and into Citizens Bank, with Citizens Bank as the surviving entity (“Bank Merger”). You have indicated that the transaction steps would occur in immediate succession and that Amsterdam would not operate Security Bank as a separate entity.

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

¹ 12 U.S.C. § 1841 *et seq.*

more than 5 percent of the voting shares of a bank.² Through the transaction described above, Amsterdam would merge with Bates and acquire control of Security Bank. Accordingly, Amsterdam would be required to obtain the Board's approval under section 3 of the BHC Act and Regulation Y.

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 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 obtain 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"),³ and meets certain other criteria.⁴ Your proposal meets all of the applicable criteria, and Amsterdam has provided all necessary information.

The proposed merger of Security Bank with and into Citizens Bank requires the prior approval of the Federal Deposit Insurance Corporation ("FDIC") under the Bank Merger Act.⁵ 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 Security 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.⁶ These criteria are substantially similar to the criteria the Board would consider under section 3 of the BHC Act.⁷

Additionally, at no time would Security Bank operate as a separate subsidiary of Amsterdam. Following the transaction, the separate corporate existence of Security Bank would cease, and Citizens Bank would continue to operate as a state

² 12 U.S.C. § 1842(a); 12 CFR 225.11.

³ 12 U.S.C. § 1828(c).

⁴ 12 CFR 225.12(d)(2).

⁵ 12 U.S.C. § 1828(c). Citizens Bank filed a Bank Merger Act application dated April 20, 2017, with the FDIC, requesting prior approval of the Bank Merger. Amsterdam has provided the Board with a copy of the Bank Merger Act application.

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

⁷ See 12 U.S.C. § 1842(c); 12 CFR 225.13.

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.

Based on a review of these and other facts presented, the Legal Division believes that no regulatory purpose would be served by requiring Amsterdam 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 Amsterdam in connection with the transaction described above. This opinion is subject to the receipt by Amsterdam, Citizens Bank, Bates, and Security 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 Keisha Patrick at (202) 452-3559 or Kirin Walsh at (202) 452-3058, of my staff.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott G. Allen". The signature is written in a cursive style with a large, circular flourish at the end.

cc: Federal Deposit Insurance Corporation