



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

SCOTT G. ALVAREZ  
GENERAL COUNSEL

May 10, 2010

Michael N. Delune, Esq.  
Aldrich & Bonnefin  
Box 19686  
Irvine, CA 92623-1029

Dear Mr. Delune:

This is in response to your letter regarding whether a proposed assignment of an economic interest in the partnership interests of a partnership that is a qualified family partnership ("QFP") under section 2(o)(10) of the Bank Holding Company Act ("BHC Act") would cause the partnership to lose its status as a QFP.<sup>1</sup>

[redacted] a QFP under the BHC Act, indirectly controls [redacted] ("[redacted] Bank").<sup>2</sup> One of the partners of [redacted] is the [redacted] Trust ("Trust"). [redacted], a Trust beneficiary, has passed away, and you have inquired as to whether the assignment of an economic interest in [redacted] interests that are held by the Trust to a third party who is not a related family member would cause [redacted] to lose its status as a QFP. You have indicated that such an assignment would not include the voting interests in such [redacted] partnership interests.

<sup>1</sup> 12 U.S.C. § 1841(o)(10).

<sup>2</sup> [redacted]

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Under the BHC Act, any “company” (including a partnership) that controls a bank is considered a BHC.<sup>3</sup> The BHC Act, however, provides a limited exemption from the definition of company for a QFP, and accordingly a partnership that qualifies as a QFP is not considered a BHC under the BHC Act.<sup>4</sup> In order to qualify under the BHC Act as a QFP, all the partners of a QFP must be “individuals related to each other by blood, marriage . . . or adoption” or “trusts for the primary benefit of” such individuals (collectively, “qualified parties”). This exemption requires the QFP to control its bank investments through a single bank holding company that remains subject to the BHC Act. Under the exemption, a QFP is able to own and control a bank holding company without the partnership becoming subject to the registration, source of strength, approval, reporting, or other requirements imposed on a bank holding company.

The QFP exemption, however, does not distinguish between the legal and beneficial ownership of such partnership interest. An assignment of the economic interests in a QFP interest, especially in the case of a limited partnership interest, would effectively give the assignee a beneficial interest in the QFP. Where the assignee is not a family member, staff believes that such an assignment would undermine the “family relationship” requirement of the BHC Act and would expand the exemption beyond its limited scope. Accordingly, staff believes that an assignment of the economic interests in the partnership interest of QFP to a non-qualified person would be inconsistent with the “relationship” requirement of the statute, and the partnership would not be in compliance with the statutory requirements of a QFP.

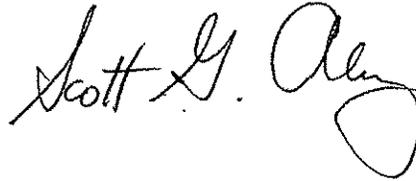
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<sup>3</sup> 12 U.S.C. § 1841(a)(1).

<sup>4</sup> 12 U.S.C. § 1841(b). The QFP (1) cannot incur debt, either as principal or guarantor, (2) cannot engage in any business activity except indirectly through ownership of other business entities and (3) must limit its investments to those permitted for a bank holding company under section 4 of the BHC Act. The QFP also must commit to examination by the Board and to the notice requirements of the Change in Bank Control Act if it acquires an additional bank.

If you have any further questions, please contact Pamela G. Nardolilli of my staff at 202/452-3289.

Sincerely,

A handwritten signature in black ink that reads "Scott G. Alley". The signature is written in a cursive style with a large, looped "A" at the end.

cc: Gerry Tsai, Esq.  
Federal Reserve Bank of San Francisco