



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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 10, 1997

L. Keith Parsons, Esq.  
Watkins Ludlam & Stennis, P.A.  
633 North State Street  
Post Office Box 427  
Jackson, Mississippi 39205-0427

Dear Mr. Parsons:

This is in response to your letter dated February 5, 1997, and accepted for processing by the Reserve Bank on February 14, 1997, requesting a determination whether an application under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") is required in connection with the internal reorganization by Deposit Guaranty Corporation, Jackson, Mississippi ("Deposit"), of one of its wholly owned banking subsidiaries.

The purpose of the proposed reorganization is to consolidate Deposit's two wholly owned second-tier holding companies to simplify Deposit's organizational structure. Deposit Guaranty Arkansas Corporation, Fort Smith, Arkansas ("Deposit-Arkansas"), would merge into Deposit Guaranty Louisiana Corporation, Shreveport, Louisiana ("Deposit-Louisiana"), with Deposit-Louisiana as the survivor. All outstanding shares of the common stock of Deposit-Arkansas would be cancelled; and, on consummation of the transaction, Deposit-Louisiana would directly own and operate Merchants National Bank, Fort Smith, Arkansas, currently a subsidiary of Deposit-Arkansas.

Section 3(a)(5) of the BHC Act requires an application to the Board before a bank holding company may merge or consolidate with any other bank holding company. An application is required under this section even where the transaction is subject to review under the Bank Merger Act if, as a result of the transaction, the bank holding company will directly or indirectly acquire shares of a bank that it previously did not control. See Girard Bank v. Board of Governors of the Federal Reserve System, 748 F.2d 838 (3d Cir. 1984).

Under the proposed transaction, Deposit-Louisiana would merge with Deposit-Arkansas and thereby acquire the shares of the subsidiary bank of Deposit-Arkansas. Such an acquisition falls within the requirements of prior approval under section 3(a)(5) of the BHC Act.

In cases similar to yours, however, involving a corporate reorganization representing no expansion of the holding company system, Board staff has advised that, when no issue was raised under the BHC Act, it would not object to the consummation of the proposal without the filing of a formal application. In such cases, the Board has required the parent bank holding company to submit financial and other information to the Board prior to consummation of the proposal in order to assess the condition of the organization and evaluate the effects of the proposed transaction on the combined organization. In the absence of such a filing demonstrating no significant issue regarding the financial effect of the proposal on the parent bank holding company or other factors over which the Board has exclusive or primary jurisdiction, the Board would require an application under section 3 of the BHC Act.

The record in this case indicates that the proposed transaction is limited to the merger of Deposit's second-tier holding companies solely for the purpose of realizing operational efficiencies. The transaction would not involve the acquisition of any assets or businesses not already directly or indirectly owned by Deposit nor would it involve the commencement of any new business activity. Further, since the proposed transaction would involve only a restructuring representing no expansion of the Deposit's activities, there would be no effect on competition or impact on the organization's financial or managerial resources. Finally, Deposit would not incur or assume any additional indebtedness, except incidental expenses, in connection with this proposal, and the proposal will not affect the capital position of Deposit.

Accordingly, the Secretary of the Board of Governors of the Federal Reserve System, acting pursuant to authority delegated by the Board, has determined that no regulatory purpose would be served by requiring an application in this case. This determination is based on the facts presented to the Reserve Bank and Board staff. Any change in the facts could result in a different conclusion and should be reported to the Reserve Bank. If Deposit wishes to engage in additional activities, acquire nonbanking companies, or

acquire additional banks, the Board's prior approval would be required under the BHC Act. This opinion is limited to the transaction described above and does not authorize any other transaction.

If you have any further questions about this matter, please contact Dennis White, Staff Attorney (202/452-2523) of the Legal Division of the Board.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jennifer J. Johnson".

Jennifer J. Johnson  
Deputy Secretary of the Board

cc: Federal Reserve Bank of Atlanta  
Office of the Comptroller of the Currency  
Louisiana Commissioner of Financial Institutions