



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

LEGAL DIVISION

August 23, 2024

Lee G. Lester, Esq.  
Williams Mullen  
200 South 10th Street  
Suite 1600  
Richmond, Virginia 23219

Dear Mr. Lester:

This is in response to your letter to the Federal Reserve Bank of Richmond ("Reserve Bank") dated July 3, 2024, requesting a waiver from an application requirement under the Bank Holding Company Act of 1956 ("BHC Act")<sup>1</sup> for Skyline Bankshares, Inc. ("Skyline"), Floyd, Virginia, a bank holding company, to acquire Johnson County Bank ("JCB"), Mountain City, Tennessee, a state nonmember bank.

The purpose of the proposed transaction is to facilitate the merger of JCB with and into Skyline's subsidiary national bank, Skyline National Bank, Independence, Virginia. The transaction would occur as follows: (1) SNB Interim Bank ("Interim Bank"), a wholly owned subsidiary of Skyline formed solely for the purpose of facilitating the transaction,<sup>2</sup> would merge with and into JCB, with JCB as the surviving entity ("Interim Merger"); and (2) soon thereafter, not to exceed one day, JCB would merge with and into Skyline National Bank, with Skyline National Bank as the surviving entity ("Bank Merger"). You have indicated that JCB would exist as a wholly owned subsidiary of Skyline for no more than one day and that Skyline would not operate JCB as a separate entity.

Section 3 of the BHC Act and the Board's Regulation Y require the approval of the Board before a bank holding company may acquire direct or

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<sup>1</sup> 12 U.S.C. § 1841 et seq.

<sup>2</sup> Interim Bank will not accept deposits, make commercial loans, or conduct any business or activity other than taking the corporate actions necessary to effect the acquisition of JCB.

indirect ownership or control of more than 5 percent of the voting shares of a bank.<sup>3</sup> Through the transaction described above, Skyline would acquire direct ownership of JCB. Accordingly, Skyline would be required to obtain the Board's approval under section 3 of the BHC Act and Regulation Y.

In order to avoid duplication of regulatory review by federal banking regulators, the Board's rules provide that a bank holding company seeking to acquire shares or control of a bank need not obtain the Board's prior approval if the transaction is subject to review by a federal banking agency under section 18(c) of the Federal Deposit Insurance Act ("Bank Merger Act")<sup>4</sup> and meets certain other criteria.<sup>5</sup> Although section 225.12(d)(2) does not apply to transactions where the Bank Merger does not occur simultaneously with the Interim Merger, your proposal is consistent with the purposes of that provision and Skyline has provided all necessary information.

The Interim Merger requires the prior approval of the Federal Deposit Insurance Corporation ("FDIC"), and the Bank Merger requires the prior approval of the Office of the Comptroller of the Currency ("OCC"), both under the Bank Merger Act.<sup>6</sup> In acting on the merger proposal, the FDIC and the OCC must consider the impact the acquisitions would have on competition, the financial and managerial resources and future prospects of the combined organizations, the convenience and needs of the communities served by Skyline National Bank and JCB, 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>7</sup> These criteria are substantially similar to the criteria the Board would consider under section 3 of the BHC Act.<sup>8</sup>

Additionally, JCB would exist as a separate subsidiary of Skyline only for the short time necessary to complete the merger of JCB into Skyline National Bank, and no more than one day, after the Interim Merger. JCB would

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<sup>3</sup> 12 U.S.C. § 1842(a); 12 CFR 225.11.

<sup>4</sup> 12 U.S.C. § 1828(c).

<sup>5</sup> 12 CFR 225.12(d)(2).

<sup>6</sup> 12 U.S.C. § 1828(c). JCB filed a Bank Merger Act application with the FDIC requesting prior approval of the Interim Merger, and Skyline filed a Bank Merger Act application with the OCC requesting prior approval of the Bank Merger. Skyline has provided the Board with a copy of the applications, both dated June 28, 2024.

<sup>7</sup> 12 U.S.C. §§ 1828(c)(5) & (11), 2902(3)(E), 2903(a)(2).

<sup>8</sup> Skyline National Bank's home state is Virginia, and JCB is located only in Tennessee. See 12 U.S.C. § 1841(o)(4). The acquisition is consistent with section 3(d) of the BHC Act. See 12 U.S.C. § 1842(d).

not operate as a separate subsidiary bank of Skyline except for the purpose of facilitating the Bank Merger. Following the transaction, the separate corporate existence of JCB would cease, and Skyline National Bank would continue to operate as a national bank. Under these circumstances, review of the transaction under section 3 of the BHC Act would be duplicative of 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 Skyline to file an application under section 3 of the BHC Act. The Legal Division, therefore, would not recommend that the Board take action to require the filing of an application by Skyline in connection with the transaction described above. This opinion is subject to the receipt by Skyline, Skyline National Bank, Interim Bank, and JCB of all other necessary regulatory approvals and compliance with any terms and conditions that may be imposed in connection with those approvals.

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 Sarah Podrygula at (202) 912-4658, or Vivien Lee at (202) 452-2029, of the Legal Division staff.

Sincerely,

REENA  
SAHNI

 Digitally signed by  
REENA SAHNI  
Date: 2024.08.23  
16:47:51 -04'00'

Reena Sahni  
Senior Associate General Counsel

cc: Federal Deposit Insurance Corporation  
Office of the Comptroller of the Currency