



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

SCOTT G. ALVAREZ  
GENERAL COUNSEL

February 8, 2017

Stanley V. Ragalevsky, Esq.  
K&L Gates LLP  
State Street Financial Center  
One Lincoln Street  
Boston, Massachusetts 02111

Dear Mr. Ragalevsky:

This is in response to your letter, dated January 5, 2017, and received on January 6, to the Federal Reserve Bank of Boston requesting a waiver from a filing requirement under the Bank Holding Company Act of 1956, as amended (“BHC Act”),<sup>1</sup> for Salem Five Bancorp (“SFB”), Salem, Massachusetts, a bank holding company, to acquire Georgetown Bancorp, Inc. (“Georgetown”), a savings and loan holding company, and thereby indirectly acquire its wholly-owned subsidiary federal savings bank, Georgetown Bank, both of Georgetown, Massachusetts.

The purpose of the proposed transaction is to facilitate the merger of Georgetown Bank with and into SFB’s wholly-owned subsidiary state savings bank, Salem Five Cents Savings Bank (“Salem Five”), Salem, Massachusetts. The transaction would occur as follows: (1) Georgetown would merge with and into Bright Star, Inc., a wholly-owned subsidiary of SFB formed solely for the purpose of facilitating the transaction, with Georgetown as the surviving entity; (2) Georgetown Bank would then merge with and into Salem Five, with Salem Five as the surviving entity (“Bank Merger”), and (3) following consummation of the Bank Merger, Georgetown would be dissolved. You have indicated that Georgetown Bank would exist as a wholly-owned subsidiary of SFB for only a moment in time and that SFB would not operate Georgetown Bank as a separate entity.

Section 4 of the BHC Act generally requires a bank holding company to give prior notice to the Board before acquiring more than 5 percent of the shares of any

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

nonbanking company, including a savings association.<sup>2</sup> Through the transaction described above, SFB would acquire Georgetown Bank, a nonbanking company that is a savings association under the BHC Act.<sup>3</sup> Accordingly, SFB would be required to obtain the Board's approval under section 4 of the BHC Act before acquiring Georgetown 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 acquire shares 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>4</sup> and meets certain other criteria.<sup>5</sup> While section 225.12(d)(2) does not apply specifically to transactions involving a banking holding company acquiring a savings association, your proposal is consistent with the purposes of section 225.12(d)(2) of the Board's Regulation Y.

The Bank Merger requires the prior approval of the Federal Deposit Insurance Corporation ("FDIC") under the Bank Merger Act.<sup>6</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 Salem Five and Georgetown 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>7</sup> These criteria are substantially similar to the criteria the Board would consider under section 4 of the BHC Act.<sup>8</sup>

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<sup>2</sup> 12 U.S.C. § 1843(c)(8), (i), and (j).

<sup>3</sup> 12 U.S.C. § 1841(j).

<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). Salem Five filed a Bank Merger Act application with the FDIC dated November 15, 2016, requesting prior approval of the Bank Merger. SFB has provided the Board with a copy of the application.

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

<sup>8</sup> See 12 U.S.C. § 1843(c)(8), (i), and (j).

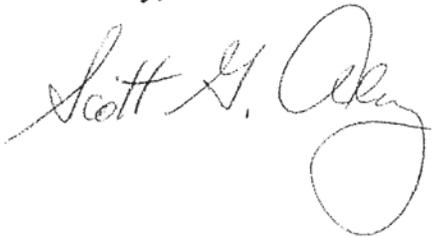
Additionally, SFB would acquire control of Georgetown Bank only for the short time necessary to complete the merger of Georgetown Bank with and into Salem Five. At no time would Georgetown Bank operate as a separate subsidiary of SFB. Following the transaction, the separate corporate existence of Georgetown Bank would cease, and Salem Five would continue to operate as a state savings bank. Under these circumstances, review of the transaction under section 4 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 SFB to file a notice under section 4 of the BHC Act. The Legal Division, therefore, would not recommend that the Board take action to require a filing of a formal notice by SFB in connection with the transaction described above. This opinion is subject to the receipt by SFB, Salem Five, Georgetown, and Georgetown 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 Michelle Kidd at (202) 736-5554 or Evans Muzere at (202) 452-2621, of my staff.

Sincerely,

A handwritten signature in cursive script, appearing to read "Scott G. Allen". The signature is written in dark ink and is positioned below the word "Sincerely,".

cc: Federal Deposit Insurance Corporation