

Office of Regulatory Activities

RB 15 was rescinded 4/18/01. It was incorporated into Thrift Activities 310.

Handbook: Thrift Activities
Subject: Internal Audits

Section: 120
RB 15

July 24, 1989

RESCINDED

Summary: The purpose of this Bulletin is to provide guidance for institutions evaluating sales of covered assets to affiliated persons, as defined in 12 C.F.R. Section 561.29, or members of the immediate families of such persons, as defined in 12 C.F.R. Section 561.30. It is the policy of the Office of Regulatory Activities ("ORA") that any covered assets, as defined in FSLIC Assistance Agreements, should not be sold to affiliated persons or members of their families, as defined above.

For Further Information Contact:
The FHLBank District in which you are located or the Corporate Activities Division of the Office of Regulatory Activities, Washington, DC.

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Background

As a result of FSLIC-assisted transactions, many institutions have portfolios of "covered assets," which are

those assets for which the institution receives yield maintenance payments and/or loss coverage upon disposition of the asset. The sale of covered assets to affiliated persons, or to members of their immediate families, carries considerable risk to the institution and a potential cost to the FSLIC.

Further, the sale of covered assets to such insiders raises the possibility of negative public perception of such transactions. Although the Financial

Assistance Division of the FSLIC reviews the financial terms of all transactions involving covered assets, insider sales could be perceived as "sweetheart deals," even if economically sound. Accordingly, ORA hereby notifies Principal Supervisory Agents and Directors of Agency Functions that covered assets, as defined by FSLIC Assistance Agreements, should not be sold to affiliated persons, as defined above.

— Darrel W. Dochow, Executive Director