

**RESOLUTION 4-H.F.No. 1438**

*A resolution memorializing the Board of Governors of the Federal Reserve Board to reject amendments to its rules that would govern permissible activities of state-chartered banks.*

WHEREAS, the strength and vitality of this country's financial marketplace has depended in large part upon the separate state and federal regulation of this country's state-chartered and federally-chartered banks, respectively; and

WHEREAS, the Minnesota Legislature and Commissioner of Commerce acting in accordance with state law have historically had authority over the activities of banks and other financial institutions organized under the laws of this state; and

WHEREAS, in exercising their responsibility pursuant to such authority, the Legislature and Commissioner of Commerce have always acted to promote the safety and soundness of the state's financial institutions while simultaneously recognizing that such institutions must evolve to meet the needs of a dynamic, rapidly changing marketplace for financial services; and

WHEREAS, the Legislature and Commissioner of Commerce have balanced the competing goals of bank regulation with great success, as evidenced by the tremendous growth in this state of safe and sound financial institutions that provide the public with a wide array of needed financial services; and

WHEREAS, under our nation's "dual banking system," the President, Congress, and federal regulatory officials have traditionally limited their direct regulation of financial institutions to those organized under federal law; and

WHEREAS, in recognition of the primacy of state legislatures and bank regulators with respect to the regulation of state-chartered financial institutions, federal law has historically been drafted and interpreted so as not to intrude upon the regulatory authority of state legislatures and bank regulators; and

WHEREAS, the Federal Reserve Board has recently proposed to amend the provisions of its Regulation Y, enacted pursuant to the Bank Holding Company Act of 1956 (70 Stat. 133, 12 U.S.C., 1841 et seq.), to prohibit state-chartered financial institutions from engaging in various activities otherwise permissible under state law; and

WHEREAS, the amendments to Regulation Y proposed by the Federal Reserve Board would directly interfere with and usurp the historic authority of the states to determine the range of activities in which state-chartered financial institutions may engage; and

WHEREAS, the amendments to Regulation Y proposed by the Federal Reserve Board wrongly presume that the states are incapable of monitoring the continued safety and soundness of state-chartered financial institutions; and

WHEREAS, the amendments to Regulation Y proposed by the Federal Reserve Board wrongly presume that the Federal Reserve Board is better able to assess the financial service needs of the citizens of this state than the Legislature; and

WHEREAS, the amendments to Regulation Y proposed by the Federal Reserve Board threaten the continued viability of our nation's dual federal and state banking systems; and

WHEREAS, the amendments to Regulation Y proposed by the Federal Reserve Board threaten the continued ability of the State of Minnesota to ensure the provision of financial services in a prudent manner within a pro-competitive environment; and

WHEREAS, the Federal Reserve Board has provided parties that would be affected by its proposed amendments to Regulation Y with the opportunity to comment on these proposed amendments; NOW, THEREFORE,

BE IT RESOLVED by the Legislature of the State of Minnesota that the amendments to Regulation Y proposed by the Federal Reserve Board constitute a legally and historically unjustifiable interference with the prerogatives of the State Legislature to determine the range of activities in which financial institutions organized under the laws of this state may engage, consistent with safe and sound banking practices.

BE IT FURTHER RESOLVED that the Secretary of State of the State of Minnesota is directed to prepare certified copies of this memorial and transmit them to the President and Secretary of the United States Senate, the Speaker and Chief Clerk of the United States House of Representatives, Minnesota's Senators and Representatives in Congress, and the Board of Governors of the Federal Reserve System.

Presented to the governor May 5, 1989

Filed May 8, 1989