this subpart and within the time frame required.

- (2) The Director does not approve the capital restoration plan submitted by the Bank: or
- (3) The Director determines that the Bank has failed in any material respect to comply with its approved capital restoration plan or fulfill any schedule for action established by that plan.
- (c) Monitoring. The Director shall monitor the condition of any undercapitalized Bank and monitor the Bank's compliance with the capital restoration plan and any restrictions imposed under this section or §1229.7 of this subpart. As part of this process, the Director shall review the capital restoration plan and any restrictions or requirements imposed on the undercapitalized Bank to determine whether such plan, restrictions or requirements are consistent with the safe and sound operation of the Bank and will further the Bank's compliance with its riskbased and minimum capital requirements in a reasonable period of time.

 $[74 \ FR \ 5604, \ Jan. \ 30, \ 2009, \ as \ amended \ at \ 74 \ FR \ 38513, \ Aug. \ 4, \ 2009]$

§ 1229.7 Discretionary actions applicable to undercapitalized Banks.

- (a) Discretionary safeguards. The Director may take any action with regard to an undercapitalized Bank that may be taken with regard to a significantly undercapitalized Bank under section 1366 of the Safety and Soundness Act (12 U.S.C. 4616) or §1229.7 or §1229.8 of this subpart if the Director determines that such action is necessary to assure the safe and sound operation of the Bank and the Bank's compliance with its risk-based and minimum capital requirements in a reasonable period of time.
- (b) Procedures. Before finalizing any action under this section, the Director shall provide a Bank written notice describing the proposed action or actions and an opportunity to submit information that the Bank considers relevant to the Director's decision to take such action in accordance with §1229.12 of this subpart.

§ 1229.8 Mandatory actions applicable to significantly undercapitalized Banks.

A Bank that is classified as significantly undercapitalized:

- (a) Shall submit to the Director for approval a capital restoration plan that complies with the requirements and procedures established by §1229.11 of this part and receive approval from the Director for such plan:
- (b) Fulfill all terms, conditions and obligations contained in the capital restoration plan once the plan is approved by the Director;
- (c) Shall not make any capital distribution that would result in the Bank being reclassified as critically undercapitalized or that would violate any restriction on the redemption or repurchase of capital stock or the payment of a dividend set forth in section 6 of the Bank Act (12 U.S.C. 1426) or any applicable regulation:
- (d) Shall not make any capital distribution not otherwise prohibited under paragraph (c) of this section absent the prior written approval of the Director, provided that the Director may approve such distribution only if the Director determines that:
- (1) The capital distribution will enhance the ability of the Bank to meet its risk-based and minimum capital requirements promptly;
- (2) The capital distribution will contribute to the long-term financial safety and soundness of the Bank; or
- (3) The capital distribution is otherwise in the public interest;
- (e) Shall not without prior written approval of the Director pay a bonus to any executive officer, provided that for purposes of this paragraph a bonus shall include any amount paid or accruing to an executive officer under a profit sharing arrangement;
- (f) Shall not without the prior written approval of the Director compensate an executive officer at a rate exceeding the average rate of compensation of that officer during the 12 months preceding the calendar month in which the Bank became significantly undercapitalized, provided however, that for purposes of calculating the executive officer's average rate of compensation, such compensation shall not include any bonus or profit sharing