



American Revolution Bicentennial

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 76-54  
April 7, 1976

## PROPOSAL TO AMEND REGULATION Y

### BANK HOLDING COMPANIES

**TO ALL BANKS  
AND OTHERS CONCERNED IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:**

The Board of Governors of the Federal Reserve System invites public comment on its proposal to add a new nonbank activity to the list of permissible activities for bank holding companies.

The proposal--to engage in the sale of money orders or money order-like payment instruments of various denominations--was made in connection with applications by bank holding companies to engage in this activity and is printed on the following pages.

The Board invites comment on whether the proposed activity is "so closely related to banking or managing and controlling banks as to be a proper incident thereto" that it should be permitted under the Bank Holding Company Act.

The Board also invites comment on whether the applications to engage in the new activity can be expected to produce public benefits that outweigh any adverse consequences.

Interested persons are invited to submit relevant data, views, or arguments in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than April 30, 1976. All materials submitted should include the docket number R-0030.

Sincerely yours,

T. W. Plant

First Vice President

[12 CFR Part 225]

[Regulation Y]

BANK HOLDING COMPANIES

[Docket No. R-0030]

Issuance of Payment Instruments

The Board of Governors has received two applications filed pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1848(c)(8)) and § 225.4(b)(2) of the Board's Regulation Y (12 CFR 225.4(b)(2)), for prior approval to acquire (retain) shares of companies to be engaged in the issuance of certain payment instruments. The activities which are the subject of the two applications have not previously been determined by the Board of Governors to be closely related to banking.

(1) Citicorp, New York, New York, has applied to acquire voting shares of Citicorp Services, Inc., New York, New York, and thereby to engage de novo in the activity of issuing and offering on a consignment basis, general purpose variable denominated payment instruments to vendors or agents who would then sell the payment instruments to the general public. The denominations of the payment instruments would be specified by the purchasers.

(2) Republic of Texas Corporation, Dallas, Texas, has applied to retain the shares of Republic Commerce Company, and thereby to retain indirect ownership or control of shares of Republic Money Orders, Inc., and Republic Money Orders of California, Inc. Applicant proposes to

continue to engage in the activity of issuing money orders to third party agents who would then sell the money orders to the general public.

Section 4(c) (8) of the Bank Holding Company Act provides that a bank holding company may, with Board approval, acquire "shares of any company the activities of which the Board after due notice and opportunity for hearing has determined (by order or regulation) to be so closely related to banking or managing or controlling banks as to be a proper incident thereto."

Money orders and variable denominated payment instruments are substitutes for such other payment media as currency, personal checks, certified checks, and cashiers checks. Although there are some technical differences between money orders and variable denominated payment instruments, they are similar in their essential characteristics and purpose. Accordingly, it appears appropriate to consider the two proposals together. The Applicants state that the respective proposed activities are so closely related to banking as to be a proper incident thereto.

In connection with these applications, the Board will also consider amending its Regulation Y (12 CFR 225.4(a)) to add the activity of issuing payment instruments of this type to the list of activities the Board has previously determined to be closely related to banking. Interested persons may express their views on the question of whether the issuance of money orders and variable denominated payment instruments

is so closely related to banking or managing or controlling banks as to be a proper incident thereto.

Interested persons may also express their views on the question of whether consummation of the individual subject proposals can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

Any requests for a hearing on these questions should be accompanied by a statement summarizing the evidence the person requesting the hearing proposes to submit or to elicit at the hearing and a statement of the reasons why this matter should not be resolved without a hearing.

The applications may be inspected at the offices of the Board of Governors or at the respective Federal Reserve Banks of the bank companies.

Any views or requests for hearing should be submitted in writing and received by the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, not later than April 30, 1976. All material submitted should include the docket number R-0030.

Board of Governors of the Federal Reserve System, March 26, 1976.

(Signed) Theodore E. Allison

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Theodore E. Allison  
Secretary of the Board

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