

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 77-75

July 5, 1977

REGULATION Y--BANK HOLDING COMPANIES

**TO ALL MEMBER BANKS,
BANK HOLDING COMPANIES,
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:**

The Board of Governors of the Federal Reserve System has decided to take under consideration proposals by four bank holding companies to have a subsidiary engage in the business of acting as a futures commission merchant to execute futures contracts covering gold and silver bullion and coins.

Printed on the following pages of this circular are the Board's press release and the text of proposals as submitted for publication in the FEDERAL REGISTER. Comments 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 July 13, 1977.

Sincerely yours,

Robert H. Boykin

First Vice President



FEDERAL RESERVE

press release

For immediate release

June 22, 1977

The Board of Governors of the Federal Reserve System has decided to take under consideration proposals by four bank holding companies to have a subsidiary engage in the business of acting as a futures commission merchant to execute futures contracts covering gold and silver bullion and coins.

The Board will receive comment through July 13, 1977.

In deciding that it would consider the applications, the Board concluded that there is a reasonable basis for the holding companies' opinion that the proposed activity is closely related to banking.

The Bank Holding Company Act requires that the Board decide what nonbanking businesses are closely enough related to banking to be included among activities permissible for bank holding companies.

The Board has not previously determined that acting as a futures commission merchant to execute futures contracts covering gold and silver bullion and coins is closely related to banking or that it is an activity permissible for bank holding companies. The Board did not do so at this time.

In requesting public comment on the applications, the Board asked specifically for comment on the question whether (1) the proposed activity is closely related and a proper incident to banking, and (2) whether performance of the proposed activity by a

holding company subsidiary can reasonably be expected to produce benefits to the public that would outweigh any adverse effects.

In the present case, four bank holding companies, Republic New York Corporation and three of its parent corporations (Trade Development Bank, Geneva, Switzerland; Trade Development Bank Holding S.A., Luxembourg, and Saban S.A., Panama) have applied to retain shares of Republic Clearing Corporation, New York, New York, after Republic Clearing commences the proposed activity. Republic Clearing now engages in substantially the same business, but only for one of its parent holding companies and a bank controlled by the holding companies. For Republic Clearing to provide the service to others requires prior Board approval.

The Republic Clearing proposes to act as a futures commission merchant for persons whose business is entirely or substantially devoted to trading and dealing in gold and silver bullion and coins. The corporation would do so as a member of four commodity exchanges.

A copy of the Board's notice in this matter is attached.

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FEDERAL RESERVE SYSTEM

REPUBLIC NEW YORK CORPORATION
TRADE DEVELOPMENT BANK
TRADE DEVELOPMENT BANK HOLDING S.A.
SABAN S.A.

Proposed Retention of Republic Clearing Corporation

Republic New York Corporation, New York, New York; Trade Development Bank, Geneva, Switzerland; Trade Development Bank Holding S.A., Luxembourg, Luxembourg; and Saban S.A., Panama, Panama, have applied, pursuant to § 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and § 225.4(a) and (b)(2) of the Board's Regulation Y (12 CFR § 225.4(a) and (b)(2)), for permission to retain voting shares of Republic Clearing Corporation, New York, New York, a servicing company presently held under authority of § 4(c)(1)(C) of the Act (12 U.S.C. 1843(c)(1)(C)), after that company expands the activities in which it engages. Notice of the applications was published on December 16, 1976, in the New York Post and the Chicago Tribune, newspapers circulated in New York, New York, and Chicago, Illinois, respectively, and in The Wall Street Journal, a newspaper circulated in both cities; and on December 20, 1976, in The New York Times, a newspaper circulated in New York, New York.

Applicants state that Republic Clearing Corporation would engage in the following activity: acting as a futures commission merchant for the execution, for the account of persons whose business is entirely or substantially devoted to trading and dealing in gold and silver bullion and coins, of future contracts covering gold and

silver bullion and coins on contract markets of which Republic Clearing Corporation is a member. This activity has not been specified by the Board in section 225.4(a) of Regulation Y as permissible for bank holding companies. Applicants believe, however, that the activity is closely related to banking and a proper incident thereto, and this opinion is based in part on a Board Order of September 27, 1973, approving an acquisition of voting shares of Mocatta Metals, Inc., New York, New York, by Standard and Chartered Banking Group, Limited, London, England (38 Fed. Reg. 27552).

Interested persons may express their views on whether the proposed activity 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 whether consummation of the proposal 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 request for a hearing on this question 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 Federal Reserve Bank of New York.

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 July 13, 1977.

Board of Governors of the Federal Reserve System, June 15, 1977.

(signed) Griffith L. Garwood

Griffith L. Garwood
Deputy Secretary of the Board

(SEAL)