

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 78-23

February 27, 1978

REGULATION Y--BANK HOLDING COMPANIES

Notice of Proposed Rulemaking Relating to the Sale at Retail
Of Money Orders and Similar Instruments, Travelers Checks,
U. S. Savings Bonds, and Consumer Financial Management Courses

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 issued for public comment, a proposed amendment to its Regulation Y that would permit bank holding companies and their nonbank subsidiaries to sell, at retail, money orders and similar instruments, travelers checks, U.S. Savings Bonds, and consumer-oriented financial management courses. The Board invited public comment on the proposal in connection with an application by Citicorp, a New York bank holding company, to engage in such activities in Utah.

The Board has outstanding a proposal to permit bank holding companies to add to their permissible activities the issuance at wholesale of money orders and similar instruments for sale to consumers by others.

Specifically, the Board is asking for comments on whether the proposed activities are closely related to banking, and whether they would produce public benefits outweighing any possible adverse effects if engaged in by Citicorp or by bank holding companies in general.

Printed on the enclosed pages is the text of the Board's proposal as submitted to the FEDERAL REGISTER. Any views or requests for hearings 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 March 14, 1978. All materials submitted should include the docket number R-0145.

Sincerely yours,

Robert H. Boykin

First Vice President

Enclosure

Extract From
FEDERAL REGISTER,
VOL. 43, NO. 37,
Thursday, February 23, 1978
pp. 7440 - 7441

[6210-01]

FEDERAL RESERVE SYSTEM

[12 CFR Part 225]

[Reg. Y; Docket No. R-0145]

NONBANKING ACTIVITIES

Application to Engage in the Sale of Money Orders and Similar Instruments, Travelers Checks, U.S. Savings Bonds, and Consumer Financial Management Courses, and of Possible Rulemaking With Respect Thereto

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice of application and proposed rule.

SUMMARY: In conjunction with its consideration of an application by Citicorp, New York, N.Y., the Board may consider a proposed rule that would permit bank holding companies to engage, directly or indirectly, in the sale of money orders and similar instruments, travelers checks, U.S. Savings Bonds, and consumer-oriented financial management courses and instructional material, subject to Board approval of specific proposals.

DATE: Comments must be received by March 14, 1978.

ADDRESS: Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. All material submitted should include the docket number R-0145.

FOR FURTHER INFORMATION CONTACT:

Robert E. Mannion, Associate General Counsel, 202-452-3274, or James McAfee, Senior Attorney, 202-452-3707, Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION:

(1) *Notice of application.* Citicorp has applied pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and 225.4(b)(2) of the Board's Regulation Y (12 CFR 225.4(b)(2)) for permission to engage in the sale of money orders and similar instruments, travelers checks, U.S. savings bonds, and consumer-oriented financial management courses and instructional material. These activities, which the Board has not previously found to be closely related to banking, would be performed by Citicorp

Person-to-Person Financial Centers, subsidiaries of Nationwide Financial Services Corp. (a subsidiary of Citicorp) at eight existing offices in Utah. Notice of the application was published November 10, 1977, in the Ogden Standard-Examiner, The Daily Herald, and The Salt Lake Tribune, newspapers circulated in Ogden, Provo, and Salt Lake City, Utah, respectively, and the application may be inspected at the offices of the Board of Governors or at the Federal Reserve Bank of New York.

(2) *Possible rulemaking.* In connection with its consideration of Citicorp's application, the Board, although not required to do so, may also consider whether § 225.4(a) of the Board's Regulation Y (12 CFR 225.4(a)) should be amended to add the activities proposed by Citicorp to those permissible generally for bank holding companies under section 4(c)(8) of the Bank Holding Company Act. A proposed text of such an amendment, the chief effect of which would be to permit bank holding companies to engage de novo in these activities in normal cases upon 45-days' notice to the public and to the appropriate Federal Reserve Bank, is set forth at the end of this notice.

(3) *Submission of comments.* To aid the Board in its consideration both of Citicorp's application and related rulemaking, interested persons may express their views on the questions whether the proposed activities, or any of them, are "so closely related to banking or managing or controlling banks as to be a proper incident thereto," and whether consummation of Citicorp's proposal, or whether performance of the proposed activities generally by an affiliate of a bank holding company, can "reasonably be expected to produce benefits to the public, such as greater convenience, increase competition, or gains in efficiency, that outweigh possible adverse effects, such as under concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." Any request 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.

Any views or requests for a 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 March 14, 1978. All material submitted should include the docket number R-0145. Such information will be made available for inspection and copying upon request except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information (12 CFR 261.6(a)).

(4) *Authority.* This action is proposed pursuant to the Board's authority under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)).

Section 225.4(a)(5)(iv) of the Board's Regulation Y (12 CFR 225.4(a)(5)(iv)) would be amended and section 225.4 of the Board's Regulation Y (12 CFR 225.4(a)) would also be amended by adding the following new paragraph (13) immediately following § 225.4(a)(12):

§ 225.4 Nonbanking activities.

(a) *Activities closely related to banking or managing or controlling banks.* * * * The following activities have been determined by the Board to be closely related to banking or managing or controlling banks as to be a proper incident thereto:

(5) Acting as investment or financial adviser to the extent of * * *

(iv) Furnishing general economic information and advice, consumer-oriented financial management courses and instructional material, general economic statistical forecasting services and industry studies;*

(13) the sale at retail of money orders and other variable denominated instruments, travelers checks, and U.S. savings bonds.

Board of Governors of the Federal Reserve System, February 15, 1978.

GRIFFITH L. GARWOOD,
Deputy Secretary of the Board.
[FR Doc. 78-4820 Filed 2-22-78; 8:45 am]

*This is to be contrasted with "management consulting" which the Board views as including, but not limited to, the provision of analysis or advice as to a firm's (i) purchasing operations, such as inventory control, sources of supply, and cost minimization subject to constraints; (ii) production operations, such as quality control, work measurement, product methods, scheduling shifts, time and motion studies, and safety standards; (iii) marketing operations, such as market testing, advertising programs, market development, packaging, and brand development; (iv) planning operations, such as demand and cost projections, plant location, program planning, corporate acquisitions and mergers and determination of long-term and short-term goals; (v) personnel operations, such as recruitment, training, incentive programs, employee compensation, and management-personnel relations; (vi) internal operations, such as taxes, corporate organization, budgeting systems, budget control, data processing systems evaluation, and efficiency evaluation; or (vii) research operations, such as product development, basic research, and product design and innovation. The Board has determined that "management consulting" is not an activity that is so closely related to banking or managing or controlling banks as to be a proper incident thereto.