

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

**Circular No. 79-51
March 16, 1979**

**REGULATION Y--BANK HOLDING COMPANIES AND
CHANGE IN BANK CONTROL**

(Adoption of New Nonbanking Activity)

**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 adopted an amendment to Regulation Y to add the sale at retail of money orders, travelers checks, and U.S. savings bonds to its list of permissible nonbank activities. The Board fixed a maximum face value of \$1,000 on the money orders sold at offices of bank holding companies and their subsidiaries. The amendment will become effective April 2, 1979.

The new activity is part of a proposed rule issued by the Board in February 1978 in connection with an application filed by Citicorp, a New York bank holding company. A portion of that proposal, which would have allowed bank holding companies to provide financial management courses, was rejected. The Board stated that applications filed by bank holding companies to engage in the activity of furnishing consumer-oriented financial management courses will be considered on a case-by-case basis. Printed on the reverse of this circular is the Board's order, as published in the *Federal Register*, adopting the new amendment.

Member banks and others that maintain Regulations Binders are requested to file the enclosed amendment in their binders.

Any questions concerning Regulation Y should be directed to the Attorneys' Section of our Holding Company Supervision Department, Ext. 6182. Additional copies of the amendment will be furnished upon request to the Secretary's Office of this Bank, Ext. 6267.

**Sincerely yours,
Robert H. Boykin
First Vice President**

Enclosure

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

Extract from
Federal Register
VOL. 44, NO. 44
Monday, March 5, 1979
p. 12019

[6210-01-M]

Title 12—Banks and Banking

CHAPTER II—FEDERAL RESERVE SYSTEM

SUBCHAPTER A—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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

PART 225—BANK HOLDING COMPANIES

Nonbank Activities

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board has adopted a final rule, substantially as proposed in February 1978, (43 FR 7440), that adds the sale of money orders, travelers checks, and U.S. savings bonds to the list of those activities permissible for bank holding companies. The Board found that these activities have been traditionally engaged in by banks and that their provision by bank holding companies was likely in the usual case to yield net benefits to the public. The Board declined to add the provision of financial management courses to that list as it had originally proposed.

EFFECTIVE DATE: April 2, 1979.

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: In conjunction with an application by Citicorp, New York, New York, the Board in February 1978 published notice of a proposed amendment to its Regulation Y that would add the retail sale of money orders and other instruments, travelers checks, U.S. savings bonds, financial management courses, and other educational materials relating to financial matters to the list of activities permissible for bank holding companies and their nonbank subsidiaries. 43 FR 7440 (1978). The comments received in response to that proposal did not adequately explore the appropriate boundaries on an industry-wide basis for educational activ-

ities of bank holding companies, and as a consequence the Board has declined to adopt that part of the proposed rule relating to financial management courses and educational materials. Instead, the Board will consider proposals by bank holding companies to engage in these activities on a case-by-case basis.

Similarly, that part of the proposed rule that would have authorized the sale of "variable denominated instruments" engendered confusion among commenters, and on the basis of submissions by Citicorp it now appears that there is no present need for this authorization in a regulation of industry-wide applicability. For those reasons the Board has declined to adopt that part of the proposed rule.

The balance of the proposal, which the Board has adopted as a final rule, authorizes the retail sale to the public by bank holding companies of money orders, travelers checks, and U.S. savings bonds at offices operated by them and their nonbank subsidiaries, subject to Board approval of specific proposals. The Board found that these activities have been traditionally engaged in by banks and that their provision by bank holding companies was likely in the usual case to yield net benefits to the public. A fuller discussion of the Board's consideration of the proposed activities is included in its Order regarding the associated application by Citicorp to engage in the activities at several offices in Utah, which has been published in the notice section of this issue of the *FEDERAL REGISTER* for the information of interested persons. In response to several comments on that application, the Board stressed in its Order that this action concerned the retail sale of travelers checks and money orders and did not authorize their issuance by bank holding companies, and that Board authorization of activities under section 4(c)(8) of the Act did not exempt bank holding companies from complying with licensing, bonding, and other requirements of law applicable to persons engaged in those activities. The Board has also denied several requests for hearings that were not relevant to the proposal as it has been adopted, for the reasons explained in its Order.

The Board has added a condition to the final rule that was not in the proposed rule that would restrict money orders sold under this authority to a face value of \$1,000. The purpose of this restriction is to conform the authorization to earlier Board actions respecting the issuance of such instruments by insuring that they retain their character as consumer instruments.

(2) This action is taken pursuant to the Board's authority under sections

4(c)(8) and 5(b) of the Bank Holding Company Act, 12 U.S.C. 1843(c)(8) and 1844(b).

§ 225.4 [Amended]

Effective April 2, 1979, § 225.4(a) of the Board's Regulation Y (12 CFR 225.4(a)) is amended by adding the following new subparagraph (13) immediately following § 225.4(a)(12):

• • • • •
(a) • • •

(13) The sale at retail of money orders having a face value of not more than \$1,000 and travelers checks and the sale of U.S. savings bonds.

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Board of Governors of the Federal Reserve System, February 26, 1979.

THEODORE E. ALLISON,
Secretary of the Board.

[FR Doc. 79-6409 Filed 3-2-79; 8:45 am]

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL

AMENDMENT TO REGULATION Y†

Effective April 2, 1979, Section 225.4(a) is amended as follows:

(a) Activities closely related to banking or managing or controlling banks.

* * *

**SECTION 225.4 — NONBANKING
ACTIVITIES**

(13) The sale at retail of money orders having a face value of not more than \$1,000 and travelers checks and the sale of U.S. savings bonds.

†For this Regulation to be complete as amended effective April 2, 1979, retain:

- 1) Printed Regulation Y pamphlet as amended effective April 5, 1978;
- 2) Amendment effective January 1, 1979, Section 225.4(b);
- 3) Amendment effective March 10, 1979, Section 225.1;
- 4) Amendment effective March 10, 1979, adding Section 225.7; and
- 5) This slip sheet.