

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-138
July 9, 1981

REGULATION Y
BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL ACT

(Proposed Rulemaking Relating to Travelers Checks)

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 proposal to add the issuance of travelers checks to the list of permissible nonbank activities in which bank holding companies may engage.

In the past, the Board has approved such applications on a case-by-case basis. Following approval of several such cases, the Board is now seeking public comment on the appropriateness of adding the issuance of travelers checks as a generally permissible nonbank activity.

Printed on the following pages is the Board's notice, as published in the Federal Register, inviting comment on this proposal. All responses to the request for comments regarding this rulemaking study must be in writing and include the Docket No. R-0361. All comments should be addressed to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, and received no later than August 31, 1981.

Questions regarding this proposal may be directed to the Attorney's Section of this Bank's Holding Company Supervision Department, Ext. 6182.

Sincerely yours,



William H. Wallace
First Vice President

FEDERAL RESERVE press release



For immediate release

June 18, 1981

The Federal Reserve Board today invited comment on a proposal to amend its Regulation Y to include the issuance of travelers checks in the list of nonbanking activities permissible for bank holding companies.

The Board invited comment by August 31, 1981.

The Board's notice is attached.

Attachment

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FEDERAL RESERVE SYSTEM

[12 C.F.R. Part 225]

[Regulation Y; Docket No. R-0361]

BANK HOLDING COMPANIES
NONBANKING ACTIVITIES

Issuance of Travelers Checks
Notice of Proposed Rulemaking

AGENCY: Board of Governors of the Federal Reserve System.

SUMMARY: In the past, the Board has approved applications by bank holding companies filed pursuant to section 4(c)(8) of the Bank Holding Company Act, 12 U.S.C. § 1841 et seq., and section 225.4(b)(2) of the Board's Regulation Y, 12 C.F.R. § 225.4(b)(2), to engage in the issuance of travelers checks. At this time, the Board will consider a proposed rule that would amend section 225.4(a)(13) of its Regulation Y, 12 C.F.R. § 225.4(a)13, by adding the issuance of travelers checks to the list of nonbanking activities permissible for bank holding companies.

DATE: Comments must be received by August 31, 1981.

ADDRESS: Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. All material submitted should include the docket number R-0361.

FOR FURTHER INFORMATION CONTACT: R. Whiting, Senior Attorney (202/452-3779) or S. Weinberg, Attorney (202/452-3707), Legal Division, or S. Sussan, Manager, Division of Banking Supervision and Regulation (202/452-2818), Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: (1) Proposed Rulemaking. The Board is inviting comment on whether section 225.4(a)(13) of the Board's Regulation Y (12 C.F.R. § 225.4(a)(13)) should be amended to add the issuance of travelers checks to those activities permissible generally for bank holding companies under section 4(c)(8) of the Bank Holding Company Act. Section 4(c)(8) of the Bank Holding Company Act states that bank holding companies lawfully may engage in those activities the Board has "determined (by order or regulation) to be so closely related to banking or managing and controlling banks as to be a proper incident thereto." 12 U.S.C. § 1843(c)(8).

In determining whether a proposed nonbanking activity is "closely related" to banking, the Board generally applies the standards set forth in National Courier Association v. Board of Governors of the Federal Reserve System, 516 F.2d 1229 (D.C. Cir. 1975). In that opinion the Court held that a proposed nonbanking activity would be considered "closely related" to banking if it met at least one of the following criteria:

- (1) Banks generally have in fact provided the proposed services.
- (2) Banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed service.
- (3) Banks generally provide services that are so integrally related to the proposed services as to require their provision in a specialized form.

On several occasions the Board by order has found the conduct of this activity by particular bank holding companies to be "closely related" to banking. Seafirst Corporation ___ Federal Reserve Bulletin ___ (1981) ("Seafirst"); The Chase Manhattan Corporation 66 Federal Reserve Bulletin 983 (1980); First Chicago Corporation 65 Federal Reserve Bulletin 937 (1979); Citicorp 65 Federal Reserve Bulletin 666 (1979); and Republic of Texas Corporation 62 Federal Reserve Bulletin 630 (1976). Thus, in the circumstances presented, the Board has concluded that sufficient evidence exists to warrant a finding that there is a reasonable basis for the opinion that the issuance of travelers checks by bank holding companies generally is an activity "closely related" to banking and now solicits comments as to whether the activity of issuing travelers checks should be added to section 225.4(a) of Regulation Y.

(2) Submission of Comments. To aid the Board in its consideration of the proposed rulemaking, interested persons may express their views on the question whether performance of the proposed activity generally by an affiliate of a bank holding company, is so "closely related to banking or managing or controlling banks as to be a proper incident thereto" within the meaning of section 4(c)(8) of the Bank Holding Company Act. 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.

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 August 31, 1981. All material submitted should include the docket number R-0361. Such information will be made available for inspection and copying upon request except as provided in section 261.6(a) of the Board's Rules Regarding Availability of Information (12 C.F.R. § 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) of the Board's Regulation Y (12 C.F.R. § 225.4(a)) would be amended as follows:

SECTION 225.4 - NONBANKING ACTIVITIES

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

* * *

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

Board of Governors, effective June 18, 1981.

(Signed) James McAfee

James McAfee
Assistant Secretary of the Board

[SEAL]