

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-170
August 25, 1981

REGULATION Y
BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL ACT

(Proposed Rulemaking Relating to Data Processing and
Electronic Funds Transfer Activities)

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 rule concerning certain data processing activities, including electronic funds transfer activities. The proposed amendments are presented for public comment in connection with hearings held following an application filed by Citicorp, New York, New York, to engage in such activities.

Enclosed 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-0363. All comments should be addressed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, and be received no later than October 1, 1981.

Questions regarding this proposal may be directed to the Attorney's Section of this Bank's Holding Company Supervision Department, Ext. 6489. Additional Copies of this circular may be obtained by calling the Department of Communications, Financial and Community Affairs of this Bank, Ext. 6289.

Sincerely yours,



William H. Wallace
First Vice President

Enclosure

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

FEDERAL RESERVE press release



For immediate release

July 22, 1981

The Federal Reserve Board today requested comment on proposed amendments to its Regulation Y (Bank Holding Companies) concerning data processing.

The Board requested comment by October 1, 1981, in connection with hearings conducted pursuant to an application by Citicorp to engage in certain data processing activities.

The Board's notice is attached.

FEDERAL RESERVE SYSTEM

12 CFR PART 225

BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL

[Regulation Y]
(Docket Number R-0363)

Proposed Rule Regarding Data Processing
and Electronic Funds Transfer Activities

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed rule.

SUMMARY: On November 5, 1980, the Board issued an amended Order for Hearing [45 FR 75221 (1980)] regarding an application by Citicorp, New York, New York, to engage in certain data processing activities through a subsidiary to be known as Citishare Corporation. The amended Order reflected an amendment to Citicorp's application involving certain activities related to data processing and transmission, including electronic funds transfer activities, that may not previously have been authorized by Regulation Y. The Board's amended Order and related Federal Register notice announced initiation of rulemaking and set out Citicorp's proposed data processing and transmission activities in detail. Comments are requested concerning the rule proposed by Citicorp that would authorize such activities, for consideration as part of the record of the hearing on Citicorp's proposal.

DATE: Comments must be received by October 1, 1981.

ADDRESS: Comments may be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D. C. 20551, or delivered to Room B-2223 between 8:45 a.m. and 5:15 p.m. Comments received may also be inspected

at Room B-1122 between 8:45 a.m. and 5:15 p.m., except as provided in section 261.6(a) of the Board's Rules Regarding Availability of Information (12 C.F.R. § 261.6(a)).

FOR FURTHER INFORMATION CONTACT: Carl V. Howard, Senior Attorney (202/452-3786), or Michael L. Kadish, Attorney (202/452-3428), Legal Division, Board of Governors of the Federal Reserve System.

SUPPLEMENTARY INFORMATION: Under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)), a bank holding company or its subsidiaries may engage, with the Board's prior approval, in any activity that the Board has determined "to be so closely related to banking or managing or controlling banks as to be a proper incident thereto."

This section authorizes the Board to make the determination of whether an activity is closely related to banking by regulation.

The Administrative Law Judge in the hearing on Citicorp's proposal has ruled that interested persons may, without participating in the adjudicatory aspects of the hearing, express their views on the question of whether the activities covered by the proposed rule are "so closely related to banking or managing or controlling banks as to be a proper incident thereto."

Pursuant to its authority under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)), the Board proposes the following amendments to 12 C.F.R. § 225.4:

1. Section 225.4(a)(8) would be amended to read as follows:

SECTION 225.4--NONBANK ACTIVITIES

(a) ***

* * * * *

- (8)(i) providing data processing and transmission services, information or facilities 7/ for the internal operations of the holding company and its subsidiaries;
- (ii) providing to others data processing and transmission services, information or facilities, or access to such services, information or facilities, wherein the data to be processed or furnished are financial, banking or economic related;
- (iii) providing by-products of permissible data processing and transmission activities; and
- (iv) providing excess capacity on data processing and transmission equipment and facilities used in connection with activities under (i) and (ii) above, but only to the extent of furnishing the facilities necessary to the utilization of the excess capacity.

7/ The term "facilities" includes data processing and transmission hardware, software, documentation, and operating personnel.

2. Footnotes 7, 8, 9, 10, 11, and 12 to 12 C.F.R. § 225.4 would be redesignated as footnotes 8, 9, 10, 11, 12, and 13, respectively.

Board of Governors of the Federal Reserve System, July 17, 1981.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board

[SEAL]