

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-238  
December 21, 1981

REGULATION Y  
BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL

(Final 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 amended its Regulation Y, effective December 21, 1981, to include the issuance of travelers checks as a permissible nonbank activity in which bank holding companies may engage. Comments concerning this activity were requested in Circular No. 81-138, dated July 9, 1981.

Printed on the reverse of this circular is the text of the Board's notice as published in the Federal Register amending Section 225.4(a)(13) of Regulation Y. Enclosed is the slip-sheet amendment making Regulation Y complete, effective December 21, 1981. Please file the slip-sheet in Vol. II of your Regulations Binders and destroy the amendments dated September 1981.

Questions regarding the contents of this circular may be directed to Eugene A. Marsico, Jr., Senior Attorney of the Holding Company Supervision Department, Ext. 6182.

Additional copies of this circular and slip-sheet amendment will be furnished upon request to the Department of Communications, Financial and Community Affairs, Ext. 6289.

Sincerely yours,



William H. Wallace  
First Vice President

Enclosure

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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 SYSTEM****12 CFR Part 225**

[Docket No. R-0361]

**Regulation Y; Bank Holding Companies and Change in Bank Control; Issuance of Travelers Checks****AGENCY:** Board of Governors of the Federal Reserve System.**ACTION:** Final rule.

**SUMMARY:** The Board has adopted a final rule as proposed on June 18, 1981, that adds the issuance of travelers checks to the list of nonbank activities permissible for bank holding companies. This action determines by regulation that the issuance of travelers checks is "closely related" to banking and thereby facilitates the application process for bank holding company applicants.

**EFFECTIVE DATE:** December 21, 1981.

**FOR FURTHER INFORMATION CONTACT:** Richard Whiting, Senior Attorney (202/452-3779), or Susan Weinberg, Attorney (202/452-3707), Legal Division, or Sidney 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:** Section 4(c)(8) of the Bank Holding Company Act, 12 U.S.C. 1843(c)(8), states that bank holding companies 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.<sup>1</sup> 12 U.S.C. 1843(c)(8).<sup>1</sup> In determining whether the issuance of travelers checks is "closely related" to banking the Board has taken into consideration the guidelines stated by the Court in *National Courier Association v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229 (D.C. Cir. 1975):

(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 service 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 a number of occasions the Board by order has found the conduct of this

activity by a particular bank holding company to be "closely related" to banking. *First Maryland Corporation*, 67 Federal Reserve Bulletin 579; *Seafirst Corporation*, 67 Federal Reserve Bulletin 517 (1981); *The Chase Manhattan Corporation*, 66 Federal Reserve Bulletin 937 (1979); *Citicorp*, 65 Federal Reserve Bulletin 666 (1979); *Republic of Texas Corporation*, 62 Federal Reserve Bulletin 630 (1976); and *BankAmerica Corporation*, 59 Federal Reserve Bulletin 544 (1973). In connection with its approval of these applications the Board noted that banks historically have engaged in the issuance of travelers checks as well as in the issuance of other, similar payment instruments. Accordingly, the Board concluded that the issuance of travelers checks by each of these bank holding companies was "closely related" to banking.

In June 1981, (June 24, 1981; 46 FR 32594) The Board published for comment a proposal to add the issuance of travelers checks to the provisions of Regulation Y. The comments received in response to the Board's notice of proposed rulemaking were overwhelmingly favorable. These comments cited both the historical precedent for permitting banks and bank holding companies to engage in the activity and the similarity of the issuance of travelers checks to the issuance of other instruments such as cashiers checks, letters of credit and sight drafts. In addition, it was frequently stated that permitting bank holding companies to issue travelers checks would reasonably be likely to result in public benefits. The travelers check industry is highly concentrated and it appears that additional entrants into the market may have some procompetitive effects. However, one commenter objected to adoption of the proposal and requested a hearing on the matter. The Board has reviewed the comments opposing adoption of the proposal and has found them to be without merit. Thus, the Board has denied the commenter's request for a hearing. Accordingly, the Board has found the issuance of the travelers checks to be "closely related" to banking within the meaning of the BHC Act and has adopted a final rule, authorizing bank holding companies to issue travelers checks, subject to Board approval of a specific proposal.

For the purposes of 5 U.S.C. 605(b) (The Regulatory Flexibility Act), the Board certifies that this rule will not have a significant economic impact on a substantial number of small entities. Indeed, this rule should facilitate the

application process for any company wishing to engage in the activity.

**PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL**

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). In order to implement this rule, § 225.4(a)(13) of the Board's Regulation Y is revised to read as follows:

**§ 225.4 Nonbanking activities.**

(a) \* \* \*

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

Board of Governors of the Federal Reserve System, November 18, 1981.

William W. Wiles,  
*Secretary of the Board.*

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<sup>1</sup> In *Investment Company Institute v. Board of Governors of the Federal Reserve System*, 101 S. Ct. 973 (1981), the Court stated that, "[t]he Board's determination of what activities are 'closely related' to banking is entitled to the greatest deference".

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**  
**BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL**

**AMENDMENTS TO REGULATION Y †**

As amended effective December 21, 1981

Effective March 10, 1979 the title to Regulation Y is revised to read "Part 225—Bank Holding Companies and Change in Bank Control", and section 225.1(a) and (b) are amended; effective October 24, 1979, section 225.1(c) is amended as follows:

**SECTION 225.1—AUTHORITY, SCOPE,  
AND DEFINITIONS**

(a) **Authority and scope.** This Part is issued by the Board of Governors of the Federal Reserve System under section 5(b) of the Bank Holding Company Act of 1956 ("the Act") (12 U.S.C. § 1844(b)) and section 7(j)(13) of the Federal Deposit Insurance Act, as amended by the Change in Bank Control Act of 1978 ("the Control Act"), (12 U.S.C. § 1817(j)(13)). Sections 225.2 through 225.6 of this Part implement the Act, and section 225.7 of this Part implements the Control Act.

(b) **Terms used in the Act.** As used in this Part, the terms "bank holding company," "company," "bank," "subsidiary," and "Board" have the same meanings as those given such terms in the Act. As used in section 225.7 of this Part, the term "person" has the meaning given it in the Control Act.

(c) **Federal Reserve Bank.** The term "Federal Reserve Bank" as used in this Part with respect to action by, on behalf of, or directed to be taken by a bank holding company or other organization shall mean either the Federal Reserve Bank of the Federal Reserve district in which the operations of the bank holding company or other organization are principally conducted, as measured by total deposits held or controlled by it in subsidiary banks on the date on which it became, or is to become, a bank holding company, or such Reserve Bank as the Board may designate. In the case of a foreign banking organization that is not a bank holding company but which has one or more branches, agencies, or

commercial lending companies located in any State of the United States or the District of Columbia, "Federal Reserve Bank" shall mean, unless otherwise determined by the Board, the Reserve Bank of the district in which its banking assets are the largest as of the later of January 1, 1980, or the date that it establishes its first branch, agency, or commercial lending company. With respect to notices filed and other actions taken under the Control Act, the term refers to the Federal Reserve Bank for the institution to be acquired, as determined by the preceding sentence in the case of bank holding companies and by section 9 of the Federal Reserve Act in the case of State member banks.

\* \* \* \* \*

Effective December 5, 1979, section 225.4(a)(9)(iii) is amended; effective September 1, 1981, section 225.4(a)(9)(i) and (ii) is amended; effective December 31, 1980, new section 224.4(a)(14) is added; effective January 1, 1979, section 225.4(b)(1) and (2) is amended; effective October 24, 1979, section 225.4(g)(3) is amended; and effective December 21, 1981, section 224.5(a)(13) is amended as follows:

**SECTION 225.4 — NONBANKING ACTIVITIES**

(a) \*\*\*

(9) \*\*\*

(i) Any insurance that (A) is directly related to an extension of credit by a bank or bank-related firm of the kind described in this regulation, or (B) is directly related to the provision of other financial services by a bank or such a bank-related firm.

(ii) Any insurance sold by a bank holding company or a nonbanking subsidiary in a community that has a population not exceeding 5,000 (as shown by the last preceding decennial census), provided the principal place of banking business of the bank hold-

† For this Regulation to be complete as amended December 21, 1981, retain:

1) Printed Regulation pamphlet dated April 5, 1978.

2) This slip sheet. (Destroy slip sheet dated September 1981.)

ing company is located in a community having a population not exceeding 5,000.

(iii) any insurance sold by a bank holding company or a nonbanking subsidiary in a community that has a population not exceeding 5,000 (as shown by the last preceding decennial census) provided the principal place of banking business of the bank holding company is located in a community having a population not exceeding 5,000.

\* \* \* \* \*

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

(14) Performing appraisals of real estate.

(b)(1) *De novo* entry. A bank holding company may engage *de novo* (or continue to engage in an activity earlier commenced *de novo*), directly or indirectly, solely in activities described in paragraph (a) of this section, 45 days after the company has furnished its Reserve Bank a notice of the proposal (in substantially the same form as F.R. Y-4A), unless the company is notified to the contrary within that time or unless it is permitted to consummate the transaction at an earlier date on the basis of exigent circumstances of a particular case. The Board will publish in the *Federal Register* notice of any such proposal and will give interested persons an opportunity to express their views on the proposal to the Reserve Bank. If adverse comments of a substantive nature are received within the time specified in the notice,<sup>11</sup> or if it otherwise appears appropriate in a particular case, the Reserve Bank may inform the company that (i) the proposal shall not be consummated until specifically authorized by the Reserve Bank or by the Board or (ii) the proposal should be processed in accordance with the procedures of subparagraph (2) of this paragraph. With respect to activities to be engaged in outside the United States, the procedures of this subparagraph apply solely to activities to be engaged in directly by a domestic bank holding company or by domestic nonbank subsidiaries of any bank holding company. Paragraphs (f) and (g) of this section govern other international operations of bank holding companies.

<sup>11</sup> If a Reserve Bank decides that adverse comments are not of a substantive nature, the person submitting the comments may request review by the Board of that decision in accordance with the provisions of § 265.3 of the Board's Rules Regarding Delegation of Authority (12 CFR 265.3) by filing a petition for review with the Secretary of the Board.

(2) **Acquisition of going concern.** A bank holding company may apply to the Board to acquire or retain the assets of or shares in a company engaged solely in activities described in paragraph (a) of this section by filing an application with its Reserve Bank (Form F.R. Y-4). The Board will publish in the *Federal Register* a notice of any such application and will give interested persons an opportunity to express their views (including, where appropriate, by means of a hearing) on the question whether performance of the activity proposed by the holding company 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.

\* \* \* \* \*

(g) \*\*\*

(3) A foreign bank holding company that is of the opinion that other activities or investments may, in particular circumstances, meet the conditions for an exemption under section 4(c)(9) of the Act may apply to the Board for such determination by submitting to its Reserve Bank a letter setting forth the basis for that opinion.

\* \* \* \* \*

Effective January 7, 1981, section 225.5(c)(4) is amended by deleting it in its entirety.

Effective March 10, 1979, new section 225.7 is added as follows:

#### SECTION 225.7—CHANGE IN BANK CONTROL

(a) **Acquisitions of Control.**<sup>14</sup> Under the Control Act, acquisitions by a person or persons acting in concert of the power to vote 25 per cent or more of a class of voting securities of a bank holding company or State member bank, unless exempted, require prior notice to the Board. In addition, a purchase, assignment, transfer, pledge, or other disposition of voting stock through which any person will acquire ownership, control, or the power to vote ten per cent or more of a class of voting securities of a bank holding company or State member bank will be deemed to be

<sup>14</sup> Control is defined in the Control Act as the power, directly or indirectly, to direct the management or policies, or to vote 25 per cent or more of any class of voting securities, of an institution. 12 U.S.C. § 1817(j)(8)(B).

an acquisition by such person of the power to direct that institution's management or policies if:

(1) the institution has issued any class of securities subject to registration under section 12 of the Securities Exchange Act of 1934 (15 U.S.C. § 781); or

(2) immediately after the transaction no other person will own a greater proportion of that class of voting securities.

Other transactions resulting in a person's control of less than 25 per cent of a class of voting shares of a bank holding company or State member bank would not result in control for purposes of the Act. An acquiring person may request an opportunity to contest the presumption established by this paragraph with respect to a proposed transaction. The Board will afford the person an opportunity to present views in writing or, where appropriate, orally before its designated representatives either at informal conference discussions or at informal presentations of evidence.

(b) **Notices.** Section 265.3 of the Board's Rules of Procedure governs the submission of notices required by the Control Act, except that notices should be sent to the Federal Reserve Bank of the district in which the affected bank or bank holding company is located. Notice shall not be considered given unless information provided is responsive to every item specified in paragraph 6 of the Control Act (12 U.S.C. § 1817(j)(6)), or every item prescribed in the appropriate Board forms. With respect to personal financial statements required by paragraph 6(B) of the Control Act, an individual acquirer may include a current statement of assets and liabilities, as of a date within 90 days of the notice, a brief income summary, and a statement of material changes since the date thereof, subject to the authority of the Federal Reserve Bank or the Board to require additional information.

(c) **Exempt transactions.** The following transactions are not subject to the prior notice requirements of the Control Act:

(1) the acquisition of additional shares of a bank holding company or State member bank by a person who continuously since March 9, 1979, held power to vote 25 per cent or more of the voting shares of that institution, or by a person who has acquired and maintained control of that institution after complying with the Control Act's procedures;

(2) the acquisition of additional shares of a bank holding company or State member bank by a person who under paragraph (a) of this section would be deemed to have controlled that institution continuously since March 9, 1979, if:

(i) the transaction will not result in that person's direct or indirect ownership or power to vote 25 per cent or more of any class of voting securities of the institution; or

(ii) in other cases, the Board determines that the person has controlled the institution continuously since March 9, 1979;

(3) the acquisition of shares in satisfaction of a debt previously contracted in good faith or through testate or intestate succession or bona fide gift, provided the acquirer advises the Federal Reserve Bank within thirty days after the acquisition and provides any information specified in paragraph 6 of the Control Act that the Reserve Bank requests;

(4) a transaction subject to approval under section 3 of the Bank Holding Company Act or section 18 of the Federal Deposit Insurance Act;

(5) a transaction described in sections 2(a)(5) or 3(a)(A) or (B) of the Bank Holding Company Act by a person there described;

(6) a customary one-time proxy solicitation and receipt of pro-rata stock dividends; and

(7) the acquisition of shares of a foreign bank holding company, as defined in section 225.4(g) of this Part, provided this exemption does not extend to the reports and information required under paragraphs 9, 10, and 12 of the Control Act (12 U.S.C. § 1817(j)(9), (10), and (12)).