

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-239
December 22, 1981

REGULATION Y
BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL

(Request for Public Comment Concerning Nonbanking Activities)

TO ALL MEMBER BANKS,
BANK HOLDING COMPANIES
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

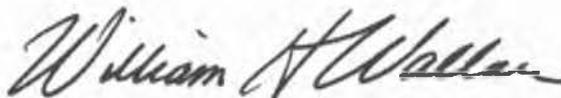
The Board of Governors of the Federal Reserve System has asked for comments on the appropriateness of adding certain futures commission merchant activities to the list of permissible nonbanking activities in which bank holding companies may engage. This request is being made in connection with an application filed by J. P. Morgan & Co., Inc., New York, New York, to engage in such activities.

Attached are copies of the Board's press release and the notice of application as submitted to the Federal Register. Any views or comments concerning the futures commission merchant activities should be submitted in writing and received by the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551 no later than January 4, 1982.

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

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

Sincerely yours,



William H. Wallace
First Vice President

Attachment

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

December 4, 1981

The Federal Reserve Board today requested public comment on the questions whether certain futures commission merchant activities are closely related to banking and whether public benefits would result if the activities were permitted for a subsidiary of a bank holding company. At the same time, the Board requested comment on the question whether these activities should be added to the list of activities permissible for bank holding companies.

The Board asked for comment by January 4, 1982.

The Board made its requests in connection with an application by J. P. Morgan & Co. Inc. to engage, through a subsidiary, in the execution and clearance of futures contracts, as a futures commission merchant, with respect to futures contracts in bullion, foreign exchange, U.S. Government securities and money market instruments.

In approving two previous applications the Board has found that acting as a futures commission merchant with respect to bullion and foreign exchange is closely related to banking.

The Board's notice is attached.

Attachment

FEDERAL RESERVE SYSTEM

J. P. MORGAN & CO. INCORPORATED

Proposal to Engage in Execution and Clearance
of Futures Contracts as a Futures Commission
Merchant

J. P. Morgan & Co. Incorporated, New York, New York, has applied, pursuant to section 4(c) (8) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1843(c) (8)) and section 225.4(a) and (b) (2) of the Board's Regulation Y (12 CFR § 225.4(a), (b) (2)), for permission to acquire voting shares of a de novo subsidiary, Morgan Futures Corporation. Applicant states that Morgan Futures Corporation would engage, as a futures commission merchant for nonaffiliated persons, in the execution and clearance of futures contracts on major commodity exchanges. Such contracts would cover bullion, foreign exchange, U. S. Government securities, negotiable U. S. money market instruments, and other money market instruments.

Section 4(c) (8) of the Bank Holding Company Act provides that a bank holding company may, with Board approval, engage in any activity "which the Board after due notice and opportunity for hearing has determined (by order or regulation) to be so closely related to banking or managing or controlling banks as to be a proper incident thereto." 12 U.S.C. § 1843(c) (8). The proposed activity has not been specified by the Board in section 225.4(a) of Regulation Y as permissible for bank holding companies. Applicant believes, however, that the activity is closely related to banking and a proper incident thereto, and this opinion is based in part on Board Orders of September 14, 1977, approving the retention of voting shares of Republic Clearing Corporation, New York, New York, by Republic New York Corporation, New York, New York, and other parties

(63 Federal Reserve Bulletin 951), and September 27, 1973, approving an acquisition of voting shares of Mocatta Metals, Inc., New York, New York, by Standard and Chartered Banking Group, Limited, London, England (38 Federal Register 27552).

The Board is also considering, pursuant to its authority under section 4(c)(8) of the Bank Holding Company Act, the addition of Applicant's proposed activity to the list of permissible bank holding company activities contained in section 225.4(a) of Regulation Y. Such a proposed rule would add the activity of engaging as a futures commission merchant for nonaffiliated persons in the execution and clearance of futures contracts covering bullion, foreign exchange, U.S. Government securities, negotiable U.S. money market instruments, and other money market instruments, on major commodity exchanges.

Interested persons may express their views on whether the proposed activity is "so closely related to banking or managing or controlling banks as to be a proper incident thereto," whether consummation of the proposal 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," and whether the Board should add Applicant's proposed activity to the list of permissible bank holding company activities contained in Regulation Y. Any request for a hearing on these questions must be accompanied by a statement of the reasons why a written presentation would not suffice in lieu of a hearing, identifying specifically any

questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by approval of the proposal.

The applications may be inspected at the offices of the Board of Governors or at the Federal Reserve Bank of New York.

Any views or requests for 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 January 4, 1982.

Board of Governors of the Federal Reserve System, December 3, 1981.

William W. Wiles
Secretary of the Board

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