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**FEDERAL RESERVE BANK OF DALLAS**

Station K, Dallas, Texas 75222

Circular No. 84-118  
December 4, 1984

**TO:** All member banks, holding companies and others concerned in the Eleventh Federal Reserve District

**ATTENTION:** Chief Executive Officer

**SUBJECT:** **Application by Bankers Trust of New York to execute and clear futures on a municipal bond index and to provide related futures advisory services through its subsidiary, BT Futures Corp.**

**SUMMARY:** The Board of Governors of the Federal Reserve System is requesting comments on an application by Bankers Trust New York Corporation to execute and clear futures contracts on a municipal bond index and to provide related futures advisory services through its subsidiary, BT Futures Corp. These activities would be performed through BT Futures Corp. offices in New York, Chicago, Los Angeles, Dallas and Houston. Interested parties are invited to submit their views to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, by December 14, 1984.

**ATTACHMENTS:** Board's press release and Federal Register document

**MORE INFORMATION:** Legal Department, Extension 6171

**ADDITIONAL COPIES:** Public Affairs Department, Extension 6289

# FEDERAL RESERVE press release



For immediate release

November 20, 1984

The Federal Reserve Board today requested comment on an application by Bankers Trust New York Corporation to expand the scope of the activities of its subsidiary, BT Futures Corp., which engages in futures commission merchant activities.

The Board has previously approved futures commission merchant activities as permissible under the Bank Holding Company Act but has not previously approved the proposed new activities of executing and clearing municipal bond index futures and providing related advisory services.

The proposal is set forth in the accompanying notice. The Board requested comment by December 14, 1984.

Attachment

FEDERAL RESERVE SYSTEM

BANKERS TRUST NEW YORK CORPORATION

Proposal to Execute and Clear Futures on a Municipal  
Bond Index and to Provide Futures Advisory Services

Bankers Trust New York Corporation, New York, New York, has applied, pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and sections 225.23(a)(2) and (3) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(2) and (3)), for permission to execute and clear futures contracts on a municipal bond index on major commodities exchanges for nonaffiliated persons, and to provide advice with respect to futures and options that the Board has permitted futures commission merchant ("FCM") subsidiaries of bank holding companies to execute and clear. These activities would be performed through the applicant's FCM subsidiary, BT Futures Corp., through offices in New York, New York, Chicago, Illinois, Los Angeles, California, Dallas and Houston, Texas, and London, England, serving customers in the United States and abroad.

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." The Board has

previously approved of the provision of advisory services with respect to futures and options where the underlying financial products are bullion, foreign exchange, U.S. government securities, or money market instruments. J.P. Morgan & Co., Incorporated, 70 Federal Reserve Bulletin 780 (1984). The Board has not previously approved the proposed execution and clearance of futures contracts on a municipal bond index or the provision of related advisory services. Applicant believes that these activities are so closely related to banking or managing or controlling banks as to be a proper incident thereto. In Applicant's opinion, the brokerage of municipal bond index futures and advisory services with respect thereto are similar to the brokerage of financial futures and the provision of futures advisory services previously approved by the Board. Applicant also believes that the proposed activities are similar to municipal securities activities performed by banks.

Interested persons may express their views on whether the proposed activities of executing and clearing futures contracts on a municipal bond index and of providing advice thereon are "so closely related to banking or managing or controlling banks as to be a proper incident thereto," and whether the proposal as a whole 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." 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 application may be inspected at the offices of the Board of Governors or 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 December 14, 1984.

Board of Governors of the Federal Reserve System,  
November 20, 1984.

(signed) William W. Wiles

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William W. Wiles  
Secretary of the Board