



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT

DALLAS, TEXAS 75222

May 16, 1985

Circular 85-64

TO: The Chief Executive Officer of all
member banks, bank holding companies
and others concerned in the
Eleventh Federal Reserve District

SUBJECT

**Proposal to deal in foreign currency options traded on a stock
exchange through a joint venture**

DETAILS

The Board of Governors of the Federal Reserve System has requested comment, by May 28, 1985, on an application by Compagnie Financiere de Suez and Banque Indosueux, both of Paris, France, to engage in the activity of dealing in foreign currency options traded on the Philadelphia Stock Exchange through a joint venture with Drexel Burnham Lambert Group Inc., New York, New York.

Interested parties are invited to submit their views on the application to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

ATTACHMENTS

The Board's press release and the material as submitted for publication in the Federal Register are attached.

MORE INFORMATION

For further information, please contact this Bank's Legal Department at (214) 651-6228.

Sincerely yours,

William H. Wallace

FEDERAL RESERVE press release



For immediate release

April 25, 1985

The Federal Reserve Board today requested comment on an application by Compagnie Financiere de Suez and its subsidiary, Banque Indosuez, both of Paris, France, to deal in foreign currency options traded on a stock exchange through a joint venture.

The Board requested comment by May 28, 1985.

This is an activity the Board has not previously found to be permissible for bank holding companies. It would be performed under a joint venture with Drexel Burnham Lambert Group Inc., New York, through the company's offices in Philadelphia as well as on the Philadelphia Stock Exchange.

The Board's notice is attached.

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Attachment

FEDERAL RESERVE SYSTEM

COMPAGNIE FINANCIERE DE SUEZ AND BANQUE INDOSUEZ

Proposal to Deal in Foreign Currency Options Traded on a
Stock Exchange Through a Joint Venture

Compagnie Financiere de Suez and its subsidiary, Banque Indosuez, both of Paris, France, have applied, pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(3)), for permission to engage in the activity of dealing in French franc options in the role of specialist in such foreign currency options traded on the Philadelphia Stock Exchange. Applicants would engage in the activity through a joint venture with Drexel Burnham Lambert Group Inc., New York, New York ("DBL"), an investment banking firm. Banque Indosuez and DBL would each own 50 percent of the shares of Indosuez-Drexel Burnham Lambert, Inc. ("Company"), the successor to Drexel Burnham Lambert (French) Options Inc., a company previously formed to serve as the vehicle for conducting the proposed activity through the proposed joint venture. The activity would be performed through Company's offices in Philadelphia and on the Philadelphia Stock Exchange, 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 not previously approved the proposed activity. Applicants believe that the activity is so closely related to banking or managing or controlling banks as to be a proper incident thereto. In the Applicants' opinion, currency options are functionally equivalent to other aspects of foreign exchange traditionally and historically dealt in by commercial banks. In addition, Applicants state that at least one bank has been permitted to engage in the proposed activity of acting as a specialist in foreign currency options on a stock exchange.

Interested persons may express their views on whether the proposed activity, conducted through a joint venture on the basis proposed, is "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 William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, not later than May 28, 1985.

Board of Governors of the Federal Reserve System,
April 23, 1984.

William W. Wiles
Secretary of the Board