

FEDERAL RESERVE press release



For immediate release

November 29, 1991

The Federal Reserve Board today announced its approval of the applications by Chemical Banking Corporation, New York, New York, to merge with Manufacturers Hanover Corporation, New York, New York, and thereby to acquire Manufacturers Hanover Trust Company, New York, New York ("MHTC"), and MHC Holdings (Delaware) Inc., Wilmington, Delaware, and its wholly owned subsidiary Manufacturers Hanover Bank (Delaware), Wilmington, Delaware; and Chemical Bank, New York, New York, to merge with MHTC, with Chemical Bank as the surviving entity.

Attached is the Board's Order relating to this action. A dissenting statement by Governor Angell will follow.

Attachment

FEDERAL RESERVE SYSTEM

Chemical Banking Corporation
New York, New York

Chemical Bank
New York, New York

Order Approving the Merger of Bank Holding Companies
and the Merger of State Member Banks

Chemical Banking Corporation, New York, New York

("Chemical"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Manufacturers Hanover Corporation, New York, New York ("MHC"), a registered bank holding company, and thereby to acquire Manufacturers Hanover Trust Company, New York, New York ("MHTC"), and MHC Holdings (Delaware) Inc., Wilmington, Delaware, and its wholly owned subsidiary Manufacturers Hanover Bank (Delaware), Wilmington, Delaware. Chemical has also applied for the Board's approval under section 4(c)(8) of the BHC Act to acquire the shares of certain nonbanking companies owned by MHC and listed in the Appendix. Each of these companies engages in nonbanking activities that have been authorized by the Board by order or by regulation.

In connection with this transaction, Chemical Bank, New York, New York, a state member bank, has applied under the Bank Merger Act (12 U.S.C. § 1828(c)) to merge with MHTC. Chemical Bank will be the surviving entity. In addition, Chemical Bank has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the offices of MHTC listed in the

Appendix and for permission to make an additional investment in bank premises pursuant to section 24A of the Federal Reserve Act (12 U.S.C. § 371(d)).

Chemical also proposes to acquire and make an additional investment in, pursuant to section 211.5(c) of the Board's Regulation K, Manufacturers Hanover Leasing International Corporation, New York, New York, a subsidiary of MHC that is engaged in leasing transactions outside the United States pursuant to section 4(c)(13) of the BHC Act. In addition, Chemical proposes to acquire, pursuant to section 211.5(f) of the Board's Regulation K, 29 percent of the voting shares of Massuh S.A., Buenos Aires, Argentina, a paper company acquired through a debt-equity conversion.

Chemical Bank has also given notice of its intent to acquire Manufacturers Hanover International Finance Corporation, New York, New York, and Manufacturers Hanover International Banking Corporation, Miami, Florida, corporations chartered pursuant to section 25(a) of the Federal Reserve Act (the "Edge Act") (12 U.S.C. §§ 611-613). In addition, Chemical Bank has given notice, pursuant to the Edge Act, section 25 of the Federal Reserve Act and section 211.5(c) of the Board's Regulation K, to hold the bank resulting from the merger of Chemical Bank of Canada, Toronto, Ontario, a direct foreign bank subsidiary of Chemical Bank, with Manufacturers Hanover Bank of Canada, Toronto, Ontario, an indirect subsidiary of Manufacturers Hanover

International Finance Corporation.^{1/} Chemical Bank has also provided notice under section 211.3(a)(3) of the Board's Regulation K (12 C.F.R. 211.3(a)(3)) of its intent to establish branches in certain countries in which neither Chemical nor any of its affiliates have branches.^{2/}

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (56 Federal Register 48,560 (1991)). The Board extended the public comment period in this case for an additional 30 days, providing interested persons over 75 days to submit comments regarding this case. (Press Release dated October 18, 1991.) As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC"). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of

^{1/} Chemical Bank would own directly 59.2 percent of the shares of the resulting bank and indirectly through Manufacturers Hanover International Finance Corporation the remaining 40.8 percent of the shares of the resulting bank.

^{2/} MHTC has branches in the following countries in which neither Chemical nor any of its affiliates have branches: Argentina, Chile, Egypt, France, Italy, Romania and Taiwan. MHTC also has branches in the Bahamas, Bahrain, the Channel Islands (Guernsey), Germany, Hong Kong, Korea, Japan, Philippines, Singapore, Spain and the United Kingdom, which Chemical Bank will acquire, as well as a subsidiary bank in Turkey, Manufacturers Hanover Bank A.S., Istanbul, Turkey. Manufacturers Hanover Bank (Delaware) has a branch in the Cayman Islands.

the factors set forth in sections 3(c) and 4 of the BHC Act, the Bank Merger Act, the Edge Act and the Federal Reserve Act.

Chemical, with consolidated assets of \$74.1 billion, operates subsidiary banks in New York, New Jersey, Delaware and Texas, and holds approximately \$44.4 billion in total deposits in the United States.^{3/} MHC, with consolidated assets of \$61.3 billion, operates subsidiary banks in New York and Delaware, and holds approximately \$24.4 billion in total deposits in the United States. Upon consummation of the proposed transaction, Chemical would become the second largest banking organization in the United States, with consolidated assets of approximately \$135.4 billion.

Interstate Banking Provisions

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire any bank located outside of the bank holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication."^{4/} As part of this proposal, Chemical, which has New York as its home state,^{5/} proposes to acquire the

^{3/} Asset data and domestic deposit data are as of June 30, 1991.

^{4/} 12 U.S.C. § 1842(d).

^{5/} A bank holding company's home state is that state in which the operations of the bank holding company's banking
(continued...)

Delaware bank subsidiary of MHC, Manufacturers Hanover Bank (Delaware). Delaware law permits acquisitions of banks located in Delaware by out-of-state bank holding companies provided that the home state of the bank holding company permits the acquisition of banks in that state by Delaware bank holding companies on a reciprocal basis.^{6/} As part of its review of these applications, the Board has determined that the New York and Delaware interstate banking laws are reciprocal and that Delaware law would allow Chemical's acquisition of MHC's Delaware bank subsidiary.^{7/} Accordingly, Board approval of this proposal is not barred by the Douglas Amendment.^{8/}

Competitive Effects

The New York bank subsidiary of Chemical is the third largest commercial banking organization in New York State, with total assets of \$42.8 billion, representing approximately 10.0 percent of the total assets in commercial banks in the state.^{9/} The New York bank subsidiary of MHC is the fourth

^{5/} (...continued)
subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

^{6/} Del. Code Ann. tit. 5, § 843 (Supp. 1990).

^{7/} See N.Y. Banking Laws § 142-b (McKinney 1987); Del. Code Ann. tit. 5, §§ 842-843 (Supp. 1990).

^{8/} Board approval of the acquisition of MHTC and Manufacturers Hanover Bank (Delaware) is subject to Chemical obtaining the necessary state approvals.

^{9/} State asset data are as of June 30, 1991. Market deposit data are as of June 30, 1990.

largest commercial banking organization in New York State, with total assets of \$37.4 billion, representing approximately 8.8 percent of the total assets in commercial banks in the state. Upon consummation of the proposed acquisition, Chemical would become the largest commercial banking organization in New York State, accounting for approximately 18.8 percent of the total assets in commercial banks in the state.

Chemical and MHC compete directly in the Metropolitan New York-New Jersey banking market and the Albany, Buffalo, Rochester and Syracuse banking markets in New York.^{10/} In the Metropolitan New York-New Jersey banking market,^{11/} Chemical is

^{10/} Both Chemical and MHC own limited service commercial banks in Delaware. MHC owns Manufacturers Hanover Bank (Delaware), which provides wholesale lending, cash management and other operating services, and limited trust services. Chemical controls Texas Commerce Banks (Delaware), Newark, Delaware, a limited purpose consumer credit card bank established pursuant to Delaware's Consumer Credit Bank Act (Del. Code Ann. tit. 5, § 1001 *et seq.* (1985)), and Chemical Bank Delaware, Wilmington, Delaware, which primarily provides consumer credit card services and also engages in limited trust activities. There is no significant competitive overlap between Chemical's Delaware banks and MHC's Delaware bank, and the market shares of each are small. Additionally, there are numerous competitors active in these lines of business. Accordingly, consummation of the proposed acquisition of Manufacturers Hanover Bank (Delaware) will not have a significantly adverse effect on competition in any relevant market.

^{11/} The Metropolitan New York-New Jersey banking market is approximated by Bronx, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, and Westchester Counties in New York State; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; Darien, Greenwich, New Canaan, Norwalk, Redding, and Ridgefield municipalities and Stamford, Weston, Westport, and Wilton townships in Fairfield County, Connecticut.

the 3rd largest depository institution, controlling \$29.2 billion in deposits, representing approximately 8.0 percent of the total market deposits.^{12/} MHC is the fourth largest depository institution in the market, controlling \$24.4 billion in deposits, representing approximately 6.7 percent of the total market deposits. Upon consummation of the proposed acquisition, Chemical would become the largest depository institution in the market, controlling approximately 14.7 percent of the total market deposits. The Metropolitan New York-New Jersey banking market would remain unconcentrated upon consummation of this proposal; the Herfindahl-Hirschman Index ("HHI") for the market would increase by 106 points to a level of 537.^{13/}

^{12/} Market deposit data are calculated on the basis of deposit data for commercial banks operating in the market as well as deposit data for thrift institutions in the market weighted at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. See Midwest Financial Group, 75 Federal Reserve Bulletin 386 (1989); National City Corporation, 70 Federal Reserve Bulletin 743 (1984).

^{13/} Under the revised Department of Justice Merger Guidelines, 49 Federal Register 26,823 (1984), a market in which the post-merger HHI is less than 1000 is considered to be unconcentrated, a market in which the post-merger HHI is between 1000 and 1800 is considered to be moderately concentrated, and a market in which the post-merger HHI is above 1800 is considered to be highly concentrated. The Department of Justice has informed the Board that, as a general matter, a bank merger or acquisition will not be challenged, in the absence of other factors indicating anticompetitive effects, unless the post-merger HHI is at least 1800 and the merger increases the HHI by 200 points. The Justice Department has stated that the higher-than-normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

Approximately 188 commercial banking organizations and 192 thrift institutions would continue to operate in the market after consummation of this proposal.^{14/} Based on these and all of the other facts of record in this case, the Board has determined that consummation of the proposal is not likely to result in a significantly adverse effect on competition in the Metropolitan New York-New Jersey banking market.

In each of the remaining relevant banking markets, consummation of the transaction would result in only a small increase in concentration levels in the market. All of these markets, except the Buffalo market, would remain either unconcentrated or moderately concentrated following this merger. The Buffalo market is considered highly concentrated, with an HHI level of 2069. However, this merger would increase the level of concentration in that market, as measured by the market HHI, by only 2 points to 2071, and, following consummation, Chemical would become the 7th largest depository institution in the

^{14/} On the basis of commercial banking organizations alone, without considering thrift competitors, Chemical is the 3rd largest commercial banking organization in the market, controlling approximately 9.4 percent of the total deposits in commercial banking organizations in the market. MHC is the 4th largest commercial banking organization in the market, controlling approximately 7.9 percent of the total deposits in commercial banking organizations in the market. Upon consummation of the proposed acquisition, Chemical would become the largest commercial banking organization in the market, controlling approximately 17.2 percent of the total deposits in commercial banking organizations in the market. The HHI for the market would increase by 147 points to 736.

market.^{15/} In all of these markets, including the Buffalo banking market, numerous depository institution competitors would remain in the market and Chemical would not rank among the 5 largest depository institutions in the market following consummation of the proposal.^{16/}

The Board has requested competitive factor reports from the United States Attorney General, the OCC, and the FDIC. The United States Attorney General has reviewed the proposal and concluded that consummation of the transaction would not have a significantly adverse effect on competition in any relevant market. Neither the FDIC nor the OCC has provided any objection to consummation of this proposal or indicated that the proposal would have any significantly adverse competitive effects. Based on these and all of the other facts of record in this case, the Board has concluded that consummation of the proposals would not result in a significantly adverse effect on competition in any relevant banking market.

^{15/} On the basis of commercial banking organizations alone, without considering thrift competitors, Chemical would be the 6th largest commercial banking organization in the market, and the HHI would increase by 2 points to 2496.

^{16/} Upon consummation of the proposal, Chemical would become the 9th largest depository institution in the Albany banking market, and the HHI would increase by 3 points, to a level of 790. In the Rochester banking market, Chemical would become the 10th largest depository institution, and the HHI would increase by 3 points, to a level of 1039. In the Syracuse banking market, Chemical would become the 7th largest depository institution, and the HHI would increase by 6 points, to a level of 1153.

Financial and Managerial Factors

In evaluating these applications, the Board has carefully considered the financial resources and future prospects of the companies and banks involved and the effect on those resources of the proposed acquisition. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company expansion proposals, particularly in transactions, such as this, where a major acquisition is proposed.^{17/}

In this regard, the Board expects banking organizations contemplating expansion proposals to maintain strong capital levels substantially above the minimum levels specified in the Board's Capital Adequacy Guidelines.^{18/} The Board carefully analyzes the effect of expansion proposals on the preservation or achievement of strong capital levels and has adopted a policy that there should be no significant diminution of financial strength below these levels for the purpose of effecting major expansion proposals.^{19/}

^{17/} The Bank of New York Company, Inc., 74 Federal Reserve Bulletin 257 (1988); Chemical New York Corporation, 73 Federal Reserve Bulletin 378 (1987); Citicorp, 72 Federal Reserve Bulletin 497 (1986); National City Corporation, 70 Federal Reserve Bulletin 743 (1984); Banks of Mid-America, Inc., 70 Federal Reserve Bulletin 460 (1984); Manufacturers Hanover Corporation (CIT), 70 Federal Reserve Bulletin 452 (1984).

^{18/} Capital Adequacy Guidelines, 12 CFR 225, Appendices A and B (1991).

^{19/} Thus, for example, the Board has generally approved proposals involving a decline in capital only where the
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The proposed transaction represents a substantial acquisition for Chemical that would nearly double its size in terms of total assets. Chemical proposes to acquire all of the outstanding common shares of MHC stock through an exchange of stock, and will not incur any additional debt in connection with this acquisition.^{20/}

The capital levels of Chemical and MHC are above the minimum levels specified in the Board's Capital Adequacy Guidelines. Financial projections submitted by Chemical indicate that the capital ratios for the resulting organization would remain above the required minimum level. These projections also indicate, however, that the transaction would result in a lessening of the capital strength of the two organizations on a combined basis as a result of a one-time restructuring charge. To address these effects and to strengthen the capital of the combined organizations, Chemical has submitted a capital plan that includes a commitment to raise an additional \$1.25 billion in common equity promptly following consummation of the holding

^{19/} (...continued)

applicants have promptly restored their capital to pre-acquisition levels following consummation of the proposals and have implemented programs of capital improvement to raise capital significantly above minimum levels. See, e.g., Citicorp, 72 Federal Reserve Bulletin 726 (1986); Security Pacific Corporation, 72 Federal Reserve Bulletin 800 (1986). See also Security Banks of Montana, 71 Federal Reserve Bulletin 246 (1985).

^{20/} Each share of MHC common stock will be exchanged for 1.14 shares of Chemical's common stock. Each share of MHC preferred stock will be exchanged for a share of an equivalent series of Chemical's preferred stock.

company merger and to contribute at least \$950 million of that capital to the subsidiary banks. This plan also includes measures to strengthen further the capital position of the organization. On the basis of the capital raising commitments made by Chemical, the capital levels of the combined organization would be above the pre-acquisition levels of the companies within a short period of time following consummation of the holding company merger.

Chemical believes that it can achieve significant cost savings and operational efficiencies as a result of the transaction and contends that the restructuring charge taken by the two organizations prior to consummation of the merger will position the organization at consummation to realize cost savings over a period of time. Cost savings are expected to result from a number of factors, including consolidation of branches and office facilities, elimination of certain duplicative operational and administrative functions, and significant related staff reductions. Chemical has committed to report quarterly to the Board regarding its progress in achieving these savings, integrating and restructuring the management of the two companies, and meeting projected capital and other financial targets, and to report promptly on actions that the organization will take to address any difficulties that may arise in meeting these goals.

Based on these considerations, including the commitments made by Chemical and all of the facts of record in

this case, the Board concludes that the financial resources and future prospects of Chemical, MHC, and their subsidiaries are consistent with approval of these applications. Chemical's commitments to raise \$1.25 billion in capital promptly and to pursue a course that will strengthen further its capital position are critical elements in the Board's decision to approve this proposal. Accordingly, the Board conditions its approval of this transaction on compliance by Chemical with its capital proposals. The Board also finds that managerial considerations are consistent with approval.

Convenience and Needs Factors

In considering the applications under section 3 of the BHC Act, the Bank Merger Act, and the Federal Reserve Act, the Board must consider the convenience and needs of the communities to be served by the institutions, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 et seq.) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess an institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution," and to take that record into

account in evaluating certain proposals involving the institution. 12 U.S.C. § 2903.

In this case, the Board has provided an extended period for public comment in order to assemble a complete record regarding the effect of the proposal on the convenience and needs of the communities affected by the proposal, including the CRA performance records of the bank subsidiaries of Chemical and MHC. The Board has received a number of comments regarding the convenience and needs factors, including comments from the Association of Community Organizations for Reform Now ("ACORN"); the Black Chamber of Commerce of the Permian Basin in Odessa, Texas; New Jersey Citizen Action; the David Hodge Bedford Stuyvesant Neighborhood House; the Freedmen's Town Association in Houston, Texas; the Southern Dallas Development Corporation, and several individuals as well as comments from United States and New York State congressional representatives (collectively, "Commenters"). Several Commenters allege generally that the bank subsidiaries of Chemical and MHC: (i) do not participate sufficiently in CRA-related programs, including ascertainment efforts, in making sufficient mortgage loans in low- and moderate-income communities, and in offering sufficient customer services targeted to individuals in low- and moderate-income communities;^{21/} and (ii) do not meet the consumer or small-

^{21/} One Commenter asserts generally that the merger should not be permitted because the subsidiary banks of Texas Commerce reinvest deposits collected in Texas into New York and cause
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business lending needs of the community. Certain Commenters also question the policies governing branch locations and closings following the merger of Chemical Bank and MHTC. Three Commenters, ACORN, New Jersey Citizen Action and Southern Dallas Development Corporation, submitted comments supporting the merger and generally praising certain aspects of the CRA programs of Chemical.^{22/}

The Board has carefully reviewed the CRA performance records of Chemical and MHC, as well as all comments received and Chemical's and MHC's responses to those comments, and all of the other relevant facts, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").^{23/}

^{21/} (...continued)

decisions regarding these banks' lending to be made at distant offices rather than at the local level. Another Commenter asserts that one of the subsidiary banks of Chemical's subsidiary bank holding company, Texas Commerce Bancshares, Inc., Houston, Texas ("Texas Commerce"), omitted from the bank's CRA public files the Commenter's letters commenting on the CRA performance of the bank. Chemical has added the Commenter's letters to the CRA public file of the relevant bank.

^{22/} These groups had initially submitted comments expressing concerns regarding the CRA performance record of Chemical and MHC, but subsequently provided comments in support of the merger proposal.

^{23/} 54 Federal Register 13,742 (1989). The Agency CRA Statement provides guidance regarding the types of policies and procedures that the supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis and the procedures that the supervisory agencies will use during the
(continued...)

Chemical Bank and MHTC, the lead banks of Chemical and MHC, respectively, each have received an outstanding rating in the most recent examinations of their CRA performance.^{24/} All other subsidiary banks of Chemical and MHC have received either a satisfactory or an outstanding rating from their primary regulators during the most recent examinations of their CRA performance, with two exceptions.^{25/} The Board has also

^{23/} (...continued)

application process to review an institution's CRA compliance and performance. The Agency CRA Statement also indicates that decisions by agencies to allow financial institutions to expand will be made pursuant to an analysis of the institution's overall CRA performance and will be based on the actual record of performance of the institution.

^{24/} The most recent CRA examination report for Chemical Bank is dated July 22, 1991; the most recent CRA examination report for MHTC is dated September 24, 1990. These examinations were conducted by the Federal Reserve Bank of New York.

^{25/} One subsidiary bank of Texas Commerce accounting for less than 2 percent of the total assets of Texas Commerce has received a less than satisfactory rating at the most recent examination of its CRA performance. The Board notes that Texas Commerce has taken steps to improve the CRA performance of the bank, and the Board expects that Texas Commerce will continue to improve the CRA performance of this bank. Another subsidiary bank of Texas Commerce, which is chartered in Delaware as a special purpose consumer credit card bank, also did not receive a satisfactory rating at the most recent examination of its CRA performance because of concerns that the bank's community delineation should include Delaware communities in which the bank is located rather than Texas communities, which are the areas from which the majority of the bank's deposits are derived. Since the examination, the bank has redefined its primary service area to include New Castle County, Delaware, to address the concerns of the FDIC, which is the bank's primary regulator. The bank has also indicated that it will pursue investment opportunities to promote affordable housing in Delaware.

recently reviewed certain components of the CRA record of Chemical and MHC in two recent applications.^{26/}

Participation in CRA-Related Programs

Chemical, MHC and their subsidiary banks have adopted the elements of an effective CRA program as outlined in the Agency CRA Statement. For example, Chemical Bank has a CRA Coordinating Committee, which includes representatives from all of Chemical Bank's consumer-related departments. The CRA Coordinating Committee collects and analyzes data from Chemical Bank's various ascertainment efforts and reports on these efforts to two committees comprised of senior-level officials. These officials include a senior vice-president and members of the board of directors of the bank. In addition, the senior officer in charge of coordinating CRA performance at Chemical Bank makes a presentation on CRA to a committee of the board of directors at least annually. That committee of the board of directors makes a formal presentation on CRA to the full board of directors of Chemical Bank at least annually. The board of directors also reviews and approves separate CRA Statements for Chemical Bank's downstate and upstate community delineations.

Chemical Bank has full-time "Streetbanker" employees assigned to ascertain the credit needs of the community and

^{26/} Manufacturers Hanover Trust Company, 77 Federal Reserve Bulletin 493 (1991) ("Goldome Order"); Chemical Banking Corporation, Texas Commerce Bancshares, Inc., Texas Commerce Equity Holdings, Inc., 77 Federal Reserve Bulletin 48 (1991) ("Texas Commerce Order").

provide advice and information about bank products and services. Other ascertainment efforts are conducted through Chemical Bank's Community Policy Lending Unit, which provides interim financing to social service organizations awaiting receipt of government funds, and Community Business Group, which serves businesses with sales of \$1 million or less. MHTC also has developed call programs, including a program through its branch offices for calling on small businesses with annual sales of \$3 million and under.

Texas Commerce uses Community Advisory Councils in the major markets in which it operates to obtain information regarding the credit needs of various constituencies.^{27/} Individuals active in the community such as politicians, business people, community leaders, and educators, serve on the councils. The composition of each council is intended to represent the ethnic diversity of the community. Texas Commerce has also established a board of directors committee and a Community Action Committee to provide ongoing advice and to monitor the bank holding company's programs for community reinvestment. In addition, each subsidiary bank of Texas Commerce has formed a board committee and a Community Action Committee to oversee the

^{27/} Texas Commerce has established Community Advisory Councils in Austin, Corpus Christi, Dallas, El Paso, Houston, and San Antonio, all in Texas.

bank's efforts in community reinvestment.^{28/} The boards of directors of the subsidiary banks review the banks' CRA Statements annually to assure that they accurately reflect the banks' products and services. Officers of Texas Commerce's subsidiary banks call on small businesses and participate in group presentations in low- and moderate-income areas.

Chemical Bank and MHTC market their CRA-related products through a wide variety of media. For example, Chemical Bank advertises its credit products through local newspapers, television and radio, as well as minority-oriented newspapers, and through the sponsorship of a minority financial advice talk show in the New York area. Chemical Bank also uses telemarketing campaigns, direct mail, press releases, branch posters and bilingual product brochures to promote its products. Texas Commerce offers bilingual product brochures and sponsors a "Neighbors" column in a newspaper serving the black community.

Chemical and MHC currently participate in a variety of programs and offer a variety of products targeted to individuals and small businesses in low- and moderate-income communities. For example, Chemical Bank and MHTC participate in the Community Home Buyer's Program of the Federal National Mortgage Association ("FNMA"). In 1991, Chemical Bank provided 21 mortgages totalling \$2.7 million under this program on properties located in the

^{28/} Chemical Bank New Jersey, East Brunswick, New Jersey, has formed a similar Community Advisory Board composed of individuals active in the community to advise the bank on CRA matters.

Bronx and Queens. Chemical also participates in New York and New Jersey in the Housing Opportunities Program, which provides grants to not-for-profit organizations involved in housing-related activities. In addition, Chemical Bank participates in the Home Improvement Program in connection with New York City. In 1990, Chemical Bank provided a commitment of \$4.5 million to the New York City Partnership New Homes Program and funded a \$4.9 million project under the Urban Development Department's participation loan program. Chemical Bank's Community Business Group originated \$24.3 million in loans to small businesses with annual sales of \$1 million and under in low- and moderate-income areas in 1990. Chemical Bank has also started a Microbusiness Initiative Program, which provides no-interest loans and grants to stimulate the growth of existing and new businesses with annual sales of less than \$100,000. Chemical Bank's contributions under this program included a \$125,000 no-interest loan to ACCION International to provide funding for its newly-initiated micro-enterprise loan pool in Williamsburg, Brooklyn.^{29/}

Chemical has represented that, in addition to the CRA programs in which Chemical's bank subsidiaries participate, Chemical will continue the special community programs currently provided by MHTC. For example, MHTC indirectly finances small

^{29/} Chemical also participates in the New York State Energy Investment Loan Program which provides fixed- and variable-rate low-interest loans primarily to small businesses for energy-saving capital and equipment improvements.

businesses through several small business investment corporations and minority-enterprise small business investment corporations, which lend primarily to businesses located in New York City, but also throughout the tri-state area. MHTC has outstanding over \$40 million in loans or lines of credit to these corporations. MHTC has also committed to participate in the newly-created Mini-Loan Program of the Regional Economic Development Assistance Corporation, which provides technical assistance to local small businesses presently in Brooklyn. The program will be expanded to cover small businesses throughout New York City. Both Chemical Bank and MHTC also have community development corporations ("CDCs").^{30/}

Texas Commerce's subsidiary banks engage in mortgage lending programs to low- and moderate-income communities. Texas Commerce developed its Texas Commerce Opportunity Loan Program, including input from Community Advisory Councils, to address the needs of low- and moderate-income individuals with a maximum household income of \$40,000. The program offers no minimum loan amount and a maximum loan amount of \$50,000. Texas Commerce has originated 107 loans under this program, for a total of \$3.3 million. Subsidiary banks of Texas Commerce also participate with community organizations in community reinvestment

^{30/} Chemical Bank and MHTC have indicated that they intend to merge their CDCs following the bank merger and that the new CDC will focus on the construction and rehabilitation of affordable housing as well as on making SBA loans and loans to non-profit organizations. A Community Advisory Board with broad community representation will advise the new CDC.

activities. For example, Texas Commerce's subsidiary bank, Texas Commerce Bank-Houston, Houston, Texas ("Houston Bank"), is a sponsor of New Foundations, a program designed to provide financial support, technical assistance and training to selected community development corporations over a three-year period under the direction of the United Way of the Texas Gulf Coast. Houston Bank also has committed \$500,000 to Housing Opportunities, Inc., a non-profit organization established to help individuals overcome the barriers that prevent them from attaining homeownership.^{31/} Texas Commerce's subsidiary banks, along with Chemical Bank and MHTC, make loans guaranteed by the SBA.

Both Chemical and MHC offer special banking services targeted to individuals in low- and moderate-income communities, including Chemical Bank's "Special Banking" checking and savings accounts, Texas Commerce's "Basic Banking" package, and MHTC's "Basic Checking" account. These accounts feature low monthly fees and are provided with no minimum balance requirement. MHTC also provides electronic payment services for individuals receiving money from public assistance programs. Chemical has indicated that it will continue this program following the merger.

^{31/} Houston Bank has approximately \$18 million in outstanding loans to local community development or service organization projects.

Lending in Low- and Moderate-Income and Minority Communities

The Board has also reviewed the 1990 Home Mortgage Disclosure Act ("HMDA") data reported by Chemical and MHC. Recent amendments to the HMDA for the first time require banking organizations to collect certain information regarding applicants for bank mortgage loans and report the information regarding both loan approvals and denials to the banking agencies and the public. The information includes data on the race, gender and income of individual applicants, in addition to the location of the property securing the potential loan and the disposition of the application.

The HMDA data reported for Chemical and MHC for 1990 indicate that, as a general matter, Chemical and MHC have extended a significant number and percentage of home mortgage loans in low- and moderate-income neighborhoods. In certain neighborhoods, however, the data reflect disparities between the loan rejection rates for minority applicants when compared to white applicants.

All banks have an obligation to ensure that their lending practices are based on criteria that assure safe and sound lending and equal access to credit by creditworthy applicants regardless of race. In this regard, the Board is concerned when the record of an institution indicates disparities in lending to minority applicants. The Board also recognizes that HMDA data itself provide only a limited measure of any given institution's lending in the communities that the institution

serves, and that the HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination on the basis of race in making lending decisions.

In this case, the most recent examinations for CRA compliance conducted of Chemical Bank and MHTC sampled loan documentation, including files for rejected loans. These examinations did not find any evidence of illegal discrimination in granting or denying credit by Chemical Bank or MHTC.^{32/}

Chemical and MHC have also taken steps to address the disparities in their HMDA data both presently and following their

^{32/} The Board has also reviewed allegations that Texas Commerce and certain of its subsidiary banks, including Texas Commerce Bank-Rio Grande, N.A., McAllen, Texas ("Rio Grande Bank"), were unresponsive in meeting the needs of local communities and discriminated against Hispanic communities. The Board reviewed similar allegations by the same Commenter in connection with a previous application. Texas Commerce Order, at 48-50. In that case, the Board determined that the record did not support the Commenter's allegation that Texas Commerce or any of its subsidiary banks was discriminating against Hispanic communities. Texas Commerce Order, at 48-50. The OCC, which is the primary regulator for the Rio Grande Bank, has examined the lending practices of the bank and has not found evidence of illegal discrimination. Rio Grande Bank received an outstanding CRA rating in that CRA performance examination. The examination report noted that Rio Grande Bank has specifically designed marketing efforts towards the Hispanic community. The Board has also considered allegations that Texas Commerce Bank-Odessa, N.A., Odessa, Texas, is not serving low- and moderate-income areas of Odessa, Texas. At the recommendation of examiners, in 1990 Texas Commerce Bank-Odessa, N.A. expanded its delineation to include all of Ector County, thereby ensuring that no low- and moderate-income neighborhoods would be excluded from its service area. The most recent examination report of the bank contains no evidence of illegal discrimination by the Odessa bank.

merger. For example, Chemical Bank and MHTC have recently established a program that gives all rejected mortgage applications from residents of low- and moderate-income communities a "second" and "third" review by supervisory staff in the respective mortgage lending departments of these banks and by a special group that has been created to design, market and monitor mortgages for lower income consumers. The purpose of these reviews is to determine if the application has been properly evaluated; to ascertain if exceptions to general lending policy may be appropriate in particular cases; and to make certain that all available products, including low-downpayment mortgages such as the FNMA Community Home Buyer's Program, have been offered to the applicant. Chemical has committed to expand this program to Texas and New Jersey following the proposed acquisition.

In addition, Chemical Bank and MHTC are creating a special "flexible lending pool" to hold mortgages that do not meet secondary market requirements. This pool, which will receive an initial funding of \$10 million, will be administered by the new Chemical CDC and will enable some mortgage applicants, who would otherwise be rejected because of special features in their loans, to be considered for approval. Chemical has already established a \$20 million pool for this purpose for use in Texas.

Chemical has also announced that it is establishing a partnership with community organizations, including ACORN, that will provide credit counseling services to loan applicants that

have poor credit histories, excessive debt, or need assistance to qualify for a mortgage.^{33/} Chemical has also announced that it will apply more flexible standards in New York, New Jersey and Texas for lower-income applicants who participate in a bank-approved mortgage loan credit counseling program, including recognition of all forms of income, including government assistance, using higher debt-to-income ratios than are customarily used for standard mortgages, reducing up-front fees and points, and lending up to 95 percent of the value of the property. In addition, Chemical has indicated that it will expand to New York and New Jersey its program, currently in place in Texas, to convert certain types of distressed properties that Chemical receives because of loan defaults into affordable housing, including through tenant or not-for-profit ownership.

Finally, Chemical and MHC have committed to provide \$750 million over the next five years to originate loans for housing and community development in low- and moderate-income communities. This program will include single-family mortgage lending, financing for the rehabilitation and construction of multi-family housing, SBA guaranteed loans, loans to small companies in low- and moderate-income communities, and grants and

^{33/} ACORN will provide credit counseling services to applicants for loans at Chemical Bank and MHTC in Brooklyn and Queens. Since January 1990, Texas Commerce's subsidiary bank in Dallas also has helped fund a program sponsored by Texas ACORN to establish a mortgage counseling service and has assisted with Texas ACORN's counseling efforts by sending consumer and mortgage lending officers to participate on a volunteer basis in credit fairs sponsored by Texas ACORN.

loans to community-based organizations and financial intermediaries. The \$750 million commitment is an expansion of a \$250 million commitment that MHC made in April 1991 for the same purposes. Chemical has announced that this money will be used for low- and moderate-income communities in New York, New Jersey and Texas.

Branch Locations and Closings

Chemical Bank and MHTC have a combined total of 91 branches in low- and moderate-income neighborhoods in the downstate New York area. Chemical Bank has proposed to consolidate certain of these branches. Chemical Bank's written branch closing policy states that, prior to any determination on branch closings, the bank will hold discussions on the impact on the community of the branch closings with community representatives such as local elected officials, community groups, and merchant associations. The written branch closing policy also states that Chemical Bank will consider the extent to which the branch closing will affect the availability of banking services in the community. Currently, Chemical Bank proposes, following the merger of Chemical Bank and MHTC, to consolidate 14 branches of the combined banking organizations located in low- and moderate-income areas into nearby offices. In each of these cases, the branches will be consolidated into offices within three blocks of other branch offices of the combined Chemical-MHTC bank. This would leave a total of approximately 77 full-service branches in low- and moderate-income areas in the

downstate New York area. Chemical Bank has stated that additional automated teller machines and teller staff will be added to the consolidated branches to accommodate the increased customer base. Chemical has stated that it has, and will, abide by its written branch closing policy in connection with these branch closings.

For the foregoing reasons, and based upon the overall CRA record of Chemical, MHC and their subsidiary banks and other facts of record, the Board concludes that convenience and needs considerations, including the record of performance under the CRA of Chemical and MHC, are consistent with approval of this application.^{34/}

Chemical has also applied under section 4(c)(8) of the BHC Act to acquire shares of the nonbanking companies of MHC listed in the Appendix. The Board has determined by regulation

^{34/} One Commenter has requested that the Board hold a public hearing or meeting to assess further facts surrounding the CRA performance of Chemical and MHC. Under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. §§ 262.3(e) and 262.25(d).

The Board has carefully considered the Commenter's request for a public meeting or hearing in this case. The Board has provided an extended period for public comment in this case, permitting interested persons a substantial period to provide written comments. The Commenter requesting a meeting or hearing has indicated general disagreement regarding the appropriate conclusions to be drawn from the facts of record, but has not identified facts that are material to the Board's decision and that are in dispute. In light of this, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the Commenter's request for a public meeting or hearing on this application is hereby denied.

or order that each of the activities of these companies is closely related to banking and generally permissible for bank holding companies under section 4(c)(8) of the BHC Act. The Board has approved applications by MHC to own shares in each of these companies, and, in this case, Chemical has committed to abide by all of the parameters, conditions and commitments relied on by the Board in the relevant orders regarding these MHC companies.

Chemical operates subsidiaries engaged in nonbanking activities that compete with many of the nonbanking subsidiaries of MHC. In each case, the markets for these nonbanking services are unconcentrated and there are numerous providers of these services. As a result, consummation of this proposal would have a de minimis effect on competition for these services, and the Board concludes that the proposal would not result in a significantly adverse effect on competition in any relevant market.

With respect to the competitive effects of Chemical's proposed acquisition of 25.2 percent^{35/} of the voting shares of New York Switch Corporation, Fort Lee, New Jersey ("NYSC"), the Board notes that the co-venturer shareholders of NYSC would

^{35/} Chemical has committed that prior to consummation of the proposed merger with MHC either: (i) sufficient shares will be divested so that following the merger Chemical's interest in NYSC would be less than 25 percent of the voting shares; or (ii) any outstanding extensions of credit by the bank subsidiaries of Chemical to NYSC following the merger will be conformed to the requirements of section 23A and 23B of the Federal Reserve Act.

retain complete control over expansion of their own automated teller machine ("ATM") networks, pricing and selection of ATM services, and placement of terminals, and thus could continue to compete with the other co-venturers in the operation of ATM networks.^{36/} Additionally, the terms of the agreements between NYSC and the participating institutions permit the co-venturers and all other participating institutions to join other switching networks. Accordingly, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition in the provision of ATM or POS services in any relevant market.

There is no evidence in the record to indicate that approval of the proposed acquisition of shares of any of the nonbanking companies of MHC, within the parameters, conditions and commitments relied on by the Board in its orders governing these companies, would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not outweighed by public benefits. Accordingly, the Board has determined that the balance of public

^{36/} NYSC's interchange system operates as a neutral clearing house for electronic funds transfer, payment and withdrawal transactions at ATMs operated by any participating institution. This interchange system also offers data transmission and processing services in connection with point-of-sale ("POS") transactions.

interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.^{37/}

Chemical has also requested the Board's authorization to retain the credit-related property and casualty insurance activities of The CIT Group Holdings, Inc., Livingston, New Jersey ("CIT"), which CIT currently conducts pursuant to exemption D of the Garn-St Germain Depository Institutions Act of 1982 (the "Garn Act").^{38/} CIT will remain a separate

^{37/} Chemical has also applied to merge Manufacturers Hanover Securities Corporation, New York, New York, into Chemical's subsidiary, Chemical Securities, Inc., New York, New York ("CSI"). Both of these subsidiaries are authorized to engage in limited securities underwriting and dealing, full-service brokerage, private placement and riskless principal activities. CSI is also authorized to engage in financial advisory activities. These activities will be conducted subject to all of the commitments and limitations in the Board's regulations and orders. 12 C.F.R. §§ 225.25(b)(4), (15) and (16); Manufacturers Hanover Corporation, 76 Federal Reserve Bulletin 674 (1990); Chemical Banking Corporation, 76 Federal Reserve Bulletin 672 (1990); Manufacturers Hanover Corporation, 73 Federal Reserve Bulletin 930 (1987); Chemical New York Corporation et. al, 73 Federal Reserve Bulletin 731 (1987); Manufacturers Hanover Corporation, 73 Federal Reserve Bulletin 620 (1987); Chemical New York Corporation, 73 Federal Reserve Bulletin 616 (1987); and Manufacturers Hanover Corporation, 70 Federal Reserve Bulletin 661 (1984).

^{38/} 12 U.S.C. § 1843(c)(8)(D). Exemption D of the Garn Act permits a bank holding company to engage in "any insurance activity which was engaged in by the bank holding company or any of its subsidiaries on May 1, 1982." Such activities may be conducted in the grandfathered company's home state, states adjacent thereto, or any state where the company was authorized to operate an insurance business before the grandfather date. The Board has previously determined that an insurance agency which is entitled to continue to sell insurance under exemption D does not lose its grandfathered rights if the agency is acquired by another bank holding company, provided the agency maintains its separate corporate structure and its insurance activities are not extended to other subsidiaries within the acquiror's

(continued...)

subsidiary of Chemical, and the insurance activities of CIT will not be conducted by any of Chemical's other subsidiaries.^{39/}

The Board has previously determined that CIT was entitled to the privileges of exemption D after its acquisition by MHC and after its acquisition by The Dai-Ichi Kangyo Bank, Limited.^{40/} For the reasons stated in those orders and in the Board's Sovran decision, the Board has determined that CIT may continue to engage in insurance activities pursuant to exemption D following its acquisition by Chemical.^{41/}

Chemical Bank has also applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321 et seq.) to establish branches at the offices of MHTC listed in the Appendix. The Board has considered the factors it is required to consider when reviewing applications for establishing branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 322) and, for

^{38/} (...continued) organization. Sovran Financial Corporation, 73 Federal Reserve Bulletin 672 (1987) ("Sovran"). This determination has been upheld by the courts. National Ass'n of Casualty and Surety Agents v. Board of Governors, 856 F.2d 282, reh'g denied en banc, 862 F.2d 351 (D.C. Cir. 1988), cert. denied, 490 U.S. 1090 (1989).

^{39/} Chemical will hold 40 percent of the voting shares of CIT. The remainder of CIT's shares will continue to be held by The Dai-Ichi Kangyo Bank, Limited, Tokyo, Japan.

^{40/} The Dai-Ichi Kangyo Bank, Limited, 76 Federal Reserve Bulletin 75 (1990). Manufacturers Hanover Corporation, 70 Federal Reserve Bulletin 452 (1984).

^{41/} Pursuant to exemption D, CIT may sell insurance only in New York, the home state of MHC under the Douglas Amendment, states adjacent to New York, and states where MHC conducted insurance agency activities on May 1, 1982.

the reasons discussed in this order, finds those factors to be consistent with approval. In connection with its branch application, Chemical Bank has requested permission under section 24A of the Federal Reserve Act to make an additional investment in bank premises. The Board concludes that Chemical Bank's additional investment in bank premises will support Chemical Bank's acquisition of the additional MHTC premises, and is consistent with approval.

Chemical Bank has also given notice of its intent to acquire Manufacturers Hanover International Finance Corporation and Manufacturers Hanover International Banking Corporation, corporations of MHTC chartered pursuant to the Edge Act. Based on all the facts of record, and for the reasons discussed in this order, the Board believes that the financial and managerial resources of Chemical Bank are consistent with the acquisition of these corporations. The acquisition would also result in the continuation of the international services currently provided, and would be in the public interest. Accordingly, the Board finds that the continued operation of these corporations upon acquisition by Chemical Bank is consistent with the Edge Act and Regulation K.

Chemical Bank has provided notice, pursuant to the Board's Regulation K, of its intent to merge Chemical Bank of Canada, a direct foreign bank subsidiary of Chemical Bank, with Manufacturers Hanover Bank of Canada, an indirect subsidiary of Manufacturers Hanover International Finance Corporation, and

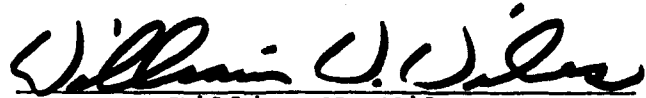
thereafter to hold the resulting bank; and to establish branches in certain countries in which neither Chemical nor any of its affiliates have branches. The Board has reviewed these proposals and determined that the merger of Chemical Bank of Canada with Manufacturers Hanover Bank of Canada is consistent with the factors specified in the Edge Act, section 25 of the Federal Reserve Act and the Board's Regulation K, and that the establishment of branches is consistent with section 25 and the Board's Regulation K. In addition, Chemical has proposed to acquire 100 percent of the voting shares of Manufacturers Hanover Leasing International Corporation and 29 percent of the voting shares of Massuh S.A. The Board has reviewed these proposals and determined that the acquisition of Manufacturers Hanover Leasing International Corporation and of the shares of Massuh S.A. are consistent with the factors specified in section 4(c)(13) of the BHC Act and the Board's Regulation K. Based on the facts of record, the Board has determined that disapproval of the investments is not warranted.

Based on the foregoing and other facts of record, and subject to the commitments made by Chemical and all its subsidiaries in this case and the conditions established by the Board, the Board has determined that the applications should be, and hereby are, approved. Approval of this proposal is specifically conditioned on compliance by Chemical and all of its subsidiaries with the commitments made in connection with its applications, as supplemented, and with the conditions referenced

in this order. The determinations as to Chemical's nonbanking activities are also subject to all of the conditions contained in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

Neither the bank holding company merger nor the bank merger may be consummated before the thirtieth calendar day following the effective date of this Order, or later than four months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors,^{42/} effective
November 29, 1991.



William W. Wiles
Secretary of the Board

^{42/} Voting for this action: Chairman Greenspan and
Governors Mullins, LaWare, and Lindsey. Voting against this
action: Governor Angell. Absent and not voting: Governor
Kelley.

Appendix

Chemical will acquire all of the voting shares of the following nonbank subsidiaries of MHC:

- (a) Manufacturers Hanover Securities Corporation, New York, New York ("MHSC"), and thereby engage in:
 - (1) underwriting and dealing in government obligations and money market instruments, pursuant to section 225.25(b)(16) of the Board's Regulation Y and Manufacturers Hanover Corporation, 70 Federal Reserve Bulletin 661 (1984);
 - (2) underwriting and dealing in, to a limited extent, certain municipal revenue bonds, 1-4 family mortgage-related securities, commercial paper and consumer-receivable-related securities, pursuant to Chemical New York Corporation et. al, 73 Federal Reserve Bulletin 731 (1987); and Manufacturers Hanover Corporation, 73 Federal Reserve Bulletin 620 (1987);
 - (3) providing investment advisory and brokerage services separately and on a combined basis to institutional customers, pursuant to sections 225.25(b)(4) and (15) of the Board's Regulation Y and Manufacturers Hanover Corporation, 73 Federal Reserve Bulletin 930 (1987); and Manufacturers Hanover Corporation, 70 Federal Reserve Bulletin 661 (1984); and
 - (4) acting as agent in the private placement of all types of securities and acting as riskless principal in buying and selling securities, pursuant to Manufacturers Hanover Corporation, 76 Federal Reserve Bulletin 674 (1990);
- (b) Manufacturers Hanover Futures & Options Inc., Chicago, Illinois, and thereby engage, on a worldwide basis, in brokerage and investment advisory activities for certain futures (including certain options on futures) and options contracts traded on major commodities and securities exchanges, pursuant to sections 225.25(b)(18) and (19) of the Board's Regulation Y and Manufacturers Hanover Corporation, 76 Federal Reserve Bulletin 774 (1990); Manufacturers Hanover Corporation,

72 Federal Reserve Bulletin 144 (1986); and Manufacturers Hanover Corporation, 70 Federal Reserve Bulletin 369 (1984);

- (c) MHT Holding (Delaware) Inc., Wilmington, Delaware, and thereby indirectly acquire Manufacturers Hanover Trust Company of California, Los Angeles, California, and Manufacturers Hanover Trust Company of Florida, Miami, Florida, and thereby engage in trust company functions, pursuant to section 225.25(b)(3) of the Board's Regulation Y;
- (d) Manufacturers Hanover Educational Services Corporation, Hicksville, New York ("MHES"), and thereby make installment loans to individuals; service student loans; and offer a tuition budget plan under which MHES receives periodic payments from parents of students and subsequently disburses the funds to designated educational institutions as tuition bills come due, pursuant to section 225.25(b)(1) of the Board's Regulation Y and Manufacturers Hanover Corporation, 70 Federal Reserve Bulletin 452 (1984);
- (e) Manufacturers Hanover Real Estate, Inc., New York, New York, and thereby engage in real estate investment advisory services; real estate appraising; arranging commercial real estate equity financing; and mortgage financing, pursuant to sections 225.25(b)(1), (4), (13) and (14) of the Board's Regulation Y;
- (f) Manufacturers Hanover Wheellease, Inc., Hicksville, New York, and thereby engage in the direct leasing of motor vehicles to the public, pursuant to section 225.25(b)(5) of the Board's Regulation Y;
- (g) Manufacturers Hanover New Jersey Corporation, Livingston, New Jersey, and thereby engage in making, servicing, and brokering loans for its own account and the account of others, pursuant to section 225.25(b)(1) of the Board's Regulation Y; and
- (h) Manufacturers Hanover Capital Corporation, New York, New York, and thereby engage in purchasing and selling agricultural and rural housing loans in connection with programs sponsored by the Federal Agricultural Mortgage Corporation, pursuant to section 225.25(b)(1) of the Board's Regulation Y;

- (i) Manufacturers Hanover Servicing, Inc., Deerfield Beach, Florida, and thereby acquire certain assets of Centrust Mortgage Company, Deerfield Beach, Florida, and engage in mortgage lending activities pursuant to section 225.25(b)(1) of the Board's Regulation Y.

Chemical will also acquire shares, presently owned by MHC, of the following companies:

- (a) 12.6 percent, for a total of 25.2 percent, of the outstanding voting shares of The New York Switch Corporation, Fort Lee, New Jersey, and thereby engage in data processing and related activities, pursuant to section 225.25(b)(7) of the Board's Regulation Y and Barclays Bank PLC and Barclays Bank International Limited, et. al., 71 Federal Reserve Bulletin 113 (1985);
- (b) 4.7 percent of the outstanding (Class A) voting shares of Liberty Brokerage, Inc., New York, New York (which are presently held by Manufacturers Hanover Securities Holdings, Inc., and MH Broker Holdings, Inc.), and thereby acquire shares of a U.S. government and federal agency securities broker-dealer through a joint venture, pursuant to sections 225.25(b)(15) and (16) of the Board's Regulation Y and BankAmerica Corporation, et al., 73 Federal Reserve Bulletin 362 (1987); and
- (c) 40 percent of the outstanding voting shares of The CIT Group Holdings, Inc., Livingston, New Jersey ("CIT") (which are presently held by MHC Holding (Delaware) Inc.), and thereby engage in commercial finance; factoring; sales finance; credit servicing; community development; data processing; the sale of credit-related life, accident and health and disability insurance, and credit related property and casualty insurance; management consulting to depository institutions; the leasing of personal and real property, and acting as agent, broker, or adviser in leasing such property, including leases of personal property in which CIT may rely for its compensation on an estimated residual value of the leased property at the expiration of the initial lease term of up to 100 percent of the acquisition cost of the property; brokering of loans and providing advice with respect thereto, and operating a collection agency, pursuant to

sections 225.25(b)(1), (5), (6), (7), (11), (23), and (8)(i) and (iv) (Exemptions A and D of section 4(c)(8) of the BHC Act) of the Board's Regulation Y; and Dai-Ichi Kangyo Bank, Limited/Manufacturers Hanover Corporation, 76 Federal Reserve Bulletin 960 (1990); Dai-Ichi Kangyo Bank, Limited, 76 Federal Reserve Bulletin 75 (1990); Manufacturers Hanover Corporation, 70 Federal Reserve Bulletin 452 (1984); and financial advisory activities, including providing advice with respect to mergers, acquisitions, and other corporate transactions; providing feasibility studies; providing valuation services; rendering fairness opinions; and providing advice in connection with loan and interest rate transactions, in accordance with The Fuji Bank, Limited, 75 Federal Reserve Bulletin 577 (1989). CIT would engage in these activities on a worldwide basis.

Chemical Bank will acquire the following branches and facilities:

Full-Service Branches

- (1) 1972 Albany Schenectady Road, Colonie, New York;
- (2) 360 Delaware Avenue, Delmar, New York;
- (3) 63 State Street, Albany, New York;
- (4) One Old Loudon Road, Latham, New York;
- (5) 128 East Fordham Road, Bronx, New York;
- (6) 1355 Oak Point Avenue, Bronx, New York;
- (7) 1536 Westchester Avenue, Bronx, New York;
- (8) 1705 Crosby Avenue, Bronx, New York;
- (9) 207 City Island Avenue, Bronx, New York;
- (10) 2126 White Plains Road, Bronx, New York;
- (11) 2260 Bartow Avenue, Bronx, New York;
- (12) 3408 Jerome Avenue, Bronx, New York;
- (13) 3480 Boston Road, Bronx, New York;
- (14) 3555 Johnson Avenue, Bronx, New York;
- (15) 360 East 149th Street, Bronx, New York;
- (16) 3780 East Tremont Avenue, Bronx, New York;
- (17) 5656 Riverdale Avenue, Bronx, New York;
- (18) 699 Morris Park Avenue, Bronx, New York;
- (19) 748 Allerton Avenue, Bronx, New York;
- (20) 880 White Plains Road, Bronx, New York;
- (21) 101 North Union Street, Olean, New York;
- (22) 500 Delaware Avenue, Olean, New York;
- (23) 60 West Main Street, Allegany, New York;
- (24) 7 Main Street, Portville, New York;
- (25) 1188 Niagara Falls Boulevard, Tonawanda, New York;
- (26) 2690 Walden Avenue, Cheektowaga, New York;

- (27) 420 Main Street, Buffalo, New York;
- (28) 5712 Main Street, Williamsville, New York;
- (29) 999 Broadway, Buffalo, New York;
- (30) 1205 Fulton Street, Brooklyn, New York;
- (31) 127 Seventh Avenue, Brooklyn, New York;
- (32) 1492 Rockaway Parkway, Brooklyn, New York;
- (33) 1505 Avenue J, Brooklyn, New York;
- (34) 1509 Foster Avenue, Brooklyn, New York;
- (35) 1599 Flatbush Avenue, Brooklyn, New York;
- (36) 1663 East 17th Street, Brooklyn, New York;
- (37) 1722 Avenue U, Brooklyn, New York;
- (38) 177 Montague Street, Brooklyn, New York;
- (39) 1797 Pitkin Avenue, Brooklyn, New York;
- (40) 1902 86th Street, Brooklyn, New York;
- (41) 1987 Flatbush Avenue, Brooklyn, New York;
- (42) 20 Flatbush Avenue, Brooklyn, New York;
- (43) 201-3 Avenue U, Brooklyn, New York;
- (44) 2084 Linden Boulevard, Brooklyn, New York;
- (45) 210 Flushing Avenue, Brooklyn, New York;
- (46) 225 Havemeyer Street, Brooklyn, New York;
- (47) 257 Utica Avenue, Brooklyn, New York;
- (48) 2623 East 17th Street, Brooklyn, New York;
- (49) 2929 Avenue U, Brooklyn, New York;
- (50) 3380 Fulton Street, Brooklyn, New York;
- (51) 444 Fifth Avenue, Brooklyn, New York;
- (52) 446-48 McDonald Avenue, Brooklyn, New York;
- (53) 450 Clarkson Avenue, Brooklyn, New York;
- (54) 486 Neptune Avenue, Brooklyn, New York;
- (55) 4901 Thirteenth Avenue, Brooklyn, New York;
- (56) 5101 Fourth Avenue, Brooklyn, New York;
- (57) 618 Brighton Beach Avenue, Brooklyn, New York;
- (58) 6501-05 Eighteenth Avenue, Brooklyn, New York;
- (59) 7510 Fifth Avenue, Brooklyn, New York;
- (60) 798 Manhattan Avenue, Brooklyn, New York;
- (61) 819 Grand Street, Brooklyn, New York;
- (62) 8724 4th Avenue, Brooklyn, New York;
- (63) 883 Flatbush Avenue, Brooklyn, New York;
- (64) 891 Utica Avenue, Brooklyn, New York;
- (65) 9601 Foster Avenue, Brooklyn, New York;
- (66) 975 Bedford Avenue, Brooklyn, New York;
- (67) 183 East Main Street, Rochester, New York;
- (68) 1855 Monroe Avenue, Brighton, New York;
- (69) 2317 Lyell Avenue, Gates, New York;
- (70) 2450 Ridge Road West, Greece, New York;
- (71) 2990 Culver Road, Irondequoit, New York;
- (72) 3333 West Henrietta Road, Henrietta, New York;
- (73) 3380 Monroe Avenue, Pittsford, New York;
- (74) 6600 Pittsford-Palmyra Road, Perinton, New York;
- (75) 807 Fairport Road, E. Rochester, New York;
- (76) 964 Ridge Road, Webster, New York;
- (77) 100 Duffy Avenue, Hicksville, New York;
- (78) 1020 Port Washington Boulevard, Port Washington,

- New York;
- (79) 1218 Broadway, Hewlett, New York;
 - (80) 1510 Old Northern Boulevard, Roslyn, New York;
 - (81) 163 West Merrick Road, Valley Stream, New York;
 - (82) 184 Old Country Road, Mineola, New York;
 - (83) 1900 Northern Boulevard, Manhasset, New York;
 - (84) 234 Middle Neck Road, Great Neck, New York;
 - (85) 2631 Merrick Road, Bellmore, New York;
 - (86) 419 Central Avenue, Cedarhurst, New York;
 - (87) 60 Cutter Mill Road, Great Neck Plaza, New York;
 - (88) 7600 Jericho Turnpike, Woodbury, New York;
 - (89) 765 Stewart Avenue, Garden City East, New York;
 - (90) 951 Atlantic Avenue, Baldwin, New York;
 - (91) Roosevelt Field Shopping Center, Garden City East, New York;
 - (92) 100 Main Street, Lockport, New York;
 - (93) 1 Battery Park Plaza, New York, New York;
 - (94) 1 World Financial Center, Mezz Level, New York, New York;
 - (95) 1065 Avenue of the Americas, New York, New York;
 - (96) 109 Delancey Street, New York, New York;
 - (97) 110 West 34th Street, New York, New York;
 - (98) 1122 Lexington Avenue, New York, New York;
 - (99) 1180 Third Avenue, New York, New York;
 - (100) 1185 Avenue of the Americas, New York, New York;
 - (101) 1191 Second Avenue, New York, New York;
 - (102) 1230 Avenue of the Americas, New York, New York;
 - (103) 1251 Third Avenue, New York, New York;
 - (104) 1275 Avenue of the Americas, New York, New York;
 - (105) 130 Fifth Avenue, New York, New York;
 - (106) 131 East 23rd Street, New York, New York;
 - (107) 1330 First Avenue, New York, New York;
 - (108) 1460 Broadway, New York, New York;
 - (109) 147 East 86th Street, New York, New York;
 - (110) 1513 First Avenue, New York, New York;
 - (111) 1633 Broadway, New York, New York;
 - (112) 2 Pennsylvania Plaza, New York, New York;
 - (113) 200 West 79th Street, New York, New York;
 - (114) 2045 Broadway, New York, New York;
 - (115) 221 Park Avenue South, New York, New York;
 - (116) 230 Second Avenue, New York, New York;
 - (117) 231 Grand Street, New York, New York;
 - (118) 2361-79 Broadway, New York, New York;
 - (119) 2760 Broadway, New York, New York;
 - (120) 281 Broadway, New York, New York;
 - (121) 30 Rockefeller Plaza, New York, New York;
 - (122) 300 West 125th Street, New York, New York;
 - (123) 32 University Place, New York, New York;
 - (124) 322 Eighth Avenue, New York, New York;
 - (125) 34 East 34th Street, New York, New York;
 - (126) 35 East 72nd Street, New York, New York;
 - (127) 350 Fifth Avenue, New York, New York;
 - (128) 3515 Broadway, New York, New York;

- (129) 378 Avenue of the Americas, New York, New York;
- (130) 386 Park Avenue South, New York, New York;
- (131) 4 New York Plaza, New York, New York;
- (132) 40 East 42nd Street, New York, New York;
- (133) 40 Wall Street, New York, New York;
- (134) 401 Madison Avenue, New York, New York;
- (135) 405 Lexington Avenue, New York, New York;
- (136) 407 Broadway, New York, New York;
- (137) 450 Third Avenue, New York, New York;
- (138) 510 Fifth Avenue, New York, New York;
- (139) 530 Seventh Avenue, New York, New York;
- (140) 55 Broad Street, New York, New York;
- (141) 55 West 125th Street, New York, New York;
- (142) 598 Madison Avenue, New York, New York;
- (143) 619 Main Street, Roosevelt Island, New York;
- (144) 681 Eighth Avenue, New York, New York;
- (145) 682 Broadway, New York, New York;
- (146) 702-4 Lexington Avenue, New York, New York;
- (147) 79 Eighth Avenue, New York, New York;
- (148) 855 Avenue of the Americas, New York, New York;
- (149) 866 Third Avenue, New York, New York;
- (150) 90 West 96th Street, New York, New York;
- (151) 969 Eighth Avenue, New York, New York;
- (152) Plaza Level, 5 World Trade Center, New York, New York;
- (153) 1802 Teall Avenue, Syracuse, New York;
- (154) 361 South Salina Street, Syracuse, New York;
- (155) 13-15 Sussex Street, Port Jervis, New York;
- (156) 23 Lake Street, Monroe, New York;
- (157) 375 Windsor Highway, Vails Gate, New York;
- (158) Church Street & Route #17 M, Harriman, New York;
- (159) Route 17M, Near Route 6, Wawayanda, New York;
- (160) Route #17M, Monroe, New York;
- (161) 104-08 Rockaway Beach Boulevard, Queens, New York;
- (162) 118-30 Queens Boulevard, Queens, New York;
- (163) 156-18 Northern Boulevard, Queens, New York;
- (164) 159-17 Jamaica Avenue, Queens, New York;
- (165) 175-01 Rockaway Boulevard, Queens, New York;
- (166) 175-57 Hillside Avenue, Queens, New York;
- (167) 19-19 Francis Lewis Boulevard, Queens, New York;
- (168) 205-19 Hillside Avenue, Queens, New York;
- (169) 21-21 Broadway, Queens, New York;
- (170) 253-15 Union Turnpike, Queens, New York;
- (171) 29-21 Bridge Plaza North, Queens, New York;
- (172) 31-42 Steinway Street, Queens, New York;
- (173) 37-29 Junction Boulevard, Queens, New York;
- (174) 38-46 Bell Boulevard, Queens, New York;
- (175) 41-01 Kissena Boulevard, Queens, New York;
- (176) 43-33 91st Place, Queens, New York;
- (177) 47-11 Queens Boulevard, Queens, New York;
- (178) 49-01 Grand Avenue, Queens, New York;
- (179) 55-60 Myrtle Avenue, Queens, New York;
- (180) 59-26 Woodside Avenue, Queens, New York;

- (181) 63-63 108th Street, Queens, New York;
- (182) 71-04 Woodhaven Boulevard, Queens, New York;
- (183) 72-71 Main Street, Queens, New York;
- (184) 77-22 21st Avenue, Queens, New York;
- (185) 81-20 Northern Boulevard, Queens, New York;
- (186) 120 Hoosick Street-Troy Plaza, Troy, New York;
- (187) 2754 Hylan Boulevard, Staten Island, New York;
- (188) 330 St. Marks Place, Staten Island, New York;
- (189) 108 Main Street, Nyack, New York;
- (190) 41 South Middletown Road, Nanuet, New York;
- (191) 76 North Main Street, New City, New York;
- (192) #466, Route 202, Ramapo, New York;
- (193) Clifton County Mall, Clifton Park, New York;
- (194) 100 Main Street, South Glens Falls, New York;
- (195) 306 State Street, Schenectady, New York;
- (196) 1090 Suffolk Avenue, Brentwood, New York;
- (197) 1261 Veterans Memorial Highway, Hauppauge, New York;
- (198) 128 West Main Street, Bayshore, New York;
- (199) 140 Bay Shore Road, Deer Park, New York;
- (200) 150 East Sunrise Highway, North Lindenhurst, New York;
- (201) 1701 Sunrise Highway, Bay Shore, New York;
- (202) 33 Gerard Street, Huntington, New York;
- (203) 340 Howells Road, Bayshore, New York;
- (204) 39 Vanderbilt Parkway, Commack, New York;
- (205) 4800 Sunrise Highway, Bohemia, New York;
- (206) 5499 Nesconset Highway, Mt. Sinai, New York;
- (207) 5801 Sunrise Highway-Sun-Vet Mall, Holbrook, New York;
- (208) 601 Veterans Memorial Highway, Hauppauge, New York;
- (209) 699 Old Country Road, Dix Hills, New York;
- (210) 700-90 Patchogue-Yaphank Road, Medford, New York;
- (211) 836 Fort Salonga Road, Huntington, New York;
- (212) 999 Middle Country Road, Selden, New York;
- (213) 1999 Ridge Road, Ontario, New York;
- (214) 1100 East Boston Post Road, Mamaroneck, New York;
- (215) 1350 Boston Post Road, Mamaroneck, New York;
- (216) 20 Mamaroneck Avenue, White Plains, New York;
- (217) 21 East Prospect Avenue, Mount Vernon, New York;
- (218) 28 Lecount Place, New Rochelle, New York;
- (219) 314 South Broadway, Yonkers, New York;
- (220) 417 Albany Post Road, Cortlandt, New York;
- (221) 555 Saw Mill River Road, North Elmsford, New York;
- (222) 660-662 Central Park Avenue, Greenville, New York;
- (223) 722 North Bedford Road, Bedford Hills, New York;
- (224) 81 Knollwood Road, Fairview, New York;
- (225) 984 North Broadway, Yonkers, New York;
- (226) Old Post Road, (Route #22), Bedford Village, New York;
- (227) Route 6 & Lee Blvd., Jefferson Valley, New York;

Limited Purpose Branches^{1/}

- (1) 420 Lexington Avenue - Suite 1906, New York, New York;
- (2) 300 Cadman Plaza West, Brooklyn, New York;
- (3) 95-25 Queens Blvd., Queens, New York;
- (4) 2275 Coleman Street, Brooklyn, New York;
- (5) 50 Charles Lindberg Blvd., Uniondale, New York;
- (6) 55 Water Street, New York, New York;
- (7) 130 John Street, New York, New York;
- (8) 140 E. 45th Street, New York, New York;
- (9) 44 Wall Street, New York, New York;
- (10) 560 Washington Street, New York, New York;
- (11) 450 West 33rd Street, New York, New York;
- (12) 119 South 1st Street, Olean, New York;

Electronic Facilities^{2/}

- (1) 352 East 86th Street, New York, New York;
- (2) 515 East 72nd Street, New York, New York;
- (3) 2000 Westchester Avenue, Harrison, New York;
- (4) 195 Montague Street, Brooklyn, New York;
- (5) 2260 Barton Avenue, Bronx, New York;
- (6) 1250 Route 104, Ontario, New York;
- (7) Wyckoff Avenue, Brooklyn, New York;
- (8) 115 West State Street, Olean, New York;

Public Accomodation Offices^{3/}

- (1) World Trade Center
Store C29
Concourse Level
New York, N.Y. 10048

(Br. #1
5 World Trade Center
Level at Vesey Street
New York, N.Y. 10048)

^{1/} These branches engage in commercial lending activities.

^{2/} These are stand-alone ATMs. See N.Y. Banking Law § 105-a (McKinney 1990).

^{3/} These are adjuncts to branches. See N.Y. Banking Law § 191 (McKinney 1990).

- (2) Auto Office
115 West State Street
Olean, N.Y. 14760
- (Br. #384/Cattaraugus County
101 North Union Street
Olean, N.Y. 14760)

Employee Branches^{4/}

- (1) 270 Park Avenue, New York, New York;
(2) 100 Duffy Avenue, Hicksville, New York;

Employee Convenience Centers^{5/}

- (1) 140 E. 45th Street, New York, New York;
(2) 130 John Street, New York, New York;
(3) 4 New York Plaza, New York, New York; and
(4) West 33rd Street, New York, New York.

^{4/} These are branches established primarily for employee use.

^{5/} These are ATMs established primarily for employee use.