

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 6705]  
March 25, 1971]

BANK HOLDING COMPANIES

— Hearings on Proposed Amendments to Regulation Y  
— Amendment to Regulation Y

To All Banks, and Others Concerned,  
in the Second Federal Reserve District:

Printed below are the texts of three notices of hearings that the Board of Governors of the Federal Reserve System has scheduled on the regulatory amendments it proposed last January as a first step toward implementing the "Bank Holding Company Act Amendments of 1970." The Board announced the hearings in a statement issued March 22, the text of which is contained in our Circular No. 6702, dated March 23.

The Board also announced in its March 22 statement that it adopted, effective March 18, an amendment to Regulation Y, which sets forth the procedures it will use in implementing section 4(c)(12) of the Act. That section permits a company covered by the 1970 amendments to acquire shares of any company — subject to conditions prescribed by the Board — until January 1, 1981, so long as it divests itself by that date either of its bank or of activities unrelated to banking. A form for use in filing an irrevocable declaration under the amendment has been adopted by the Board. Enclosed are copies of the amendment and a sample form of irrevocable declaration. Additional copies of the form are available from our Bank Applications Department.

ALFRED HAYES,  
*President.*

[Reg. Y]

BANK HOLDING COMPANIES

Notices of Hearings

**Notice of Hearing Regarding Proposed  
Implementation of § 4(c) (8) of Bank  
Holding Company Act**

By notice published in the Federal Register on January 29, 1971 (36 F.R. 1430), the Board of Governors proposed to implement its regulatory authority governing acquisition by holding companies of interests in nonbanking organizations engaged in activities that are "so closely related to banking or managing or controlling banks as to be a proper incident thereto."

In view of comments received and requests for a hearing, the Board has decided to conduct a hearing on this matter before available members of the Board in the Board Room of its building at 20th Street and Constitution Avenue, Washington, D. C., on Wednesday, April 14, 1971, beginning at 10 o'clock a.m.

Interested persons are invited to participate by presenting their views on all issues raised by the pending proposal, except the extent to which data processing and insurance agency activities are closely related to banking. Separate hearings will be conducted on those issues.

Persons interested in the proposal are not required to participate in the hearing. All views expressed in written comments on the pending proposal are under consideration by the Board.

Persons interested in participating in the hearing should inform the Secretary of the Board in writing not later than March 31, 1971. Each person admitted as a party to the proceeding will be given up to 30 minutes to present his views.

**Notice of Hearing Regarding Data  
Processing Services**

By notice published in the Federal Register on January 29, 1971 (36 F.R. 1430), the Board of Governors proposed to implement its regulatory authority governing acquisition by holding companies of interests in nonbanking organizations engaged in activities that are "so closely related to banking or managing or controlling banks as to be a proper incident thereto."

One of the activities the Board proposed as meeting that test is data processing, subject to certain limita-

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tions on the extent to which the services may be performed for persons other than the holding company involved, its subsidiaries, and other financial institutions.

In view of comments received and requests for a hearing, the Board has decided to conduct a hearing on this matter before available members of the Board in the Board Room of its building at 20th Street and Constitution Avenue, Washington, D. C., on Friday, April 16, 1971, beginning at 10 o'clock a.m.

Interested persons are invited to participate by presenting their views on the following issues:

(1) What, if any, limitations should apply to a holding company performing (itself or through a nonbank subsidiary) payroll, accounts receivable and payable, and billing services?

(2) To what extent, if any, and by what measure, should the holding company be limited in the other data processing services that it may perform for persons other than itself, its subsidiaries, and other financial institutions?

Several letters of comment suggest alternative language for consideration by the Board in describing data processing services that are closely related to banking. Some of the alternatives are:

A. "(9) providing bookkeeping or data processing services (i) for the holding company and its subsidiaries, (ii) for other financial institutions, (iii) of a financially related nature (such as, but not limited to payroll, accounts receivable and payable and billing services and financial analyses and reports) and (iv) other bookkeeping and data processing services for others, *Provided*, That the operating revenues derived from services performed by the company and not authorized under (i), (ii), or (iii) hereof shall not exceed fifty percent of the total operating revenues of such company;".

NOTE: A possible alternative proviso would be that the operating revenues derived from services performed under (iv) shall not become a significant amount of the holding company's consolidated revenues from data processing services.

B. "(9) providing bookkeeping or data processing services for the holding company and its subsidiaries and other financial institutions (including bank holding companies, banks, savings banks, savings and loan associations, leasing companies, insurance companies, loan, finance and mortgage companies, factors, credit unions, real estate investment trusts, investment companies, companies managing such trusts or companies, trustees of pension and profit sharing plans, and other similar institutions or persons engaged in similar activities), and for others, *Provided*, That at the time of acquisition of such company the value of all bookkeeping and data processing services performed by the group consisting of it and the holding company and all its other subsidiaries for persons other than such group and such financial institutions shall not be more than one half the total value of such services performed by such group;".

C. "(9) providing bookkeeping or data processing services for (i) the holding company and its subsidiaries, (ii) other financial institutions, and (iii) others, *Provided*, That such services performed for others are banking-related, as, for example, the performance of payroll accounting, accounts receivable accounting, accounts payable accounting and inventory accounting;".

Persons interested in presenting their views on these issues should inform the Secretary of the Board in writing not later than April 2, 1971. Each person admitted as a party to the proceeding will be given up to 30 minutes to present his views.

Anyone wishing to submit written comments on the issues on which the hearing will be held may do so at any time before the close of business on Monday, April 26, 1971.

#### Notice of Hearing Regarding Insurance Agency Activities

By notice published in the Federal Register on January 29, 1971 (36 F.R. 1430), the Board of Governors proposed to implement its regulatory authority governing acquisition by holding companies of interests in nonbanking organizations engaged in activities that are "so closely related to banking or managing or controlling banks as to be a proper incident thereto."

One of the activities the Board proposed as meeting the test is acting as insurance agent or broker principally in connection with extensions of credit by the holding company or any of its subsidiaries.

In view of comments received and requests for a hearing, the Board has decided to conduct a hearing on this matter before available members of the Board. Because of the number of issues raised and the number of persons who may wish to participate, the Board has adopted the following schedule of preliminary procedures:

(1) A person interested in participating as a party in the hearing must file with the Secretary of the Board by March 31, 1971, a request to be permitted to do so, and a list of the issues he intends to raise.

(2) All persons admitted as parties in the proceeding (a) will be notified by the Secretary of the identity of the other parties and of all issues raised by them and (b) will be invited to submit written material by April 14, 1971, and (c) must send copies of any such material to all other parties.

(3) Any party may submit by April 28, 1971, written comments on material submitted by other parties and must send copies thereof to all other parties.

(4) Each party will be given a specified time, not to exceed 30 minutes, to present his views orally at the hearing to be held in the Board Room of the Federal Reserve Building, 20th Street and Constitution Avenue, Washington, D. C., beginning at 10 o'clock a.m. on Wednesday, May 12, 1971.