

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7307]
December 27, 1973]

BANK HOLDING COMPANIES

Underwriting of Deductible Portion of Bankers Blanket Bond Insurance

*To All Bank Holding Companies, and Others Concerned,
in the Second Federal Reserve District:*

Following is the text of a statement issued December 18 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System said today it will consider possible addition of underwriting the deductible portion of bankers blanket bond insurance to activities permissible to bank holding companies. Comment will be received through January 24, 1974.

The Board will consider the question in connection with an application from Chase Manhattan Corporation, New York, to acquire the voting shares of Chase Manhattan Captive Insurance Co., Denver.

The application states that the proposed subsidiary would engage in underwriting of insurance against losses due to criminal acts of various kinds and other insurance of the type afforded to banks by bankers blanket bond insurance. As in automobile and other insurance, the premium on bankers blanket bond insurance is lowered when the insured accepts part of the risk in the form of a previously agreed deduction from the amount of the loss that the insurer is obliged to pay. The proposed subsidiary would insure Chase Manhattan Corporation, holding company for Chase Manhattan Bank, and certain of its affiliates, against losses arising from the deductible portion of Chase Manhattan Corporation's bankers blanket bond insurance.

The Board is publishing notice of receipt of the application in the Federal Register. The Board invited comment on the question whether the proposed activity is closely related to banking, and on the question whether it would result in benefits to the public outweighing possible adverse effects. Any views or requests for a hearing should be addressed to the Secretary of the Board (Washington, D. C. 20551) not later than January 25, 1974.

Printed on the reverse side is the text of the Board's Order in this matter. Comments thereon should be submitted by January 25, 1974, and may be sent to our Bank Applications Department.

ALFRED HAYES,
President.

(OVER)

BANK HOLDING COMPANIES

Application to Engage in the Underwriting of Bankers Blanket Bond Insurance (Deductible Portion Only); and Possible Rule Making With Respect Thereto

The Board of Governors has received the following application filed pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and §225.4 (b)(2) of the Board's Regulation Y (12 CFR 225.4(b)(2)) for prior approval to acquire shares of a company which will engage *de novo* in underwriting the deductible portion of bankers blanket bond insurance:

The Chase Manhattan Corporation, New York, New York, has applied for permission to acquire voting shares of Chase Manhattan Captive Insurance Co., Denver, Colorado.

Applicant states that the proposed subsidiary would engage in the activity of underwriting insurance for itself and certain of its affiliates against risks arising out of infidelity of employees, burglary, robbery, larceny or mysterious disappearance of property from premises or in transit, forgery, alteration or counterfeit and other insurance of the type afforded by the bankers blanket bond to major banking institutions in the United States. Applicant further states that the proposed underwriting activities would be limited to insuring the deductible portion of the bankers blanket bond, i.e., that portion of the risk which is not presently insured.

The Board has not heretofore considered whether the proposed activities are closely related to banking. Applicant is of the opinion that the proposed underwriting activities are so closely related to banking or managing or controlling banks as to be a proper incident thereto and notice of receipt of the application is being published pursuant to §225.4(a) of the Board's Regulation Y.

In connection with this application, the Board will also consider possible rulemaking to add the proposed activity to the list of activities the Board has previously determined to be closely related to banking.

Interested persons are invited to express their views on the question of whether the underwriting of the deductible portion of bankers blanket bond insurance is so closely related to banking or managing or controlling banks as to be a proper incident thereto. Interested persons are invited to express their views on the question of whether consummation of the subject proposal can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." Any request for a hearing on this question, or on the issue of whether the underwriting of the deductible portion of blanket bond insurance is so closely related to banking or managing or controlling banks as to be a proper incident thereto should be accompanied by a statement summarizing the evidence the person requesting the hearing proposes to submit or to elicit at the hearing and a statement of the reasons why this matter should not be resolved without a hearing.

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

Any views or requests for hearing should be submitted in writing and received by the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, not later than January 25, 1974.