

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 7471 ]  
October 1, 1974

PROPOSED AMENDMENT TO REGULATION Y

Requests for Hearing on the Sale of "Convenience" Insurance by Bank Holding Companies

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

Our Circular No. 7436, dated August 7, 1974, contained the text of a proposal by the Board of Governors of the Federal Reserve System to amend its Regulation Y, "Bank Holding Companies." The proposed amendment would clarify the definition of insurance sold as a matter of convenience to borrowers under the Regulation.

In order to make it clear that interested parties may request an opportunity for a hearing on the proposal, the Board of Governors has issued the following notice:

The Board of Governors published in the *Federal Register* on August 8, 1974 (39 F.R. 28536), notice of the Board's proposal to amend §225.4(a) of its Regulation Y to clarify the boundaries for the conduct of insurance activities, with respect to "convenience" insurance, which the Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

To aid in its consideration of this matter, the Board invited interested persons to submit relevant data, views, comments, or argument. In accordance with the provisions of §4(c)(8) of the Bank Holding Company Act, as amended, this solicitation was intended to include requests for hearing on the proposal. In order to make clear that interested parties may request an opportunity for a hearing with respect to this proposal, the August 8, 1974 notice (39 F.R. 28536) is hereby revised to offer interested parties who so desire, an opportunity to submit requests for a hearing. Any such requests 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. Such requests and statements should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than October 18, 1974.

For your convenience, reprinted below is the text of the proposed amendment to Regulation Y. Written requests for a hearing on the proposal should be submitted by October 18 and may be sent to our Domestic Banking Applications Department.

ALFRED HAYES,  
*President.*

(Reg. Y)

BANK HOLDING COMPANIES

Nonbanking Activities

Pursuant to its authority under §4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)), the Board proposes to amend §225.4(a) of its Regulation Y to clarify the boundaries for the conduct of insurance activities, with respect to "convenience" insurance, which the Board has determined to be so

closely related to banking or managing or controlling banks as to be a proper incident thereto.

Under the provisions of the present regulation (12 CFR 225.4(a)(9)) concerning permissible insurance activities, a bank holding company may act as insurance agent or broker in offices at which the holding company

(OVER)

or its subsidiaries are otherwise engaged in business with respect to: any insurance for the holding company and its subsidiaries; any insurance that is directly related to an extension of credit or provision of other financial services by a bank or bank-related firm; any insurance sold in a community that has a population not exceeding 5,000; and any insurance that is otherwise sold as a matter of convenience to the purchaser so long as the premium income from such convenience insurance does not constitute a significant portion of the aggregate insurance premium income of the holding company from insurance sold pursuant to subdivision (ii) of § 225.4(a)(9). The Board has interpreted premium income attributable to "convenience" sales as not constituting a "significant portion" if such amount is less than 5 per cent of the aggregate insurance premium income of the holding company system from insurance sold pursuant to § 225.4(a)(9)(ii).

The proposed amendment would set forth a new standard on the amount of "convenience" insurance that could be sold by each insurance-selling subsidiary office of a bank holding company as well as retain the existing standard on the aggregate amount of such insurance that could be sold by the holding company system. Thus, in addition to limiting a bank holding company to deriving less than 5 per cent of its aggregate insurance premium income from convenience insurance pursuant

to § 225.4(a)(9)(ii) of Regulation Y, the amendment would limit the amount of convenience insurance sold by each insurance-selling subsidiary office to less than 5 per cent of that office's total insurance premium income.

The proposed amended subdivision (ii)(c) of § 225.4(a)(9) of Regulation Y would read as follows:

#### SECTION 225.4—NONBANKING ACTIVITIES

(a) **Activities closely related to banking or managing or controlling banks.** \* \* \* The following activities have been determined by the Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto:

\* \* \*

(9) acting as insurance agent or broker . . . with respect to the following types of insurance:

(ii) Any insurance that . . .

(c) is otherwise sold as a matter of convenience to the purchaser, provided that the premium income derived by each insurance-selling office of a bank holding company from sales permitted by this subdivision (ii)(c) shall constitute less than 5 per cent of the insurance premium income of such an office sold pursuant to this subdivision (ii); . . .