

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8284]
February 23, 1978

BANK HOLDING COMPANIES

Proposal To Permit Bank Holding Companies
To Sell Money Orders, Travelers Checks, U.S. Savings
Bonds, and Consumer Financial Management Courses

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

Following is the text of a statement issued February 16 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today issued for public comment a proposed amendment to its Regulation Y (Bank Holding Companies) that would permit bank holding companies and their nonbank subsidiaries to sell, at retail, money orders and similar instruments, travelers checks, U.S. Savings Bonds and consumer-oriented financial management courses.

The Board invited public comment on the proposal in connection with an application by Citicorp, a New York bank holding company, to engage in such activities in Utah.

The Board requested comment by March 14, 1978 both on the proposal to add these new activities to those permissible for bank holding companies and on the application.

The Board has outstanding a proposal to permit bank holding companies to add to their permissible activities the issuance at wholesale of money orders and similar instruments for sale to consumers by others.

Specifically, the Board asked for comment on whether the proposed activities are closely related to banking, and whether they would produce public benefits outweighing any possible adverse effects if engaged in by Citicorp or by bank holding companies in general.

Printed below is the text of the Board's notice in this matter. Comments should be submitted by March 14, and may be sent to our Domestic Banking Applications Department.

PAUL A. VOLCKER,
President.

[Regulation Y; Docket No. R-0145]

NONBANKING ACTIVITIES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice of application and proposed rule.

SUMMARY: In conjunction with its consideration of an application by Citicorp, New York, New York, the Board may consider a proposed rule that would permit bank holding companies to engage, directly or indirectly, in the sale of money orders and similar instruments, travelers checks, U.S. savings bonds, and consumer-oriented financial management courses and instructional material, subject to Board approval of specific proposals.

DATE: Comments must be received by March 14, 1978.

ADDRESS: Secretary, Board of Governors of the

Federal Reserve System, Washington, D.C. 20551. All material submitted should include the docket number R-0145.

FOR FURTHER INFORMATION CONTACT: Robert E. Mannion, Associate General Counsel (202/452-3274), or James McAfee, Senior Attorney (202/452-3707), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: (1) *Notice of application.* Citicorp has applied pursuant to §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 C.F.R. §225.4(b)(2)) for permission to engage in the sale of money orders and similar instru-

(OVER)

ments, travelers checks, U.S. savings bonds, and consumer-oriented financial management courses and instructional material. These activities, which the Board has not previously found to be closely related to banking, would be performed by Citicorp Person-to-Person Financial Centers, subsidiaries of Nationwide Financial Services Corporation (a subsidiary of Citicorp) at eight existing offices in Utah. Notice of the application was published November 10, 1977, in the *Ogden Standard-Examiner*, *The Daily Herald*, and *The Salt Lake Tribune*, newspapers circulated in Ogden, Provo, and Salt Lake City, Utah, respectively, and the application may be inspected at the offices of the Board of Governors or at the Federal Reserve Bank of New York.

(2) *Possible rulemaking.* In connection with its consideration of Citicorp's application, the Board, although not required to do so, may also consider whether section 225.4(a) of the Board's Regulation Y (12 C.F.R. §225.4(a)) should be amended to add the activities proposed by Citicorp to those permissible generally for bank holding companies under section 4(c)(8) of the Bank Holding Company Act. A proposed text of such an amendment, the chief effect of which would be to permit bank holding companies to engage *de novo* in these activities in normal cases upon 45-days' notice to the public and to the appropriate Federal Reserve Bank, is set forth at the end of this notice.

(3) *Submission of comments.* To aid the Board in its consideration both of Citicorp's application and related rulemaking, interested persons may express their views on the questions whether the proposed activities, or any of them, are "so closely related to banking or managing or controlling banks as to be a proper incident thereto," and whether consummation of Citicorp's proposal, or whether performance of the proposed activities generally by an affiliate of a bank holding company, can "reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." Any request for a hearing on these questions 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.

Any views or requests for a 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 March 14, 1978. All material submitted should include the docket number R-0145. Such information will be made available for inspection and copying upon request except as provided in §261.6(a) of the Board's Rules Regarding Availability of Information (12 C.F.R. §261.6(a)).

(4) *Authority.* This action is proposed pursuant to the Board's authority under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. §1843(c)(8)).

(Text of proposed amendment)

1. Effective _____, section 225.4(a)(5)(iv) of the Board's Regulation Y (12 C.F.R. §225.4(a)(5)(iv)) is amended to read as follows:

§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:

* * *

(5) Acting as investment or financial adviser to the extent of . . .

(iv) furnishing general economic information and advice, consumer-oriented financial management courses and instructional material, general economic statistical forecasting services and industry studies;³

³ This is to be contrasted with "management consulting" which the Board views as including, but not limited to, the provision of analysis or advice as to a firm's (i) purchasing operations, such as inventory control, sources of supply, and cost minimization subject to constraints; (ii) production operations, such as quality control, work measurement, product methods, scheduling shifts, time and motion studies, and safety standards; (iii) marketing operations, such as market testing, advertising programs, market development, packaging, and brand development; (iv) planning operations, such as demand and cost projections, plant location, program planning, corporate acquisitions and mergers and determination of long-term and short-term goals; (v) personnel operations, such as recruitment, training, incentive programs, employee compensation, and management-personnel relations; (vi) internal operations, such as taxes, corporate organization, budgeting systems, budget control, data processing systems evaluation, and efficiency evaluation; or (vii) research operations, such as product development, basic research, and product design and innovation. The Board has determined that "management consulting" is not an activity that is so closely related to banking or managing or controlling banks as to be a proper incident thereto.

2. Effective _____, section 225.4(a) of the Board's Regulation Y (12 C.F.R. §225.4(a)) is amended by adding the following new paragraph (13) immediately following §225.4(a)(12):

§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:

* * *

(13) the sale at retail of money orders and other variable denominated instruments, travelers checks, and U.S. savings bonds.