

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 8391]
July 20, 1978

**PROPOSED AMENDMENT TO REGULATION Y
Check Verification Services by Bank Holding Companies**

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

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

The Board of Governors of the Federal Reserve System is proposing, for public comment, adoption of an amendment to its Regulation Y—Bank Holding Companies—to make check verification an activity permissible for bank holding company subsidiaries.

Comment will be received through August 14, 1978.

The Board has before it an application to engage in check verification by Barnett Banks of Florida, Inc. The applicant described the proposed activity as follows:

The bank holding company would establish a subsidiary, to engage in check verification. Merchants would pay a fee to subscribe to the services of the verification company. The company would authorize subscribing merchants to accept certain personal checks as payment for goods and services. If an authorized check turns out to be bad, the subsidiary will buy it from the merchant.

The Board may act on the application prior to final decision on the activity.

Printed below is the text of the Board of Governors' proposal. Comments should be submitted by August 14, and may be sent to our Domestic Banking Applications Department.

PAUL A. VOLCKER,
President.

BANK HOLDING COMPANIES

[Regulation Y; Docket No. R-0171]

Proposed Rulemaking Relating to Providing Check Verification Services

BARNETT BANKS OF FLORIDA, INC.

Formation of Verifications, Inc. to Provide Check Verification Services

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed rule and action on individual application.

SUMMARY: The Board proposes to adopt a regulation that would permit bank holding companies to engage in providing check verification services, subject to particular procedures in individual cases. The Board will also consider acting by order, prior to action on the proposed rule, on the application of Barnett Banks of Florida, Inc., to provide check verification services through a newly formed subsidiary, Verifications, Inc.

DATE: Comments must be received on or before August 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-0171.

FOR FURTHER INFORMATION CONTACT: Julius L. Loeser, Senior Attorney (202-452-3236) or J. Harry Jorgenson, Attorney (202-452-3778), Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Board of Governors has received an application filed by Barnett Banks of Florida, Inc., Jacksonville, Florida ("Applicant"), pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) and section 225.4(b)(2) of the Board's Regulation Y (12 CFR § 225.4(b)(2)), for prior approval to engage *de novo* through a subsidiary to be known as Verifications, Inc. in providing check verification services to merchants.

(OVER)

Applicant proposes to engage in providing check verification services as follows:

In consideration of fees paid by a subscribing merchant, Verifications, Inc. will authorize acceptance by the merchant of certain personal checks tendered by the merchant's customers in payment of goods and services. In the event a validly authorized check is subsequently dishonored, Verifications, Inc. will purchase such check from the merchant.

Section 4(c) (8) of the Bank Holding Company Act provides that a bank holding company may, with Board approval, acquire "shares of any company the activities of which the Board after due notice and opportunity for hearing has determined (by order or regulation) to be so closely related to banking as to be a proper incident thereto." Applicant believes that the proposed activity is so closely related to banking as to be a proper incident thereto and the Board believes that a reasonable basis exists for Applicant's opinion.

In connection with this application, the Board will consider amending Regulation Y (12 CFR § 225.4(a)) to add the activity of providing check verification services to the list of activities that the Board has previously determined to be permissible for bank holding companies. Interested persons may express their views on the question whether providing check verification services is "so closely related to banking or managing or controlling banks as to be a proper incident thereto" within the meaning of section 4(c) (8).

The Board will also consider acting by order, prior to action on the proposed rule, on the application of Barnett Banks of Florida, Inc., to provide check verification services through a newly formed subsidiary, Verifications, Inc. Interested persons may also express their views on the question whether consummation of the proposal by Applicant 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 requests 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.

The application of Barnett Banks of Florida, Inc., may be inspected at the offices of either the Board of Governors or the Federal Reserve Bank of Atlanta. Expressions of views received by the Board may be inspected at the offices of the Board of Governors.

Any views or requests for hearing either on the proposed rule or on the individual application 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 August 14, 1978.