

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 8533]
March 8, 1979]

AMENDMENT TO REGULATION Y

**Sale of Money Orders, Travelers Checks, and U.S. Savings Bonds
at Nonbank Offices of 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 February 26 by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board today announced an amendment to its Regulation Y to permit bank holding companies to sell money orders, travelers checks and U.S. savings bonds to the public at their nonbank offices. The Board fixed a maximum face value of \$1,000 on the money orders sold at offices of bank holding companies and their subsidiaries. At the same time, the Board declined to adopt an amendment that was earlier proposed that would have permitted bank holding companies to sell variable denominated instruments and financial management courses. The Board announced that it would consider specific proposals by bank holding companies to furnish consumer-oriented financial management courses on a case-by-case basis.

In a related action the Board announced its approval of an application by Citicorp, New York, New York, to sell money orders, travelers checks and U.S. savings bonds and to provide consumer-oriented financial management courses at eight offices in Utah of its subsidiary, Citicorp Person-to-Person Financial Centers.

Enclosed is a copy of the Regulation Y amendment, effective April 2, 1979. Questions regarding this matter may be directed to our Domestic Banking Applications Department (Tel. No. 212-791-5861).

PAUL A. VOLCKER,
President.

Board of Governors of the Federal Reserve System

BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL

AMENDMENT TO REGULATION Y

(effective April 2, 1979)

Nonbank Activities

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board has adopted a final rule, substantially as proposed in February 1978, that adds the sale of money orders, travelers checks, and U.S. savings bonds to the list of those activities permissible for bank holding companies. The Board declined to add the provision of financial management courses to that list as it had originally proposed.

EFFECTIVE DATE: April 2, 1979.

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: In conjunction with an application by Citicorp, New York, New York, the Board in February 1978 published notice of a proposed amendment to its Regulation Y that would add the retail sale of money orders and other instruments, travelers checks, U.S. savings bonds, financial management courses, and other educational materials relating to financial matters to the list of activities permissible for bank holding companies and their nonbank subsidiaries. 43 *Fed. Reg.* 7,440 (1978). The comments received in response to that proposal did not adequately explore the appropriate boundaries on an industry-wide basis for educational activities of bank holding companies, and as a consequence the Board has declined to adopt that part of the proposed rule relating to financial management courses and educational materials. Instead, the

Board will consider proposals by bank holding companies to engage in these activities on a case-by-case basis.

Similarly, that part of the proposed rule that would have authorized the sale of "variable denominated instruments" engendered confusion among commenters, and on the basis of submissions by Citicorp it now appears that there is no present need for this authorization in a regulation of industry-wide applicability. For those reasons the Board has declined to adopt that part of the proposed rule.

The balance of the proposal, which the Board has adopted as a final rule, authorizes the retail sale to the public by bank holding companies of money orders, travelers checks, and U.S. savings bonds at offices operated by them and their nonbank subsidiaries, subject to Board approval of specific proposals. The Board found that these activities have been traditionally engaged in by banks and that their provision by bank holding companies was likely in the usual case to yield net benefits to the public. A fuller discussion of the Board's consideration of the proposed activities is included in its Order regarding the associated application by Citicorp to engage in the activities at several offices in Utah, which has been published in the notice section of this issue of the *Federal Register* [vol. 44, no. 44 — March 5, 1979] for the information of interested persons. In response to several comments on that application, the Board stressed in its Order that this action concerned the retail sale of travelers checks and money orders and did not authorize their issuance by bank holding companies, and that Board authorization of activities under section 4(c)(8) of the Act did not exempt bank holding companies from complying with licensing, bonding, and other requirements of law applicable to persons engaged in those activities. The Board has also denied several requests for hearings

For this Regulation to be complete, retain:

- 1) Regulation Y pamphlet, as amended effective April 5, 1978.
- 2) Amendments effective January 1, 1979 and March 10, 1979.
- 3) This slip sheet.

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that were not relevant to the proposal as it has been adopted, for the reasons explained in its Order.

The Board has added a condition to the final rule that was not in the proposed rule that would restrict money orders sold under this authority to a face value of \$1,000. The purpose of this restriction is to conform the authorization to earlier Board actions respecting the issuance of such instruments by insuring that they retain their character as consumer instruments.

(2) This action is taken pursuant to the Board's authority under sections 4(c)(8) and

5(b) of the Bank Holding Company Act, 12 U.S.C. §§ 1843(c)(8) and 1844(b).

Text of Amendment

Effective April 2, 1979, 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):

* * *

(13) The sale at retail of money orders having a face value of not more than \$1,000 and travelers checks and the sale of U.S. savings bonds.