

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9410
November 30, 1982]

BANK HOLDING COMPANIES

Application to Offer Foreign Exchange Services

*To All Commercial Banks, Bank Holding Companies, and Branches
and Agencies of Foreign Banks, in the Second Federal Reserve District:*

The following statement was issued November 19 by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board today invited public comment on an application by The Hongkong and Shanghai Banking Corporation, together with three other bank holding companies, to establish an office in New York City to provide certain services in connection with foreign exchange operations.

The Board requested comment by December 17, 1982.

The other bank holding companies joining in the application are HSBC Holdings B.V., of Amsterdam, the Netherlands; Kellett N.V., of Curacao, Netherlands Antilles, and Marine Midland Banks, Inc., of Buffalo, New York.

The bank holding companies propose to establish an office in New York City of a new company, International Treasury Management, Ltd., to provide the following services now being provided by Marine Midland Bank, N.A., the applicants' U.S. bank subsidiary:

- Provision of general economic information and statistical forecasting with respect to the foreign exchange and money markets.
- Provision of advisory services to assist customers in monitoring, evaluating and managing their foreign exchange operations.
- Arranging for the execution by banks of foreign exchange transactions, on a fee basis.

The Board's request for comment on whether these activities are closely related to banking and would provide public benefits outweighing any adverse effects is attached.

Printed on the reverse side of this circular is an excerpt from the *Federal Register* of November 24, 1982, containing the text of the Board's notice in this matter. Comments thereon should be submitted by December 17, 1982, and may be sent to our Domestic Banking Applications Department.

ANTHONY M. SOLOMON,
President.

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FEDERAL RESERVE SYSTEM

Hongkong and Shanghai Banking Corp. et al.; applications

The Hongkong and Shanghai Banking Corporation, Hongkong, B.C.C. ("HSBC"), Kellett, N.V., Curacao, Netherlands Antilles ("Kellett"), HSBC Holdings B.V., Amsterdam, the Netherlands ("Holdings"), and Marine Midland Banks, Inc., Buffalo, New York ("Marine") (collectively, "Applicants"), have applied pursuant to section 4(c)(8) of the Bank Holding Company Act ("BHC 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)), to establish an office of International Treasury Management Limited, Hong Kong, B.C.C. ("ITM"), in New York City.

Marine will directly acquire 50 per cent of ITM's shares, and has also applied under section 4(c)(13) of the BHC Act and § 211.5 of the Board's Regulation K (12 CFR 211.5) to acquire its interest in ITM. HSBC, through a *de novo* Bahamian shell corporation, Basingstoke Holdings, Ltd. ("Basingstoke"), will indirectly acquire the remaining 50 per cent. Kellett, which is a wholly-owned subsidiary of HSBC, owns 100 per cent of Holdings, which, in turn, owns 51.05 per cent of Marine. Both Kellett and Holdings are also applicants because they are each bank holding companies with respect to Marine Midland Bank, N.A. ("Marine Bank"). Applicants state that all of the foreign-exchange activities that ITM will perform under the proposal are now performed by Marine Bank.

It is proposed that Applicants will offer the following services through ITM.

(1) Providing general economic information and statistical forecasting with respect to the foreign-exchange and money markets. Specifically the informational services would include (a) providing customers with continuously updated market information from New York, London and Singapore; (b) analyzing foreign-exchange and money-market trends in the context of economic and political developments; (c) forecasting rate movements of 26 foreign currencies; and (d) providing

information essential to decision-making in connection with forward foreign-exchange contracts. Such services would be provided *via* access to computer software that has been developed by Marine Bank.

(2) Providing advisory services designed to assist customers in monitoring, evaluating and managing their foreign exchange exposure. Such advice may include recommendations regarding the establishment of policies and procedures that would enhance a customer's ability to identify, measure and manage financial risks and opportunities in a multi-currency environment, and may be tailored to the customer's individual needs. ITM would also provide advice on the timing of purchases and sales of foreign exchange in both the spot and forward markets.

(3) Providing transactional services with respect to foreign exchange, with ITM providing, for a fee, for the execution of such transactions by HSBC, Marine Bank and other commercial banks. Among the types of transactions that would be arranged are currency "swaps" by customers with complementary foreign exchange exposures.

These activities would be performed from offices of ITM in New York, New York, as well as Hong Kong, and the geographic area to be served by the New York office is the United States.

The proposed activities of providing general economic information and statistical forecasting with respect to the foreign exchange and money markets, offering advice regarding purchases or sales of currencies in a customer's portfolio, and of offering advice to depository institutions regarding their internal policies and procedures relative to currency exposure appear to be permissible for bank holding companies under § 225.4(a)(5) and (12), respectively, of statistical Regulation Y. Inasmuch as ITM will provide its information and forecasting services by means of data processing facilities, it appears that this proposed activity also falls within permissible data processing activities under § 225.4(a)(8) of Regulation Y.¹

The remainder of Applicants'

proposed activities have not been determined by the Board to be closely related to banking. With respect to the activities of offering advice to non-depository institutions regarding internal policies and procedures relative to currency exposure, and of arranging for the execution by HSBC, Marine, or other commercial banks of foreign exchange transactions resulting from or arising out of the related information and advisory services, Applicants state that these activities are currently performed by commercial banks. With respect to these activities, interested persons may express their views on the question whether the proposed activity is so closely related to banking or managing or controlling banks as to be a proper incident thereto.

With respect to all of the proposed activities, interested persons may express their views on the question whether consummation of the 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 either of these questions must be accompanied by a statement of why a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute, summarizing the evidence that would be presented at a hearing, and indicating how the party commenting would be aggrieved by Board action on the proposal.

The applications may be inspected at the offices of the Board of Governors or 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 December 17, 1982.

Board of Governors of the Federal Reserve System, November 18, 1982.

William W. Wiles,
Secretary of the Board.

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¹ Applicants contend that the use of data processing facilities in performing this service should be regarded as incidental to the activity of providing foreign exchange information, since the use of data processing facilities is necessary for the continual updating of foreign exchange and money market data.