

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9655]
March 16, 1984]

BANK HOLDING COMPANIES

Proposal to Expand the List of Permissible Nonbank Activities

*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 Federal Reserve Board has proposed for public comment a list of nine non-banking activities which, if adopted, would be permissible activities for bank holding companies. Comment should be submitted to the Board by May 2.

Some of the activities proposed for inclusion in the Board's Regulation Y have already been approved in individual cases. Others are being proposed for the first time.

Activities that would be added to the permissible list are:

1. Commodity trading advisory services
2. Check guaranty services
3. Consumer financial counseling
4. Armored car services
5. Tax planning and tax preparation
6. Operating a collection agency and credit bureau.

Proposed expansion of activities already on the permissible list:

1. Property appraisals
2. Future commission merchant advice

The Board also proposed to define the permissible insurance activities that would be permitted under the Garn St Germain Depository Institutions Act of 1982.

Printed on the following pages is the text of the Board's proposal, which has been reprinted from the *Federal Register* of March 12, 1984. Comments thereon should be submitted by May 2, 1984, and may be sent to our Domestic Banking Applications Department.

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE SYSTEM

12 CFR Part 225

[Docket No. R-0511]

Bank Holding Companies and Change in Bank Control; Expanded List of Permissible Nonbanking Activities

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed rulemaking.

SUMMARY: On May 19, 1983, the Board proposed a revision of Regulation Y, its regulation implementing the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 *et seq.*), and the Change in Bank Control Act of 1978 (12 U.S.C. 1817(j)). The Federal Register notice accompanying the proposed revision of Regulation Y requested suggestions for new nonbanking activities that should be added to the Regulation Y list of activities permissible generally for bank holding companies. In this notice the Board is seeking public comment on the addition of a number of these suggested new activities to the Regulation Y list. Addition of any of these activities to the list would facilitate the processing of applications by bank holding companies to engage in the activity.

DATE: All comments should be received by the Board by May 2, 1984.

ADDRESS: All comments, which should refer to Docket No. R-0511, should be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, or delivered to Room B-2223, 20th & Constitution Avenue, N.W., Washington D.C., between 8:45 a.m. and 5:15 p.m. weekdays. Comments may be inspected in Room B-1122 between 8:45 a.m. and 5:15 p.m. weekdays.

FOR FURTHER INFORMATION CONTACT: J. Virgil Mattingly, Associate General Counsel, (202/452-3430), Bronwen Mason Chaiffetz, Senior Counsel, (202/452-3564), or Carl V. Howard, Senior Counsel, (202/452-3786), Legal Division; David Kulig, Senior Counsel, (202/452-2347), Regulatory Improvement Project; Don E. Kline, Associate Director, (202/452-3421), or Sidney M. Sussan, Assistant Director, (202/452-2638), Division of Banking Supervision and Regulation; and Stephen A. Rhoades, Economist, (202/452-3906), or Paul R. Schweitzer, Economist, (202/452-2918), Division of Research and Statistics.

SUPPLEMENTARY INFORMATION: The Bank Holding Company Act of 1956, as amended ("BHC Act"), generally prohibits a bank holding company (*i.e.*, a company that controls one or more banks) from engaging in nonbanking activities or acquiring voting securities, of a company engaged in nonbanking activities. Section 4(c)(8) of the BHC Act provides an exception to this prohibition for a bank holding company to obtain the Board's prior approval to engage in activities, or to acquire shares of a company engaged in activities, that the Board determines, after notice and opportunity for hearing, to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto."

On May 19, 1983, the Board proposed for public comment a revision of Regulation Y, its regulation implementing the BHC Act. In response to the proposal, the Board received a number of suggestions for additional new nonbanking activities that should be added to the Regulation Y list of activities permissible for bank holding companies. In this notice, the Board seeks public comment on a number of the activities suggested.¹ The notice includes 1) activities that the Board previously has approved by order in individual cases or that are similar to such approved activities; and 2) activities that have not previously been considered by the Board and are not the subject of pending Congressional consideration. This notice also seeks comment on the scope of insurance activities that are permissible under the authority of Title VI of the Garn-St Germain Depository Institutions Act of 1982 (Pub. L. 97-320, 96 Stat. 1469, 1536-38) ("Garn-St Germain Act").

In determining whether an activity is permissible for bank holding companies under section 4(c)(8) of the BHC Act, the Board must find that (1) the activity is closely related to banking or managing or controlling banks, and (2) it is a proper incident thereto:

In considering whether an activity is closely related to banking, the Board has found it useful to refer to three criteria

¹ In separate Federal Register notices the Board sought public comment on (i) increasing from \$1,000 to \$10,000 the maximum face amount of money orders permitted to be issued and sold by bank holding companies (48 FR 52977 (Nov. 23, 1983)); and (ii) deleting the requirement in connection with permissible credit insurance underwriting that a bank holding company reduce the insurance premiums charged (48 FR 53125 (Nov. 25, 1983)). These changes also were suggested by the commenters on the proposed revision of Regulation Y.

set forth in judicial opinions:² (a) Whether banks generally have provided the proposed service; (b) whether banks have generally provided services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed service; or (c) whether banks generally provide services that are so integrally related to the proposed service as to require the provision of the service in a specialized form. The Board also may consider other factors that an applicant may advance to demonstrate a reasonable or close connection or relationship of the activity to banking or managing and controlling banks.³

With respect to determining whether an activity is a proper incident to banking, section 4(c)(8) of the BHC Act provides that the Board must consider whether performance of the activity by bank holding companies can reasonably be expected to produce benefits to the public that outweigh possible adverse effects.⁴ The Act states that public benefits include greater convenience, increased competition, and gains in efficiency. Adverse effects include undue concentration of resources, decreased or unfair competition, conflicts of interests, and unsound banking practices.

The suggestions for new nonbanking activities often did not include a description of the activity proposed. Accordingly, in this notice the Board has provided a brief description of each activity. Commenters are specifically asked to comment on the accuracy and adequacy of the proposed description of each activity.

Comment is also requested on whether each activity is closely related to banking or incidental to the performance of such an activity under the judicially-formulated criteria or other relevant criteria. Comments on whether an activity is closely related to banking should include the specific facts, examples, and legal arguments on which the commenters base their opinions. In addition, comments should provide data and information pertinent to the activity, including the identity and size of industry participants, trends in profitability, merger and failure rates,

² *E.g.*, *National Courier Ass'n v. Board of Governors*, 516 F.2d 1229 (D.C. Cir. 1975).

³ *Alabama Association of Insurance Agents v. Board of Governors*, 533 F.2d 224 (5th Cir. 1976), *cert. denied*, 435 U.S. 904 (1978).

⁴ In its evaluation of an application by a specific bank holding company to engage in a listed activity, the Board also must determine whether the performance of the activity by that bank holding company meets the "proper incident" criteria. *Alabama Association of Insurance Agents, Supra.*

and the sources for such information and data.

With respect to whether a proposed activity is a proper incident to banking, some of the issues raised by a particular activity have been identified in this notice. Commenters are specifically requested to comment on the issues identified by the Board, as well as any other issues that are relevant under the proper incident test of section 4(c)(8) of the BHC Act. For those activities for which potential adverse effects may exist, commenters are requested to propose methods of reducing or eliminating the potential for the occurrence of such adverse effects. Comments regarding the proper incident test also should include specific facts, examples, and legal arguments concerning the issues. Although the Board has not specifically proposed limits on any of the activities, to address issues raised by the activity, based on the comments and other facts of record, limitations may be incorporated by the Board when taking final action to add an activity to the Regulation Y list.

Proposed Nonbanking Activities

The Board is seeking public comment on whether the list of activities permissible for bank holding companies in § 225.25 or Regulation Y (49 FR 794 (1984)), should be amended to add the following activities:

1. *Commodity trading advisory services.* Commenters suggested that bank holding companies be permitted to provide commodity trading advisory services. As defined by the Commodities Futures Trading Commission, commodity trading advisory services involve the provision of advice, counsel, publications, written analyses and reports relating to the purchase and sale of commodities for future delivery on or subject to the rules of a contract market. The Board seeks comment on whether this activity should be limited to the provision of advice only with respect to such financial commodities for which the Board has authorized future commission merchant ("FCM") activities.

2. *Check guaranty services.* Authorizing acceptance by subscribing merchants of personal checks tendered by the merchant's customers in payment for goods and services, and purchasing a validly authorized check from the merchant in the event the check is not subsequently honored. The Board previously has determined that this activity is closely related to banking and a proper incident thereto in connection with a particular application, but the activity was not added to the Regulation

Y list at that time. (*Barnett Banks of Florida*, 65 Federal Reserve Bulletin 263 (1979).) One issue raised by this activity on which comment is requested is whether conditions should be imposed on the performance of the activity to limit the liability of the bank holding company resulting from the purchase of dishonored checks.

3. *Consumer financial counseling.* Providing advice to consumers on individual financial matters, including debt consolidation, applying for a mortgage, bankruptcy, budget management, tax planning, retirement and estate planning, insurance, and portfolio management and investment planning. This service is usually limited to counseling for a fee, including educational courses and seminars, and does not involve the sale of specific products or investments.

The Board previously has found consumer financial counseling services to be closely related to banking in connection with a particular application. (*Citicorp (Citicorp Person-to-Person Financial Centers)*, 65 Federal Reserve Bulletin 265 (1979).) The Board notes that financial counseling is permissible for service corporations of Federal savings and loan associations ("S&Ls").

4. *Armored car services.* Providing fully-insured transportation of cash, securities, and valuables; primarily, collecting currency and checks from commercial customers and transporting and depositing these collections at financial institutions. Armored car services may also include bank transfers, coin wrapping, change delivery, mail delivery, payroll check cashing, servicing of automated teller machines, and leasing safes to commercial customers.

Armored car services were proposed by the Board in 1971 together with courier services (transporting checks, commercial paper, and similar documents, excluding cash and bearer negotiable instruments) for addition to the Regulation Y list. While the Board added courier services to the list in 1973, it did not take final action on the armored car services proposal. (38 FR 32126, and 59 Federal Reserve Bulletin 892 (1973).) One issue raised by this activity on which comment is requested is whether conditions should be imposed on performance of the activity to limit the liability of the bank holding company.

5. *Tax planning and tax preparation.* Tax planning services involve providing advice and strategies designed to minimize tax liabilities. At the corporate level, the service includes analyses of the tax implications of mergers and acquisitions, portfolio mix, specific

investments, previous tax payments, and year-end tax planning (which involves projecting expected tax liabilities and balancing these with expected cash-flow). For the individual, the service includes analyses of the tax implications of retirement plans, estate planning, and family trusts. One issue raised by this activity on which comment is requested is whether corporate tax planning should be regarded as management consulting, an activity not permissible under the regulation.

Tax preparation services involve preparation of tax forms, and advice concerning how the client should file in order to minimize the tax liability based on records and receipts supplied by the client. The Board notes that service corporations of Federal S&Ls are permitted to prepare tax returns for individuals and non-profit organizations.

6. *Operating a collecting agency and credit bureau.* Collection agency activities include collecting overdue accounts receivable, either retail or commercial, generally for a contingent fee based on a specified percentage of the amount collected. Credit bureau activities include maintaining files on the past credit history of certain borrowers and providing that information for a fee to a credit grantor who is considering a borrower's application for credit.

In addition, the Board is seeking public comment on whether to amend certain activities specified in the Regulation Y list (§ 225.25 of Regulation Y, 49 FR 794 (1984)), to include the following activities:

1. *Insurance underwriting and agency activities (§ 225.25(b) (8) and (9)).* Title VI of the Garn-St Germain Act amended section 4(c)(8) of the BHC Act to specify the types of insurance activities in which bank holding companies may engage and to limit some of those that the Board had found to be permissible under Regulation Y. The recent revision of Regulation Y (49 FR 794, January 5, 1984) did not amend the insurance activities provision of the regulation, but the Board stated that it was reviewing the issues raised by the Garn-St Germain Act provisions and that it would amend Regulation Y to reflect the resolution of these issues. A number of commenters encouraged the Board to amend the regulation to reflect the new statutory provisions. Accordingly, the Board proposes to amend § 225.25(b) (8) and (9) of Regulation Y (as revised) to delete those provisions entirely and to substitute provisions permitting the following insurance activities:

A. Acting as principal, agent or broker for insurance directly related to an

extension of credit by a bank holding company or any of its subsidiaries, where such insurance is limited to assuring the repayment of the outstanding balance due on a specific extension of credit by such bank holding company or subsidiary in the event of death, disability or involuntary unemployment of the debtor. Since the sale of insurance must be related to an extension of credit under this provision of the Garn-St Germain Act, the sale of insurance related to the provision of "other financial services" as provided in § 225.25(b)(8)(i)(b) of Regulation Y, is no longer permitted. An "extension of credit" would include loans which are purchased, but not those loans that are merely being serviced. Comment is requested whether an extension of credit would include a lease.

The Board believes that the enactment of this provision in the Garn-St Germain Act warrants reexamination of whether underwriting home mortgage life insurance is closely related to banking. Home mortgage life underwriting involves underwriting the repayment of the unpaid balance of a home mortgage loan in the event the insured borrower dies or is disabled before the mortgage is paid in full. Prior to the Garn-St Germain Act, the Board declined to publish notice of this activity on the basis that it is not closely related to banking, because this type of insurance is more similar to general life insurance than to credit life insurance. (*BankAmerica Corporation (BA Insurance Company)*, 66 Federal Reserve Bulletin 660 (1980).) The Board believes that home mortgage life underwriting may be permissible under subparagraph (A) of section 601 of the Garn-St Germain Act, and requests comment on whether it should be included in the Regulation Y list.

B. Acting as principal, agent or broker for insurance directly related to an extension of credit by a finance company that is a subsidiary of a bank holding company, provided (1) such insurance is limited to assuring repayment of the outstanding balance on an extension of credit by such finance company of such bank holding company in the event of loss or damage to any property used as collateral for the extension of credit; and (2) the extension of credit is not more than \$10,000, or \$25,000 in the case of an extension of credit to finance the purchase of, and that is secured by, a residential manufactured home. These dollar limitations shall be increased each year after 1982 by the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical

Workers published monthly by the Bureau of Labor Statistics for the period beginning on January 1, 1982, and ending on December 31 of the year preceding the year in which such extension of credit is made.

The Board notes that this provision would authorize a bank holding company to underwrite property and casualty insurance that is allowed to be sold under this paragraph by a finance company subsidiary of the bank holding company. Comment is requested on the definition of finance company and whether it excludes any deposit-taking entity.

C. Any insurance agency activity (1) in a place that has a population not exceeding 5,000 (as shown in the preceding decennial census); or (2) in a town that the Board determines, after notice and opportunity for hearing, has inadequate insurance agency facilities. The Board notes that the Garn-St Germain Act does not impose the requirement, now found in § 225.25(b)(8) of Regulation Y, that the bank holding company have its principal place of banking business in the community with a population not exceeding 5,000. Comment is requested on whether the proposed regulatory provision should include this requirement.

D. Any insurance agency activity engaged in by a bank holding company or any of its subsidiaries on May 1, 1982 (or any insurance agency activity that the Board had approved for such company or its subsidiaries on or before May 1, 1982).⁵ This paragraph would authorize a bank holding company or a subsidiary of that bank holding company to perform at any location any insurance agency activity, including the sale of credit-related property and casualty insurance, provided that that activity was approved for the bank holding company or any of its subsidiaries on May 1, 1982. This provision is based on subparagraph (D) of section 601 of the Garn-St Germain Act.

In addition to authorizing bank holding companies and their subsidiaries to engage in any insurance agency activities they were engaged in on May 1, 1982, subparagraph (D) of the Garn-St Germain Act provides that this authorization "includes" engaging in

⁵ For purposes of this paragraph, the bank holding company activities engaged in or approved by the Board on May 1, 1982, shall include activities carried on subsequent to that date as the result of an application to engage in such activities pending on May 1, 1982, and approved subsequent to that date or as the result of the acquisition by such company pursuant to a binding written contract entered into on or before May 1, 1982, of another company engaged in such activities at the time of the acquisition.

such activities at specified locations. The Board seeks comment on whether the specification of locations in subparagraph (D) imposes a limitation on where the insurance agency activities allowed under subparagraph (D) may be conducted.

Accordingly, the Board requests comment on whether under subparagraph (D) of section 601 of the Garn-St Germain Act a bank holding company or any of its subsidiaries that were engaged in insurance agency activities as of May 1, 1982 (particularly, the sale of credit-related property and casualty insurance), or any insurance agency activity that the Board approved for such company or its subsidiaries on or before May 1, 1982, may perform the activity under authority of this paragraph only at locations:

(i) In the state in which the principal place of business of the bank holding company (as defined in 12 U.S.C. 1842(d)) is located;

(ii) in any state or states immediately adjacent to such state; and

(iii) in any state or states in which such insurance agency activity was conducted (or was approved to be conducted) by such bank holding company or its subsidiary on May 1, 1982, or other insurance coverages that may become available after May 1, 1982, so long as those coverages insure against the same types of risks as, or are otherwise functionally equivalent to, coverages sold on May 1, 1982, or approved to be sold on or before May 1, 1982.

The Board notes that these limitations as to geographic location would only apply if the bank holding company were seeking authority to expand the activity under subparagraph (D). These restrictions would not apply if the insurance activity were conducted under any of the other exemptions. For example, they would not apply to the sale of credit life, accident and health insurance under subparagraph (A) or to the sale of insurance by a bank holding company with assets of less than \$50 million under subparagraph (F).

In subparagraph (iii) of this alternative, expansion of "grandfathered" insurance agency activities within a state is limited to the subsidiary of the bank holding company that was conducting (or approved to conduct) the activities in that state on May 1, 1982. Thus, if a bank holding company has two consumer finance companies, but only one of them was selling property and casualty insurance in a particular state on May 1, 1982, only that subsidiary could expand its property and casualty insurance

activities within the state. However, the Board has allowed the transfer of grandfather rights where the grandfathered subsidiary was merged with another subsidiary of the bank holding company for purposes of efficiency. In this regard, compare S. Rep. No. 976-36, 97th Cong., 2d Sess. 40 (1982) with H. Rep. No. 97-899, 97th Cong., 2d Sess. 91 (1982) (Conference Report).

Also, under subparagraph (iii) of this alternative, a bank holding company may sell insurance that was not sold prior to May 1, 1982, as long as those coverages sold insure against the "same types of risks as, or are otherwise functionally equivalent to, coverages sold on May 1, 1982, or approved to be sold on or before May 1, 1982." Comment is requested on whether since leasing may be the functional equivalent of an extension of credit, the sale of property and casualty insurance on leased items would be permissible.

E. Supervising on behalf of insurance underwriters the activities of retail insurance agents who sell (1) fidelity insurance and property and casualty insurance on the real and personal property used in the operations of the bank holding company or its subsidiaries; and (2) group insurance that protects the employees of the bank holding company or its subsidiaries.

F. Any insurance agency activity by a bank holding company or its subsidiaries where the bank holding company has total consolidated assets of \$50 million or less. Under the Garn-St Germain Act, this provision does not authorize a bank holding company to sell life insurance or annuities, other than as authorized under paragraphs (A), (B) and (C) of that statute. Also, to qualify for this exemption, the holding company system and not merely one subsidiary must have less than \$50 million in assets.

G. Any insurance agency activity performed directly or indirectly by a bank holding company that was engaged in insurance agency activities prior to January 1, 1971, as a consequence of approval by the Board prior to January 1, 1971. This provision may authorize any qualifying company to sell insurance of any type from any location without reference to its pre-1971 activities.

While the Garn-St Germain Act specified the insurance activities that the Board may permit under section 4(c)(8), it made no findings as to public benefits and it did not relieve bank holding companies of the requirement for evaluation of an application to engage in or expand nonbanking

activities. Accordingly, applications under section 4(c)(8) of the BHC Act, in accordance with §§ 225.21 and 225.23 of Regulation Y (49 FR 794 (1984)), would be required by a bank holding company to engage in, or expand through acquisition, any of the insurance activities proposed here, including those in paragraph (G) for insurance agency activities engaged in by bank holding companies prior to January 1, 1971. The proposed regulatory provision imposes no requirement to meet any specified public benefit standard, such as reduced rates or improved policy terms.

2. *Property appraisals* (§ 225.25(b) (12)). Appraisal of real property is currently on the Regulation Y list of activities permissible for bank holding companies. Several commenters suggested that this activity be expanded to include appraisals of personal property.

The activity involves estimating or determining the value of property other than real property. In the broadest sense, the activity requires expertise in markets of all types of personal and business property; however, most appraisers narrow their activity to specialized areas of personal property. The commenters suggesting this activity maintained that it is closely related to banking because banks engage in personal property appraising through their trust departments.

3. *Futures commission merchant* (§ 225.25(18)). Future commission merchant ("FCM") activities with respect to certain financial commodities are on the Regulation Y list of permissible activities, subject to certain conditions. The Board has approved the provision of portfolio advice on a non-fee basis as an activity incidental to permissible FCM activities in connection with particular applications. (*Citicorp* (Citicorp Future Corporation), 68 Federal Reserve Bulletin 776 (1982); and *First Interstate Bancorporation* (F.I. Futures Corporation), 69 Federal Reserve Bulletin 729 (1983).) In the proposed regulation, the Board seeks comment on whether to include advice offered in connection with FCM activities as a permissible closely-related activity.

Regulatory Flexibility Act Analysis

The Board certifies that adoption of these proposals would not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act (5 U.S.C. 601). These proposals would not place additional burdens on any bank holding company. They would liberalize the rules for all bank holding companies, and would

facilitate the process by which bank holding companies may receive permission to engage in nonbanking activities.

List of Subjects in 12 CFR Part 225

Banks, banking, Federal Reserve System, Holding companies, Reporting requirements, Securities.

PART 225—[AMENDED]

Pursuant to the Board's authority under sections 4(c)(8) and 5(b) of the Bank Holding Company Act, as amended (12 U.S.C. 1843(c)(8) and 1844(b)), the Board proposes to amend 12 CFR 225.25 (as revised, 49 FR 794 (1984)) by revising paragraphs (b)(8), (9), (13) and (18) introductory text and by adding paragraphs (b)(19), (20), (21), (22) and (23) as follows:

§ 225.25 List of permissible nonbanking activities.

* * * * *

(b) * * *

(8) *Insurance sales and underwriting.*

(i) Acting as principal, agent or broker for insurance directly related to an extension of credit by a bank holding company or any of its subsidiaries, provided such insurance is limited to assuring the repayment of the outstanding balance due on a specific extension of credit by such bank holding company or subsidiary in the event of death, disability or involuntary unemployment of the debtor.

(ii) Acting as principal, agent or broker for insurance directly related to an extension of credit by a finance company that is a subsidiary of a bank holding company, provided (A) such insurance is limited to assuring repayment of the outstanding balance on an extension of credit by such finance company of such bank holding company in the event of loss or damage to any property used as collateral for the extension of credit; and (B) the extension of credit is not more than \$10,000, or \$25,000 in the case of an extension of credit to finance the purchase of, and that is secured by, a residential manufactured home. These limitations shall be increased each year after 1982 by the percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers published monthly by the Bureau of Labor Statistics for the period beginning on January 1, 1982, and ending on December 31 of the year preceding the year in which such extension of credit is made.

(iii) Any insurance agency activity (A) in a place that has a population not exceeding 5,000 (as shown in the preceding decennial census); or (B) in a

town that the Board determines, after notice and opportunity for hearing, has inadequate insurance agency facilities.

(iv) Any insurance agency activity engaged in by a bank holding company or any of its subsidiaries on May 1, 1982 (or any insurance agency activity that the Board had approved for such company or its subsidiaries on or before May 1, 1982).⁷

(v) Supervising on behalf of insurance underwriters the activities of retail insurance agents who sell (A) fidelity insurance and property and casualty insurance on the real and personal property used in the operations of the bank holding company or its subsidiaries; and (B) group insurance that protects the employees of the bank holding company or its subsidiaries.

(vi) Any insurance agency activity by a bank holding company or its subsidiaries where the bank holding company has total consolidated assets of \$50 million or less. A bank holding company performing insurance agency activities under this paragraph may not engage in the sale of life insurance or annuities except as provided in paragraphs (i), (ii), and (iii) of § 225.25(b) of this regulation.

(vii) Any insurance agency activity performed directly or indirectly by a bank holding company that was engaged in insurance agency activities prior to January 1, 1971, as a consequence of approval by the Board prior to January 1, 1971.

⁷ For purposes of this subparagraph, the bank holding company activities engaged in or approved by the Board on May 1, 1982, shall include activities carried on subsequent to that date as the result of an application to engage in such activities pending on May 1, 1982, and approved subsequent to that date or as the result of the acquisition by such company pursuant to a binding written contract entered into on or before May 1, 1982, of another company engaged in such activities at the time of the acquisition.

(9) *Check guaranty services.* Authorizing acceptance by subscribing merchants of personal checks tendered by the merchant's customers in payment for goods and services, and purchasing a validly authorized check from the merchant in the event the check is not subsequently honored.

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(13) *Property appraising.* Performing appraisals of real estate and other property.

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(18) *Futures commission merchant.* Acting as a futures commission merchant for nonaffiliated persons in the execution and clearance on major commodity exchanges of futures contracts and options on futures contracts for bullion, foreign exchange, government securities, certificates of deposit and other money market instruments that a bank may buy or sell in the cash market for its own account, including the provision of advice to a customer with respect to a transaction executed by the futures commission merchant, if the activity is conducted through a separately incorporated subsidiary of the bank holding company that:

* * * * *

(19) *Commodity trading advisory services.* Providing commodity trading advisory services, including the provision of advice, counsel, publications, written analyses and reports relating to the purchase and sale of financial commodities for future delivery on or subject to the rules of a contract market of the type for which a bank holding company may act as a futures commission merchant.

(20) *Consumer financial counseling.* Providing advice to consumers on individual financial matters, including debt consolidation, applying for a mortgage, bankruptcy, budget

management, real estate tax shelters, tax planning, retirement and estate planning, insurance, and portfolio management and investment planning.

(21) *Armored car services.* Providing fully-insured transportation of cash, securities, and valuables; primarily, collecting currency and checks from commercial customers and transporting and depositing these collections at financial institutions. Armored car services also include bank transfers, coin wrapping, change delivery, mail delivery, payroll check cashing, servicing of automated teller machines, and leasing safes to commercial customers.

(22) *Tax preparation and planning.* Preparing tax forms and providing advice and strategies designed to minimize tax liabilities, including, for corporate customers, analyses of the tax implications of mergers and acquisitions, portfolio mix, specific investments, previous tax payments, and year-end tax planning (which involves projecting expected tax liabilities and balancing these with expected cash-flow); and, for individual customers, analyses of the tax implications of retirement plans, estate planning, and family trusts.

(23) *Operating a collection agency and credit bureau.* Collecting overdue accounts receivable, either retail or commercial accounts, for a contingent fee based on a specified percentage of the amount collected; and maintaining files on the past credit history of certain borrowers and providing that information for a fee to a credit grantor who is considering a borrowers' application for credit.

Board of Governors of the Federal Reserve System, March 2, 1984.
William W. Wiles,
Secretary of the Board.

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