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

Following is the text of a statement issued March 29 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today invited public comment on proposals to add a new non-bank activity to the list of those permissible for bank holding companies.

The proposals—to engage in the sale of money orders or money-order-like payment instruments of various denominations—were made in connection with applications by bank holding companies to engage in this activity.

The Board invited comment by April 30 on whether the proposed activity should be permitted under the Bank Holding Company Act, which provides that a bank holding company may, with Board approval, acquire companies the Board finds to be “so closely related to banking or managing and controlling banks as to be a proper incident thereto.”

The Board also invited comment by April 30 on whether the applications to engage in the new activity can be expected to produce public benefits that outweigh any adverse consequences.

Printed below is the text of the Board of Governors’ notice in this matter, including summaries of the applications received. Comments on the proposals should be submitted by April 30, and may be sent to our Domestic Banking Applications Department.

Paul A. Volcker,  
President.

[Reg. Y]  
BANK HOLDING COMPANIES  
[Docket No. R-0030]  
Issuance of Payment Instruments

The Board of Governors has received two applications filed pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1848(c)(8)) and §225.4(b)(2) of the Board’s Regulation Y (12 CFR 225.4(b)(2)), for prior approval to acquire (retain) shares of companies to be engaged in the issuance of certain payment instruments. The activities which are the subject of the two applications have not previously been determined by the Board of Governors to be closely related to banking.

(1) Citicorp, New York, New York, has applied to acquire voting shares of Citicorp Services, Inc., New York, New York, and thereby to engage de novo in the activity of issuing and offering on a consignment basis, general purpose variable denominated payment instruments to vendors or agents who would then sell the payment instruments to the general public. The denominations of the payment instruments would be specified by the purchasers.

(2) Republic of Texas Corporation, Dallas, Texas, has applied to retain the shares of Republic Commerce Company, and thereby to retain indirect ownership or control of shares of Republic Money Orders, Inc., and Republic Money Orders of California, Inc. Applicant proposes to continue to engage in the activity of issuing money orders to third party agents who would then sell the money orders to the general public.

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 or managing or controlling banks as to be a proper incident thereto.”

Money orders and variable denominated payment instruments are substitutes for such other payment media as currency, personal checks, certified checks, and cashier's checks. Although there are some technical differences between money orders and variable denominated payment instruments, they are similar in their essential characteristics and purpose. Accordingly, it appears appropriate to consider the two proposals together. The Applicants state that the respective proposed activities are so closely related to banking as to be a proper incident thereto.

In connection with these applications, the Board will also consider amending its Regulation Y (12 CFR 225.4(a)) to add the activity of issuing payment instruments of this type to the list of activities the Board has previously determined to be closely related to banking. Interested persons may express their views on the question of whether consummation of the individual subject proposals 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 applications may be inspected at the offices of the Board of Governors or at the respective Federal Reserve Banks of the bank holding companies.

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 April 30, 1976. All material submitted should include the docket number R-0030.