

225.23(a)(3) of the Board's Regulation Y (12 CFR 225.23(a)(3)), to retain its interest in the United States operations of the Kleinwort Benson Group, plc, London, England. These operations include engaging in leasing activities, pursuant to 12 CFR 225.25(b)(5) through Parc Tec, Inc., and engaging in investment advisory activities, pursuant to 12 CFR 225.25(b)(4) through Kleinwort Benson Investment Management Americas, Inc., KB-LPL Holdings, Inc., and Kleinwort Benson U.S. Asset Managers, LLC, all of New York, New York. Dresdner also proposes to retain Kleinwort Benson (USA), Inc. (KB USA) and Kleinwort Benson North America, Inc. (KB NA), both of New York, New York, and to establish a section 20 subsidiary, Dresdner Kleinwort Benson, New York, New York (DKB), through the combination of KB NA, KB USA, and Dresdner Securities (USA), Inc., New York, New York (DSI), a wholly owned subsidiary of Dresdner that currently operates, pursuant to section 8(c) of the International Banking Act of 1978 (IBA). DKB would engage in the following activities:

1. Underwriting and dealing in debt and equity securities, other than interests in open-end investment companies;
2. Acting as agent in the private placement of all types of securities;
3. Acting as riskless principal in the purchase and sale of all types of securities on behalf of customers;
4. Providing full service securities brokerage services; and
5. Providing investment advisory services.

Dresdner proposes to engage in these activities throughout the world.

Dresdner - NY, Incorporated, New York, New York (DNY), a subsidiary of DSI that engages in certain securities dealing activities, would continue to operate as a subsidiary of Dresdner, pursuant to section 8(c) of the IBA. Dresdner has stated that DNY and the U.S. operations of Dresdner engaged in pursuant to section 4 of the BHC Act will remain completely separate and will not engage in any business with, or on behalf of, each other in the United States.

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity 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. This statutory test requires that two separate tests be met for an activity to be permissible for a bank holding company. First, the

Board must determine that the activity is, as a general matter, closely related to banking. Second, the Board must find in a particular case that the performance of the activity by the applicant bank holding company may reasonably be expected to produce public benefits that outweigh possible adverse effects.

A particular activity may be found to meet the "closely related to banking" test if it is demonstrated that banks generally have provided the proposed activity, that banks generally provide services that are operationally or functionally similar to the proposed activity so as to equip them particularly well to provide the proposed activity, or that banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form.

*National Courier Ass'n v. Board of Governors*, 516 F.2d 1229, 1237 (D.C. Cir. 1975). In addition, the Board may consider any other basis that may demonstrate that the activity has a reasonable or close relationship to banking or managing or controlling banks. Board Statement Regarding Regulation Y, 49 FR 794, 806 (January 5, 1984).

Dresdner maintains that the Board previously has determined by regulation that several of the proposed activities are closely related to banking. See 12 CFR 225.25(b)(4), (b)(5), and (b)(15); and *PNC Financial Corp.*, 75 Fed. Res. Bull. 396 (1989) (PNC). Dresdner has stated that it would engage in these activities in accordance with the limitations and conditions established by the Board, except that Dresdner has proposed that DKB not be subject to one of the disclosure requirements relied on by the Board in PNC in authorizing a section 20 subsidiary to engage in full service brokerage activities. In particular, Dresdner proposes that DKB not be required to disclose at the time any brokerage order is taken whether DKB is acting as agent or principal with respect to the security.

Dresdner also states that the other proposed activities have been approved by Board order. See *Bankers Trust New York Corporation*, 75 Fed. Res. Bull. 829 (1989) (acting as agent in the private placement of securities and purchasing and selling securities on the order of investors as a riskless principal); *Canadian Imperial Bank of Commerce*, 76 Fed. Res. Bull. 158 (1990) (CIBC); *J.P. Morgan & Co. Incorporated, et al.*, 75 Fed. Res. Bull. 192 (1989), *aff'd sub nom. Securities Industries Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); and *Citicorp, et al.*, 73 Fed. Res. Bull. 473 (1987), *aff'd sub nom.*

*Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), cert. denied, 486 U.S. 1059 (1988).

In light of the fact that it has acquired a going concern, Dresdner has requested authority to calculate DKB's compliance with the revenue limitation imposed on section 20 companies on an annualized basis during the first year after consummation of the acquisition and thereafter on a rolling quarterly basis. See *Dauphin Deposit Corporation*, 77 Fed. Res. Bull. 672 (1991). Dresdner has stated that DKB would engage in the proposed activities in accordance with the limitations and prudential guidelines established by the Board in previous orders.

In order to approve the proposal, the Board must determine that the proposed activities to be conducted by Dresdner "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." 12 U.S.C. 1843(c)(8). Dresdner believes that the proposal would produce public benefits that outweigh any potential adverse effects. In particular, Dresdner maintains that the proposal would not materially reduce competition in the relevant markets and would enable Dresdner to offer its customers a broader range of products.

In publishing the proposal for comment, the Board does not take a position on issues raised by the proposal. Notice of the proposal is published solely to seek the views of interested persons on the issues presented by the application and does not represent a determination by the Board that the proposal meets, or is likely to meet, the standards of the BHC Act. Any comments or requests for hearing should be submitted in writing and received by William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, not later than December 29, 1995. Any request for a hearing on this application must, as required by § 262.3(e) of the Board's Rules of Procedure (12 CFR 262.3(e)), be accompanied by a statement of the reasons 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 approval of the proposal.