

BANKING

Bank of England says: bank takeovers aimed at U.S. credit control

Gordon Richardson, Governor of the Bank of England, has finally told the annual meeting of the Conference of National Banking Regulators what U.S. and continental European banking officials have long suspected. The multifaceted moves of British commercial banks into the United States over the last year have not been a result of freecompetition fever, but a program to gain management control over U.S. and thereby world banking activity by British official agencies.

Mr. Richardson's announcement to the closed-door conference on July 6 in London was phrased as follows. World commercial bank lending is greatly overextended, having taken on the burden of recycling OPEC's 1973-74 surplus, and now is faced with the additional burden of the new OPEC surpluses. Central banks must, therefore, now establish "monitoring and control" over the types of loans, maturities, interest rate spreads, and volume of total credit issued by their countries' commercial banks, especially regarding the question of individual country exposure. Richardson noted that the International Monetary Fund is unable to enforce the required austerity in the developing sector as long as the private sector banks compete with it for lean business.

It is in this light that one should view the Hong Kong and Shanghai Bank's attempt to countermand the New York State Banking Department, as well as the aggressive new expansion moves this month in the U.S. by Britian's Midland, Barclays, National Westminster, and the allied Bank Leumi of Israel.

Backdoor Entry

The HongShang moved at the end of June to have Marine Midland Bank switch from a New York State to a national charter—and thus circumvent the legitimate objections of the New York State Banking Department to its takeover by the HongShang. The July 7 London *Economist*, in a rather rude article headed "The Lady Outfoxed," crowed that the HongShang has "outwitted and skirted" New York Bank Superintendent Muriel Siebert—and other foreign banks are also "finding ways of bypassing the New York banking authorities altogether ... by finding suitable takeover candidates which either already have national charters or are prepared to make the switch." Furthermore, "Owning a bank outside New York ... also makes better sense now that the Fed has passed legislation allowing both American and foreign banks to establish specialized branches across state boundaries for international banking. So backdoor entry into New York is possible."

That is, the various kinds of expansion being undertaken by the rest of the British banks here will all ultimately grab as significant a chunk of the U.S. banking market as a successful HongShang takeover of Marine. For example, the \$520 million end-of-June bid London's Midland Bank for the Chicago finance company Walter E. Heller—which owns the American National Bank, Chicago's fifth largest bank, is being done, they say, with an eye toward opening up major New York operations.

"Expect others to follow Midland's example" and enter New York from other states, and from non-banking institutions, ends the *Economist*. The point is that if this scenario goes through a larger and larger percent of the banking business in

the U.S. will go to British banks, plain and simple.

A Federal Case

This is precisely because of what is in the back of Governor Richardson's mind: the Blumenthal Treasury's Comptroller of the Currency, the outspoken takeover partisan and former Warburg, Pincus investment banker John Heimann, will be the only authority left to rule on this vast banking reorganization once the state bank supervisors have been edged out of the picture. Blumenthal, Heimann, and Fed Chairman Miller are all squarely in Mr. Richardson's policy camp when it comes to controlling world credit.

They intend to rubberstamp the creation of a large "British lobby" in U.S. banking which will push for exactly what the Bank of England has proposed: the central banks will tell the commercial banks exactly who gets credit, on what terms—and who does not. And the Bank of England, having gotten the U.S. officially into its policy mode, will be in a position to ensure that credit is as tight as it wishes.

Not that all this is going on unchallenged. The U.S. Labor Party, which for a year has charged subversive intrigue in the spate of British bank takeovers, is organizing a national opposition, starting in New York where much of the smaller banking community supported Mrs. Siebert, to the raiding of state chartered banks by Heimann's office. Under section 12 C.F.R. 5.4 and 5.5 of the U.S. Banking Code, the Comptroller is enjoined to grant public hearings on any bank seeking a national charter order from the Comptroller if any one protests and requests such hearings. The USLP is organizing dozens of bankers, congressmen, and other concerned businessmen, along with the New York AntiDrug Coalition which believes the HongShang to be involved in the world drug trade, to submit protests to Heimann on the Marine Midland request for a national charter.

—Kathy Burdman