
BANKING

Open tension between British takeover strategists and U.S. authorities

Following New York State Banking Superintendent Muriel Siebert's call last week for a "national policy review" of foreign bank takeovers in the United States, tensions between the would-be incoming British banks and the U.S. regulatory authorities have grown to just short of public outbursts. Provoking this were press releases March 5 by the Hong Kong and Shanghai Bank and its target Marine Midland. These not only denounced Ms. Siebert's efforts as "unwarranted" but cast direct aspersions on her competence in banking law.

"Clearly these guys are extremely nervous about the whole thing," a Washington regulatory official said March 7 of the banks' releases, "but no one is going to be stampeded into okaying their applications." The banks' charge that Siebert's call for federal investigation is "duplicative" of hearings concluded last year have been dismissed by Siebert herself as "totally untrue."

As reported in last week's *Executive Intelligence Review*, Superintendent Siebert has succeeded in motivating congressional hearings in both the House and Senate with her letter to House Banking Committee Chairman Henry Reuss (D-Wisc), made public March 1, warning of the danger to the U.S. economy of mass foreign bank takeovers.

A bit of bluster

"A bit blustery" was one Washington characterization of the Hong Shang's

"We had been given assurances that all requirements of the regulatory agencies for information had been fully satisfied." Hong Shang's

Washington lawyer Stuart Pittman was reported to have complained to the House Banking Committee that the issue of foreign bank takeovers was already fully debated during the passage of the International Banking Act (IBA) of 1978; "That was the proper time for Ms. Siebert's debate; now her actions are duplicatory," he reportedly said.

Similarly, Marine Midland's press release stated flatly: "The New York State Superintendent of Banking's concern is unwarranted ... (and) as for the involvement of foreign banks in U.S. domestic banking, this has already been fully debated during the hearings on the International Banking Act of 1978."

"That's insulting to the intelligence," a congressional aide responded. "Everyone knows that the IBA dealt only with branches, agencies, and other ground-up foreign banking operations. We're talking about subsidiaries — buying huge, extant U.S. banking assets."

Spokesmen for the Hong Shang have also told the press that "the Fed will have to do something quick; the 91 days it has under law to rule on our application are up on March 9." The Fed Legal Division responded, "No one can say when the 91 days runs out but the Fed Board, which has not even considered the issue. We will decide when their application was complete, which is when the 91 days start ticking. Now Citibank has sued the Fed on this issue — and lost. Only a federal court can override us." Sources said it was highly unlikely that Hong Shang would sue the Fed, although the bank hoped that the Fed would become "afraid" Hong

Shang would do so.

In response to Hong Shang's question as to why she had waited until now, after the takeover applications have been almost a year in processing, Ms. Siebert is reportedly saying "What do you mean, now? I have been shuttling to Washington for six months talking to the Fed and (Sen. William) Proxmire. I finally put it in writing."

The New York State Banking Department is reportedly upset about recent press criticism that the Department was negligent in the 1976 American Bank and Trust bankruptcy. They complain that they couldn't "get into the books" of the Belgian bank shell through which Israeli financier David Gravier controlled ABT. Now they indicate that the Hong Kong Government has strongly implied that it too will not allow Hong Shang's books to be examined by New York authorities. If they do refuse, the application is probably a dead letter.

In Washington, the St. Germain Subcommittee on Financial Institutions of the House Banking Committee issued a press release March 6 calling on the congressional General Accounting Office to prepare an eight point study based on Supt. Siebert's call for hearings. "It is impossible to leave this as a merely regulatory matter, as it is under current Fed law," a House source said. "This is a matter between governments. Foreign government-controlled banks could manipulate our national economy. This is no small matter; we want national policy statements from State, Treasury, and the private sector on this important question."

New York sources say the Banking Department not only expects hearings in the House and Senate to begin soon; the Department expects to hold off its decision on all pending takeovers until after the hearings, and expects the Federal Reserve to do likewise.

—Kathy Burdman

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