
BANKING

Fed approval of British bank takeovers challenged in court

Attorneys for the U.S. Labor Party filed a Petition for Review of the Federal Reserve Board's March 16 approval of the efforts of the Hong Kong Shanghai Banking Corporation and Standard Chartered banks to take over U.S. banks. Those two banks have been charged with financing and controlling the world's \$200 billion illicit narcotics trade by the U.S. Labor Party in documentation submitted to the Federal Reserve last October.

The USLP petitions seek to halt the HongShang's attempted purchase of New York's second largest bank, the \$14.3 billion Marine Midland and Standard & Chartered's purchase of Los Angeles' \$5.3 billion Union Bank.

Informed sources in New York hinted April 17 that New York State Banking Superintendent Muriel Siebert is waiting before she passes official judgment on the HongShang purchase of Marine Midland. They say Siebert believes that a strong public consensus around the case will be built and that she is hesitating to watch developments.

Superintendent Siebert is also reported fighting the Fed and the Controller of the Currency for the right of jurisdiction to rule over the attempt by National Westminster Bank, Britain's largest banking group, to purchase New York's \$4.4 billion National Bank of North America. Although Nat West Chairman Robin Leigh-Pemberton April 16 concluded payment of \$429 million to CIT Financial Corporation, the holding company for NBNA, the marriage is not quite consummated. NBNA, unlike Marine Midland, is nationally chartered, not New York

State-chartered, but "we have passed on nationally chartered banks' acquisitions before and believe we have the precedent to do so again," a source close to the New York State Banking Department quoted one official as saying yesterday.

The public drive against the British banks whose drug-related activities are harming a generation of American youth will be spearheaded on the East Coast by the New York-New Jersey Anti-Drug Coalition, which was founded at an April 8 meeting in New York City addressed by USLP National Committeeman Dennis Speed and Farad Salahuddin of Newark Community Services, Inc., and attended by several area parents' associations, trade unions, and elected officials.

That momentum has been spurred by the USLP's exposé on the British banks' control over international narcotics, *Dope Inc: Britain's Opium War Against the United States*. It has already sold almost 30,000 copies nationwide and prompted the formation of Anti-Drug Coalitions in Michigan, Connecticut, Maryland, and other states.

Miller's "gross malfeasance"

The USLP intends to prove in court that there was "gross malfeasance" of duty by Fed Chairman Miller and his collaborators on the Fed Board when they issued a Board Order March 16 permitting HongShang and Standard Chartered to make their purchases. Labor Party investigators, in two separate submissions to the Fed in October 1978 and this January, documented the step-by-step details of the British banks' deep involvement in the world drug trade.

Their financing of the production and shipment of opium poppies in Southeast Asia's Golden Triangle, as well as the financing of all phases of refining, shipping, and marketing the drugs into the U.S. was detailed.

But Miller's Fed Board, by railroading through the banks' applications for purchase on March 16, dismissed the USLP charges, saying the Board "is unable to accord them sufficient weight or dignity to constitute a determinative adverse consideration relative to these applications." In fact, the USLP will charge that Miller improperly squelched his own Fed staff's serious investigation into the drug question, which included still-classified queries going as far as the Justice Department's Drug Enforcement Agency. Disapproval of the HongShang and Standard & Chartered's questionable "business practices" reached high enough into the government that Federal Reserve General Counsel Thomas O'Connell himself was directing the pursuit of the investigation—before his untimely death last December.

If New York State Banking Superintendent Siebert does rule out the HongShang acquisition of Marine Midland, then the stage is set for a national fight—including a full congressional investigation. New York bankers opposed to the British invasion say their immediate tactic will be to press through the New York state legislature in Albany a bill Siebert wrote. This would give her more control over foreign bank purchases.

Once a challenge such as this is mounted against the Fed, a movement is expected to develop in Congress and among state bank supervisors nationally, demanding a full Congressional investigation. It was in order to head off the growing bandwagon of concern represented by Superintendent Siebert's February demand that House Banking Committee Chairman Henry Reuss (D-Wis.) hold major hearings on the British bank takeovers that Miller originally forced through the March 16 approvals.

—Kathy Burdman