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BANKING

U.S. court clears road for HongShang bank takeover

On a standing technicality, the U.S. Court of Appeals second circuit in New York rejected the landmark appeal by the U.S. Labor Party against the Federal Reserve Board's March 16 approval of Hongkong and Shanghai Bank's proposed takeover of the thirteenth-largest U.S. bank, the Marine Midland bank.

"This is a question of U.S. national security not to be trifled with on a 'letter of the law' technicality which is spurious at best," a Labor Party spokesman said on May 23, the day of the ruling. "We brought this case in the public interest and we intend to appeal it all the way to the Supreme Court."

The City of London has repeatedly stated that the HongShang takeover of a major New York bank is the "powerful stimulus"—in the words of the London *Financial Times*—for a wholesale reorganization of the U.S. banking system. London took the occasion to press ahead with that broader aim. Lord Armstrong of Sanderstead, chairman of Midland Bank and of the Committee of London Clearing Banks, proposed in a May 23 OpEd in the New York *Journal of Commerce* that the U.S. banking system be decontrolled until it "relies almost wholly on self-regulation" as, he said, British banks do under the Bank of England.

The Labor Party documented to the Federal Reserve last October the hundred-year history of the HongShang's control over the world drug market, and filed its appeal in New York April 15 to reverse the Fed's rubberstamping of the application, charging "gross malfeasance" of regulatory duty.

In New York's capital, meanwhile, a Labor Party legislative team informed dozens of legislators about the HongShang case on May 20-21. "It's disgusting the way Carey is politically fronting for the HongShang," agreed one legislator, referring to the New York State Governor, who was put into office with a $300,000 loan from HongShang's Canadian
and Peter Bronfman. "We are really opposed to the HongShang takeover—it's the most unregulated bank in the world."

There are rumors in New York City that Marine Midland's management is planning to switch its charter from a state to a national bank to escape the New York Banking Superintendent's jurisdiction. This would only set off further uproar in New York.

Carey's latest dirty trick is his attempt to maneuver antidrug New York State Assembly Banking Committee Chairman Herman D. Farrell into dropping his new legislation making takeovers of large New York banks by foreign banks nearly impossible. Farrell has been told to water down his bill to provide for only "case by case review" of individual takeover deals, or else "no one in the banking committee will vote for it because they're all loyal to Carey," angry Assembly sources said.

Others in Albany report that State Senate Banking Committee Chairman Rolison has returned unamended to Governor Carey New York State Banking Superintendent Muriel Siebert's bill S.3333, which would empower the Superintendent to halt foreign acquisitions in New York. Carey last week refused to sign the bill and sent it back to the Senate, claiming he would write "his own legislation" to bring HongShang into New York. Now sources say he will have to stick his neck out politically and veto the bill, risking the wrath of the Assembly.

The *Financial Times'* New York correspondent Stewart Fleming meanwhile complained bitterly about the "concern of Governor Hugh Carey about whether Miss Siebert will approve the Hongkong and Shanghai Bank bid. ... The foreign banks have already made a significant contribution to New York's financial markets," he writes, and "particularly to the spectacular growth of its foreign exchange market."

Once the Fed passes London's proposed free banking zone for New York, says Fleming, then the Fed can get right into the markets itself "in the way in which the Bank of England does in London." And if, as the Bank of England has proposed, reserve requirements are then put on Eurodollar transactions, concludes Fleming, all the hot money—and the London banks—will flock to New York as the new "international nancial market" for foreign exchange speculation.

This, Lord Armstrong elaborated, means the Fed itself must do away with the "vast panoply of federal and state banking controls, enforced by several major regulatory agencies...."

—*Kathy Burdman*

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