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For Immediate Release

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Morgan Guaranty Trust Merger Protest

Washington, D.C.—Creative Investment Research released today the text of a statement filed with the Federal Reserve Board protesting the approval of a merger application submitted by Morgan Guaranty Trust. The Federal Reserve Board approved the merger on April 29, 1996. The Fed, in a press release, stated:

“Morgan Guaranty Trust Company of New York, New York, New York (‘Morgan Guaranty’), a state member bank, has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)) (the ‘Bank Merger Act’) to merge with J.P. Morgan Delaware, Wilmington, Delaware (‘Morgan Delaware’), with Morgan Guaranty surviving the merger.

...Based on the foregoing and all the facts of record, the Board has determined that these applications should be and hereby are, approved.”

We have requested the Board review this merger. We focus on the Board staff review of the CRA activity of Morgan Guaranty Trust Company of New York. This review does not discuss the banks' securities activities. We feel the review was quite limited in scope. The Board has the authority and ability to review other information it deems relevant. The applicant's parent, J.P. Morgan & Co. Inc., received Board approval under section 4(c)(8) of the Bank Holding Company Act and section 25.21(a) of the Board's Regulation Y 12 C.F.R. 225.21(a), to engage, through wholly owned subsidiaries, in underwriting and dealing in, on a limited basis, certain securities that member banks, prior to the approval of that application, could not underwrite and deal in. This is an exemption from Section 20 of the Glass-Steagall Act (Section 20 exemption).

We claim this Section 20 exemption requires the staff to more broadly analyze the banks' activities in meeting the credit need of the community. We feel this includes reviewing the CRA-related activities of Morgan Guaranty Trust Company of New York and J.P. Morgan Securities Inc. (JPMSI). In addition, we feel this review necessitates an examination designed to uncover any discriminatory business lending practices. This would include inspecting the gender and ethnic makeup of the government entities/regions or owners of firms using the following services provided by the applicant.

- a. Municipal Revenue Bonds/Securities
- b. Mortgage related securities
- c. Commercial Paper
- d. Consumer - receivable related securities("CRR's")

Activities in at least one of the above functional areas have been defined by the Federal Reserve Board (in an *Order Approving Application to Engage in Commercial Paper Placement to a Limited Extent (Federal Reserve Bulletin, Feb. 1987, p. 148)*) as "so functionally and operationally similar to the role of a bank that arranges a loan participation or syndication that banking organizations are particularly well suited to perform the commercial paper placement function"

A copy of the grounds for review follows.