

BANKING

HongShang opts out of New York

The HongKong and Shanghai Bank is in a greatly weakened position in its bid for Marine Midland Banks of New York following the June 28 announcement that HongShang has withdrawn its acquisition application from New York Banking Superintendent Muriel Siebert, and intends to have Marine seek a national banking charter. "Siebert said she would rule on the New York application by June 30, and it's clear that at their last meeting June 25 she told the HongShang she intended to turn them down, and this is a quick move to save face," a knowledgeable Albany source said.

"The other question is, will Marine win the national charter?" said the same source. "Their whole management is in question, the way they've handled this."

The level of national pressure building for bringing the HongShang's motivations to light is indicated by the surprising simultaneous move June 27 by Senator John Heinz (R-Pa.) introducing a Senate Resolution for a six-month "moratorium" on foreign takeovers of U.S. banks. Heinz, whose Pennsylvania backers are led by the Mellon family, is among the most anglophilic free-enterprisers of the Haig wing of the Republican Party. Until this week, this prominent member of the Senate Banking Committee had shown total uninterest in foreign bank acquisitions, although a host of British and related Israeli banks are invading his own state over the protests of local citizens.

Speculation is that the State Bank Supervisors such as Siebert and regional bankers around the nation are beginning to realize that the Hong-

Shang takeover epitomizes the national trend toward deregulation of the entire U.S. banking system, which stands in danger of becoming another Eurodollar market free-for-all. They apparently have made their voice heard in Congress. Heinz's resolution, S.R. 92, would have the moratorium cover all applications after June 1; it would not "grandfather" the new HongShang application, which will be made to the Comptroller of the Currency in the fall, providing Marine is granted a national charter. Heinz would also have the Fed produce a study and recommendations for preventing "hostile and anti-competitive" takeovers.

Meanwhile, the major British banks continue to announce new targets for takeover in the U.S. The Midland Bank of London has announced a "friendly" agreement with Walter E. Heller International, a U.S. bank holding company, to pay \$530 million in cash to acquire the concern. Heller is one of the U.S.'s largest financial concerns with assets of \$4.8 billion. The takeover would give the British ownership of Heller's American National Bank & Trust, Chicago's fifth largest bank, the 70th largest in the nation. Heller, with 55 offices in 37 cities, would also deliver into British hands major commercial finance, factoring, leasing and other secured lending operations.

Another major U.S. finance company is also being handed over to London in phases. The C.I.T. Financial Corp. sold the National Bank of North America to London's National Westminster Bank earlier this year. In a recent interview C.I.T. chairman Walter S. Holmes said that he was quite prepared to sell the rest of C.I.T. to a "foreign" bank.

Senate Banking Committee Chairman William Proxmire will

hold full committee hearings July 16-20 on foreign bank acquisitions.

The sweetener and the shareholders

While awaiting word on Marine's new national charter, HongShang announced it is making a new, sweeter acquisition offer of \$25 a share, 25 percent over its original \$20 offer which was dubbed a "fire sale" price earlier this year by observers noting Marine's book value of almost \$40 per share. "That doesn't say a hell of a lot about a management which last week was ready to go down for \$20," said one bank analyst.

Marine's shareholders, who months ago were reported close to revolt over this bargain hunting, will now have to reapprove the new investment agreement at a post-Labor Day shareholders' meeting. Management could face a stiff shareholder revolt.

Meanwhile, state bank supervisors from Georgia to Oregon are reported ready to protest to Comptroller of the Currency John Heilmann on his "raiding" of state banks, banking sources said. Heilmann's May letter to New York Commissioner Siebert charged her with "overstepping the bounds of State regulatory powers" for her opposition to the HongShang, and has state regulators across the nation infuriated—especially if they are going to begin losing banks.

—Kathy Burdman