

To: Mickey
 From: Larry
 Subject: Expanded bank powers brief and insurance cos.
 Date: Feb. 11, 1988

There are various legislative proposals around but the most likely one to emerge would permit banks to offer securities products and services through a separate affiliate. Banks still would be prohibited from offering real estate or insurance (although the so called South Dakota loophole permits banks to set up insurance subsidiaries based in the State of South Dakota).

The Administration would like to go further but has indicated it would support bank expansion into the securities business as a first step. All parties recognize that to tackle bank expansion into r.e. and insurance would invite such strong opposition that the banks could end up with no bill at all or further restrictions than they have now.

In your bank letter, you said you supported an end to the moratorium but you did not go further. The bankers therefore think you support them all the way.

You can tell the insurance and real estate people that while you said you would not support legislation to extend the moratorium beyond March 1, you will also not actively push legis. to expand bank powers. Also, you are supporting limited expansion by banks into securities only, but not into their business.

Of course, the concern of the r.e. and insurance peo. is that once the banks get into the securities business, it will be easier for them to get legislative or regulatory approval to enter the r.e. and insurance business.

Hearings are being held by H and S Banking Committees. Senate expects to act first and will hold a markup later this month. Proxmire and Garn have a bill that will serve as a markup vehicle. In the H, St Germain less supportive but has said he will move a bill (probably as a favor to Proxmire before he retires).

c = victor