AMERICAN BANKER

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## **INSIDE** *the trade groups*

# ABA Ad Calls U.S. Banks 'Endangered'

An American Bankers Association ad campaign is using the theme of U.S. banks as an "endangered species" on the international scene to increase pressure on Congress for changes that would make the banks more competitive.

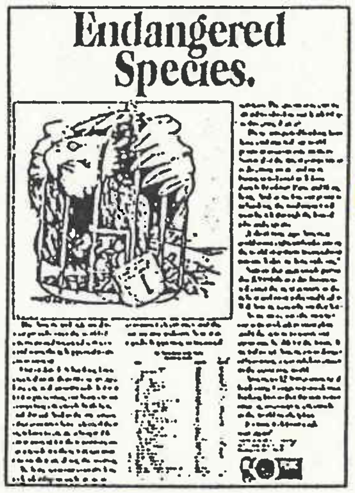
The advertisement, which symbolically represents U.S. banks as an eagle in a cage, is being run in Washington-oriented publications like *The Washington Post*, *The Wall Street Journal*, *National Journal*, and *Congressional Quarterly*. The ABA sees the effort, which began in March, as an educational campaign directed at lawmakers and regulators.

"American banks look like something out of the Flintstones instead of something out of the Jetsons," said Mary-Liz Meany, an ABA spokeswoman.

Regulations such as the Glass-Steagall Act and the Bank Holding Company Act keep American banks from playing well on the international stage, she said.

The advertisement, which will cost less than $75,000, is part of an ongoing campaign, she said, and another ad is due to appear within six weeks. The next ad will have the same idea but use different artwork and copy.

"It is designed to push an old theme, that we need bank modernization, with a new twist, international competitiveness," Ms. Meany said.




IN A CAGE? An ABA ad criticizes U.S. regulations.

"We think that when Congress finally gets around to looking at banking regulations, it will be in the context of international competitiveness."

The ABA decided to run the ads now because Congress is just beginning to again consider banking reform.

Some other banking organizations gave moral support to the campaign. Mark E. Goebel, director of programs and membership services for the Institute of International Bankers, said his group agrees that U.S. banking regulations need to be changed.

"We support modernization of the U.S. financial regulation system," Mr. Goebel said.

The institute is a New York-based association representing foreign banks in the United States.

But Kenneth Guenther, president of the Independent Bankers Association of America, said the regulatory issues addressed by the ABA campaign are not a top priority for small bankers. "It is not pressing heavily on the hearts or minds of community bankers in this country," he said.

Rep. John J. LaFalce, D-N.Y., chairman of the House Banking Committee's task force on international competitiveness, agrees that the American system of banking regulation hinders U.S. banks competing in the international arena, but believes that the system is not entirely at fault.

"He has stressed both sides of the equation, and the bankers have stressed only one," said a LaFalce aide. Mr. LaFalce believes that banks have to get their own houses in order, the aide added.

— Lisa A. Hammond

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## AMRO FILES FOR SEC. 20 POWERS.

**Amsterdam Rotterdam Bank** of Amsterdam has filed an application with the **Federal Reserve** to establish a section 20 securities subsidiary, according to **Charles Van Schelle,** sr. v.p. The application will allow Amro to consolidate its current securities activities, which include the sale of Dutch and French fixed-income and equity securities, as well as engage in new businesses such as underwriting asset-backed securities, commercial paper, corporate bonds and agenting private placements, said Van Schelle. Federal Reserve approval is expected in about two months, said Van Schelle, subject to meeting certain "firewall restrictions," and the limitation that new securities businesses account for no more than 10% of the subsidiary's total revenues.

Amro would look to areas that fit in well with the bank's role as a leading Dutch commercial bank and underwriter of Dutch Eurobonds and equities, and underwriter of French securities, said Van Schelle. As one example, he said the bank would look to privately place Dutch or French securi-ties with U.S. investors. He said that Amro was currently examining potential asset-backed deals, and that a couple of such deals could conceivably be completed during the year, but declined to elaborate.

Amro joins several other foreign banks with applications for expanded banking or securities powers before the Fed. The **Bank of Nova Scotia** has applied for permission to act as a private placement agent through its **ScotiaMcleod (USA)** securities subsidiary. **Banca Commerciale Italiana** also has applied for expanded powers, involving securities brokerage, investment and financial advisory services. Officials from BCI declined to comment. **National Westminster Bank** recently applied for new M&A advisory powers for domestic U.S. companies through its **County NatWest International** subsidiary (BL, 3/19). **Sanwa Bank** also has applied for expanded banking powers, said a Fed official.

**Mark Goebel**, an official with the **Institute of International Bankers**, predicted a steady but undramatic number of foreign banks would follow with applications of their own for section 20 subsidiaries and other expanded securities activities generally. Goebel said the moves are being spurred by the trend toward deregulation in European and Asian markets as well as the decline of Glass-Steagall restrictions in the U.S. "I think it's building up a little steam," he said.

**Canadian Imperial Bank of Commerce, Barclays Bank,** and **Royal Bank of Canada** received approval to set up section 20 securities subsidiaries earlier this year. The approvals were contingent upon certain "firewall restrictions."

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# THE GLOBE AND MAIL
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# Yeltsin halts oil exports from Russia

## Republic takes control of gold, diamond trade

Reuter and Staff

MOSCOW — Russian President Boris Yeltsin, in another challenge to Kremlin leader Mikhail Gorbachev, unveiled a package of major economic changes yesterday and moved to sweep aside Soviet authority over oil exports, gold and diamonds.

Mr. Yeltsin rattled world oil markets with a decree that his chief economic adviser said would suspend all Soviet oil export licences and review them to protect domestic supplies.

Mr. Yeltsin told his republic's parliament that Russia was taking over full responsibility for Soviet gold and diamonds, most of which are on his giant republic's territory.

He also ordered a cutoff of his republic's financing for about 80 ministries and agencies in Mr. Gorbachev's government starting Dec. 1, two weeks later than previously announced.

The moves, expected for weeks, will force many central ministries to close and others to slash their staff and budgets by year's end. Their functions will be assumed by Russia and the other republics under the new union treaty tentatively reached Thursday by Mr. Gorbachev, Mr. Yeltsin and the leaders of six other republics.

Among the first to feel the squeeze yesterday were the once-powerful ministries of foreign affairs and foreign trade. They will be merged and half their employees fired, foreign minister Boris Pankin told the state news agency Tass.

The staffs of Soviet missions abroad will be cut "rather substantially" and trade missions eliminated, Mr. Pankin said.

The newspaper Izvestia, meanwhile, reported that five tonnes of gold, platinum and other precious metals have been spirited out of Moscow to the West in the past six weeks.

Quoting sources at Moscow's Sheremetyevo Airport, the newspaper said the "foreign-currency freight" had been flown to Paris, Tokyo, Amsterdam and Zurich.

Mr. Yeltsin, who has taken over the duties of Russian Prime Minister for the reform period, outlined his decrees to parliament after his cabinet had approved them.

His decrees represented a further challenge to the power of Mr. Gorbachev as he tries to steer the republics toward a freer economic market.

Please see YELTSIN — A2



# Yeltsin package puts squeeze on Soviet agencies

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The decision on "regulation of oil and oil product deliveries outside Russia" rallied oil prices in New York and London. The light oil spot price for delivery in December rose 30 cents (U.S.) to $22.82. But traders were anxious for clarification.

"We took a decision to suspend all licences for exporting oil and oil products," Yegor Gaidar, Russian deputy prime minister responsible for the economy, told parliament. He explained the measure as a move to protect domestic supplies.

Russia produces almost all Soviet oil. Last year, exports of oil and oil products totalled 158.5 million tonnes, but that figure is expected to fall in 1991 to between 90 million and 95 million tonnes.

Lou Naumovski, executive director of the Canada-USSR Business Council, said the decision could jeopardize an estimated $200-million in joint ventures about to be signed with Soviet partners.

He said he is aware of six Canadian oil companies, including major producers and some smaller oil service firms, that could be affected, but he would not be more specific.

"If they're going to spend all this money and not be able to pump any oil at the end of the day, it's obviously an enormous disincentive," Mr. Naumovski said, adding that the move will lead to even greater shortages if Western investment is scared off.

"What I think is going to happen is . . . they're going to have to rescind this," he said. "We know that domestic demand has to be met, but this is not the way to do it."

The suspension of oil exports will likely last only through the winter months, a Canadian energy analyst said. He predicted that exports will resume in the spring.

"I think what we're seeing is, in part, the implications of the coal-production and natural-gas distribution problems coming back to play," said Anthony Reinsch, vice-president of the Canadian Energy Research Institute in Calgary.

Natural-gas distribution has been slowed, if not halted, by economic problems in the republic, he said, and coal production has been reduced because of labour strife.

"They need the oil supplies for domestic use through the winter," he said. "It's probably going to be a short-term policy decision but it happens to coincide with the peak demand season for world oil markets."

Mr. Reinsch said the decision should not have a major effect on international oil markets. Oil supplies for the winter are currently not a problem, he said. An institute survey this month noted that global oil inventories are high and prices above $22 have been maintained partly because of fears of disruptions in Soviet supply.

Mr. Gaidar told parliament Russia was ready to honour Soviet foreign-debt obligations but Ukraine, the second-richest republic, rejected the principle of joint responsibility for the debt.

This appeared to mean that Russia might be prepared to assume all Soviet debt-repayment obligations, as senior Russian finance officials suggested recently, while Ukraine wanted to take its share but to deal separately with foreign creditors.

Although $68-billion (U.S.) is a widely used estimate, nobody is sure just how much the Soviet Union owes to foreigners.

The biggest chunk is owed to German banks, which were encouraged to lend billions to help get Soviet troops off former East German soil. In many such loans, the banks are protected from loss because the German government guarantees repayment.

The Soviets also owe money elsewhere in Europe. "France has a fair exposure, Switzerland less . . . but Germany is the story there, definitely, with respect to exposure," said Mark Goebel, an official of the New York-based Institute of International Bankers.

In Washington, economist David Johnson said bankers should not be alarmed by Mr. Yeltsin's latest moves.

"Russia is going to be the guarantor of Soviet debt," he said. "They're going to take over Soviet debt. Hopefully, some of the republics will contribute, but in order to be responsible for Soviet debt, they need to have control over exports out of their country, in particular oil exports. . . . It's not that they're going to stop exports. Obviously, that's not the right thing to do."

No details of the new measures, part of a reform package announced by Mr. Yeltsin on Oct. 28, were published.

They did not include lifting price controls, but covered liberalization of foreign trade, banking reform and measures to stimulate free enterprise.

They also included introduction of a minimum wage and an end to restrictions on salary increases.

In another development affecting the economy, the Soviet military proposed selling military property in the newly independent republics of Lithuania, Estonia and Latvia to fund pensions and apartments for former soldiers.