

Banking mergers and participations

The text of a press notice issued by the Bank on 16th November 1972

The Bank of England announce, in the context of entry into the European Economic Community, some modifications to their present rules on mergers and participations in the banking field.

In principle, subject to the provisions of the Monopolies and Mergers Act of 1965 and to full consultation in advance, the Bank will no longer object to clearing banks taking participations in accepting houses of more than 25%. They will also be prepared to treat other E.E.C. banks in the same way as British banks for the purpose of participations in British banks; and hence, in comparable cases, to consider their taking participations exceeding 15% in accepting houses as well as in other U.K. merchant banking enterprises; and, if this question arises, in British overseas banks.

Within these general guidelines the Bank will consider all proposals for mergers – to be interpreted in this context as all participations of more than 15% – on their individual merits. Their concurrence will be conditional in each case on the existence of amicable agreement between the parties concerned and on the satisfaction of tests relating to capital, management, reputation and future intentions. The Bank will pay particular regard to the nature of any proposed alliance with an accepting house in order to satisfy themselves that it gives proper weight to the skills and talents on each side. In considering proposals for participations by E.E.C. banks, they will also take account of the authorities' attitudes elsewhere in the Community to participations by British banks.

The liberal practice in relation to the establishment by third-country banks of branches or subsidiaries in London will continue and the Bank's attitude to participations by third-country banks will remain unchanged.

It is understood that banks will consult the Bank on all proposals for participations exceeding 15% as early as possible and before any formal negotiation is undertaken; and that they will accept the Bank's ruling in each case and take no irrevocable steps in the meantime.

In order that the application of the provisions of the Monopolies and Mergers Act of 1965 to any proposals for participations in excess of 15% may be handled efficiently and without risk of confusion, the Bank will draw them to the attention of H.M. Treasury and the Department of Trade and Industry at a stage sufficiently early to avoid any difficulties later on for both the Government and the banks concerned.

The changes in the Bank's rules on banking mergers and participations will take effect from the 1st January 1973.