Banking by Kathy Wolfe

Citibank raids into Maryland

Donald Regan and Walter Wriston's deal to carve up U.S. banking becomes a reality.

Leading with Citibank's brash invasion of the state of Maryland this month, the bank cartelization of the United States by the top ten megabanks is becoming a reality.

Maryland Gov. Harry Hughes, his arm still smarting from Wriston's hammerlock, told a shocked press March 7 that Citicorp will be allowed to open a full-service bank in the state, in return for bringing 1,000 jobs into the depressed Hagerstown area.

Citicorp is also expanding into Fairfax, Virginia and is obviously engaged in a major invasion of the entire Washington, D.C. area, hoping to dominate banking in the capital and all the Eastern United States.

Citicorp also announced on March 4 that it will attempt to buy the American State Bank of Rapid City, South Dakota, which would allow it to open a huge insurance business nationwide under South Dakota's state-chartered bank rules. Citicorp already operates a bank in Maine and S&Ls in California, Illinois, and Florida.

Behind the cartelization jump is a dirty deal cut by Merrill Lynch's Donald Regan, the U.S. Treasury Department, Citibank's Walter Wriston, his successor chairman John Reed, and Chase Manhattan's Willard Butcher to carve up the U.S. banking system for Dope, Inc.

In 1983, at the height of the Mexican and Brazilian debt crises, then Treasury Secretary Donald Regan convened a private meeting with IMF Director Jacques de Larosière, Wriston, Butcher, and the top 10 bankers. Regan's ostensible purpose was to get the banks to lend new funds to those countries to avert a blowout before the 1984 election.

A "secret compact" was drawn up, my sources say, in which Citi, Chase, and the commercial banks were given regional "zones of expansion," fiefdoms into which, regardless of law or regulation, they would be allowed to expand and take over all banking activities. Citibank and Chase drew the Eastern seaboard.

In exchange, Regan got what he really wanted for Merrill Lynch and its friends at White Weld, American Express, and other investment banks. The commercial banks agreed to give investment banks expanded powers to enter the banking business.

Last year, the Treasury Department, one of the biggest strongholds of Dope, Inc. in the U.S. government, approved interstate bank cartelization when Comptroller C. Todd Conover announced that Citicorp, Chase, and other megabanks could set up over 200 "non-bank banks" in over a dozen states. Non-banks are normal banks except they are not supposed to take deposits—they do so anyway under numerous loopholes. As my Washington sources laughed at the time, "There is nothing 'non' about non-bank banks. They are banks."

On March 11, Conover got a boost when a Washington federal court ruled in his favor on a suit brought by the Independent Bankers of America against non-bank banks. The court ruled that Conover "correctly and within the jurisdiction of his office" may issue a charter to Colorado's Dimension Financial Corp. to operate a non-bank in Florida. By extension, the court gave carte blanche to Conover's 200 other pending interstate non-banks.

Now, Citicorp has forced its way into Maryland, by offering to build a huge credit-card processing center in the depressed Hagerstown area, desperate for jobs. In return, Governor Huges is allowing it to set up a complete New York-style bank, take deposits, and have branches anywhere in the state. Citicorp already has a non-bank, Citibank Maryland N.A., in Towson, Maryland.

The move blows to bits the 13-state "Southern Comfort Zone," the protected banking zone which the southeastern states from Florida to Maryland had hoped to set up, in which regional interstate banking would be allowed in a protected environment which would exclude the New York giants.

Under the new arrangement, Citicorp, alone, of all megabanks, would be allowed in to take "first pickings" in Maryland! The other states in the south may "decide to deal Maryland out" to avoid having Citibank at their door, William K. Weaver, executive Vice-president of the Maryland Bankers Association, said March 8. This "would have a devastating effect on us. If Governor Hughes brings Citicorp in here, we're dead," he concluded. Robert Tardio, chairman of Suburban Bancorp of Maryland, called Governor Hughes' deal "an appalling example of behind the scenes wheeling and dealing."

Citicorp, as reported here, also recently won a suit against regional banks in New England who had been trying to set up a New England area banking zone which would have excluded banks from other states. This leaves Citi free to move into New England proper.