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5/20/47

FEDERAL ADVISORY COUNCIL

R E S O L U T I O N

The Council for the past few years has at almost every meeting discussed the holding company situation, the inadequacies of existing legislation, and proposals for additional legislation in connection with it.

(1) The Council believes that holding company legislation should be enacted at this time. Experience has shown that the present legislation is inadequate and that additional legislation is urgently necessary.

(2) It approves the general approach to the holding company problem embodied in Senate Bill 829.

(3) It believes Senate Bill 829 should be amended:

- (a) By adding to the declaration of policy and the standards for Federal Reserve Board, Comptroller of the Currency, and Federal Deposit Insurance Corporation action a more definite statement of objectives and standards. (A memorandum is attached which was the subject of discussion between the Board of Governors and the Federal Advisory Council which indicates the type of amendments in this regard which the Council believes necessary.)
- (b) By granting tax exemption to such holding companies as are required to divest themselves of non-banking assets. Simple justice requires that such tax exemption should be granted, and a precedent exists for it in the utility holding company legislation.
- (c) By requiring a larger percentage than 10 per cent of the ownership of stock in two or more banks in order to create an automatic holding company relationship.
- (d) By providing that incidental ownership of bank stocks in fiduciary capacities such as executor, trustee under a will, etc., should not create an automatic holding company relationship.

The Council urges the Board to submit amendments in accordance with these suggestions and to press for the enactment of the bill as so amended.

May 20, 1947.