

A BILL

To provide for control and regulation of bank holding companies, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Bank Holding Company Act of 1949.

SEC. 2. DEFINITIONS.--(a) "Bank holding company" means (1) any company which directly or indirectly owns, controls or holds with power to vote 15 per centum or more of the voting shares of each of two or more banks or of a company which is a bank holding company by virtue of this section, or any company which is a bank and which directly or indirectly owns, controls, or holds with power to vote 15 per centum or more of the voting shares of one or more other banks, or any company which directly or indirectly owns, controls, or holds with power to vote 15 per centum or more of the voting shares of one bank provided such bank operates one or more branches, unless the Board as hereinafter provided by order declares such company not to be a bank holding company; (2) any company which the Board determines, after notice and opportunity for hearing, directly or indirectly exercises (either alone or pursuant to an arrangement or understanding with one or more other persons) such a controlling influence over the management or policies of two or more banks or of only one bank if such bank operates one or more branches as to make it necessary or appropriate in the public interest or for the protection of investors or depositors that

such company be subject to the obligations, duties and liabilities imposed in this Act upon bank holding companies; and (3) any company which is a bank and which the Board determines, after notice and opportunity for hearing, directly or indirectly exercises (either alone or pursuant to an arrangement or understanding with one or more other persons) such a controlling influence over the management or policies of one or more other banks as to make it necessary or appropriate in the public interest or for the protection of investors or depositors that such company be subject to the obligations, duties and liabilities imposed in this Act upon bank holding companies.

The Board, upon application, shall by order declare that a company is not a bank holding company under clause (1) above if the Board finds that the applicant does not, either alone or pursuant to an arrangement or understanding with one or more other persons, exercise such a controlling influence over the management or policies of the stated number of banks as to make it necessary or appropriate in the public interest or for the protection of investors or depositors that such company be subject to the obligations, duties, and liabilities imposed in this Act upon bank holding companies.

(b) "Bank" means any national bank, or any State bank, banking association, savings bank, or trust company but shall not include any organization which does not receive deposits nor conducts a trust business within the United States. "State member bank" means any State bank which is a member of the Federal Reserve System. "District bank"

means any State bank organized or operating under the Code of Law for the District of Columbia.

(c) "Company" means any bank, corporation, partnership, joint-stock company, business trust, voting trust, association, or an any similar organized group of persons, whether incorporated or not, or any receiver, trustee, or other liquidating agent of any of the foregoing in his capacity as such; excluding, however, any such company which is owned by the United States.

(d) "Board" means the Board of Governors of the Federal Reserve System.

(e) "Subsidiary", with respect to a specified bank holding company, means (1) any company 15 per centum or more of whose outstanding voting shares (excluding shares owned by the United States or by any company wholly owned by the United States) is owned or controlled by such bank holding company, unless the Board as hereinafter provided by order declares such company not to be a subsidiary of such bank holding company; or (2) any company the management and policies of which the Board determines, after notice and opportunity for hearing, are subject to a controlling influence by the specified bank holding company.

The Board, upon application, shall by order declare that a company is not a subsidiary company of a specified bank holding company under clause (1) above if the Board finds that the management or policies of the applicant are not subject to a controlling influence, directly or indirectly, by such bank holding company (either alone or pursuant to an arrangement or understanding with one or more other persons).

(f) For the purposes of this section there shall be excluded from consideration all voting shares of banks acquired or held by mutual savings banks; also, there shall be excluded from consideration all voting shares of banks or other companies acquired or held by a bank in a fiduciary capacity, except where such voting shares are acquired or held for the benefit of all or a majority of the persons beneficially interested in such bank or except where the Board, after notice and opportunity for hearing, finds that such acquisition or holding is being employed as a device for avoiding the provisions of this Act.

SEC. 3. REGISTRATION, REPORTS AND EXAMINATIONS.--(a) Within ninety days after the effective date of this Act, or within ninety days after becoming a bank holding company, whichever is later, every bank holding company shall register with the Board on forms prescribed by the Board, which shall include, with such other information as the Board may require, statements showing (1) its financial condition at the end of its fiscal year last preceding the date of registration, including therein the amount of its accumulated net income at such time; (2) name and address of each of the bank holding company's subsidiary banks and address of each branch of each such bank; (3) name and address of each other bank of which the bank holding company owns shares; (4) number of shares of each class of stock of each bank owned by the bank holding company; (5) information concerning the manner in which such shares are owned; (6) name, address, and nature of business of each of the bank holding company's subsidiaries, other than banks, and

the manner in which the relationship arises; and (7) such information as the Board may deem necessary or appropriate.

The Board may, in its discretion, extend the time within which a bank holding company shall register and file the requisite statement.

(b) Each bank holding company shall furnish to the Board from time to time such reports as may be required by the Board and in such form and detail as the Board may prescribe. Such reports shall contain such information concerning the bank holding company and its subsidiaries as the Board shall deem necessary to disclose fully the relations among such companies, the effect of such relations upon the affairs of the subsidiary banks, and whether the provisions of this Act have been complied with.

(c) Each bank holding company and each subsidiary thereof shall be subject to such examinations by examiners selected or approved by the Board as shall be necessary to disclose fully the relations between such bank holding company and its subsidiaries, the effect of such relations upon the affairs of the subsidiary banks, and whether the provisions of this Act or of the Board's orders, rules, or regulations have been complied with; and the examiner making such an examination shall have power to administer oaths and to examine any of the officers, directors, employees, and agents of such bank holding company or subsidiary under oath. The expenses of any such examination may, in the discretion of the Board, be assessed against the bank holding company and, when so assessed, shall be paid by such bank holding company.

To the extent that the information contained therein is adequate for the purposes of this section the Board is authorized to use the reports of examination made by the Comptroller of the Currency, the Federal Deposit Insurance Corporation or the appropriate State bank supervisory authority.

SEC. 4. INTERESTS IN NONBANKING ORGANIZATIONS.--(a) Except as otherwise provided in this Act it shall be unlawful for any bank holding company, after two years after the effective date hereof, to own any voting shares or other securities or obligations of any company other than a bank or to engage in any business other than that of banking or managing or controlling subsidiary banks. The Board is authorized, upon application by a bank holding company, to extend this period from time to time as to such company for not more than one year at a time if, in its judgment, such an extension would not be detrimental to the public interest. However, nothing herein provided shall be construed to authorize the Board to extend any such period beyond a date five years after the enactment hereof.

(b) The prohibitions in this section shall not apply to voting shares or other securities or obligations owned or acquired by a bank holding company in any company engaged solely in holding and operating property in which the bank premises are located, or engaged solely in conducting a safe-deposit business, or engaged solely in the business of furnishing managerial, auditing, supervisory, purchasing, and other similar services ~~solely~~ to such bank holding company and its subsidiaries, ~~or-in-the-business-of-procuring-and-servicing-solely-for-such~~

~~bank-holding-company-and-its-subsidiaries-investments-and-paper-eligible-for-bank-investment,~~ or solely in the business of liquidating assets acquired from such bank holding company and its subsidiaries, or in any other company all the activities of which the Board has determined are so closely related to the business of managing, operating, or controlling banks as to be a proper incident thereto.

(c) Nor shall the prohibitions in this section apply to voting shares or securities or obligations acquired by a bank holding company from any of its subsidiaries which have been requested to dispose of such voting shares, securities or obligations by any Federal or State authority having statutory power to examine such subsidiaries or which have been acquired from such subsidiaries with the prior approval of the Board; but such bank holding company shall dispose of such shares, securities, or obligations within a reasonable time. If, while such bank holding company owns or controls such shares, securities, or obligations, the Board, after notice and opportunity for hearing, determines that the ownership or control of such shares, securities, or obligations is resulting in the violation or evasion of any of the provisions of this Act, it may by order require such bank holding company to dispose of all or any part thereof forthwith.

(d) Nor shall the prohibitions of this section apply to voting shares or other securities or obligations which are held or acquired by a bank, which is a bank holding company, in a fiduciary capacity or which are otherwise lawfully owned by such bank or any of its wholly

owned subsidiaries on the effective date of this Act; nor as to any bank holding company shall the prohibitions in this section apply to investment securities of the kinds and amounts eligible for investment by national banks under the provisions of section 5136 of the Revised Statutes. If, while such bank or bank holding company owns or controls such shares, securities or other obligations, the Board, after notice and opportunity for hearing, determines that the ownership or control of such shares, securities or obligations is being employed as a device for avoiding the provisions of this Act, it may by order require such bank or bank holding company to dispose of all or any part thereof forthwith.

(e) Nor shall the prohibitions of this section apply to voting shares or other securities or obligations of a company which is registered with the Securities and Exchange Commission pursuant to the requirements of the Investment Company Act of 1940.

SEC. 5. ACQUISITIONS OF BANK SHARES OR BANK ASSETS.--(a) No plan, undertaking, or agreement by or on behalf of any company which would result in that company becoming a bank holding company, as defined in section 3(a)(1) of this Act, and no plan, undertaking, or agreement by or on behalf of any bank holding company to acquire either directly or indirectly any voting shares of a bank, shall be consummated, effectuated, and completed except with the prior approval of the Board: Provided, however, That nothing herein contained shall be construed to apply to the acquisition by a bank holding company of any additional

voting shares of a bank in any case where such bank holding company, prior to such acquisition, owned a majority of the voting shares thereof.

(b) No plan, undertaking, or agreement by or on behalf of any bank holding company or any of its nonbanking subsidiaries to acquire all or substantially all of the assets of any bank shall be consummated, effectuated, or completed except with the prior approval of the Board.

(c) No plan, undertaking, or agreement by or on behalf of a banking subsidiary of a bank holding company to acquire all or substantially all of the assets of any bank shall be consummated, effectuated, or completed except with the prior approval of (1) the Comptroller of the Currency if the acquiring bank is a national bank or district bank; or (2) the Board if the acquiring bank is a State member bank; or (3) the Federal Deposit Insurance Corporation in the case of any other acquiring bank. Nor shall any State member bank, which is a subsidiary of a bank holding company, establish any branch within the limits of the city, town or village in which the head office of such bank is located except with the prior approval of the Board.

(d) In determining whether to approve any acquisition subject to paragraphs (a), (b), or (c) of this section consideration shall be given to the financial history and condition of the applicant and the banks concerned; their prospects; the character of their management, the convenience, needs, and welfare of the communities and the area concerned; ~~and the national policy against restraint of trade and undue~~

~~concentration of economic power and in favor of the maintenance of competition in the field of banking;--Provided, however, That nothing herein contained shall be construed to authorize the approval of any acquisition subject to paragraphs (a), (b), or (c) of this section where, regardless of its competitive or other aspects, the effect of such acquisition may be to expand the size and extent of a bank holding company system beyond limits consistent with adequate and sound banking and the public interest~~ and whether or not the effect of such acquisition may be to expand the size and extent of a bank holding company system beyond limits consistent with adequate and sound banking and the public interest. The factors stated in this section shall likewise be considered by the Board, the Comptroller of the Currency or the Federal Deposit Insurance Corporation in determining whether to approve an application of any bank, which is a part of a bank holding company system, to establish a branch or branches of such bank.

(e) Before determining whether to approve any acquisition or application pursuant to this section, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the Board, as the case may be, shall notify the bank supervisory authority in the State in which the acquiring or applying bank is located and shall afford such State banking authority a period of ~~not less~~ than thirty days within which to submit a written statement of his views and recommendations as to whether such acquisition or application should be approved. Such statement and recommendation shall be taken into consideration by the

Comptroller of the Currency, the Federal Deposit Insurance Corporation or the Board, as the case may be, in determining whether to approve any acquisition or application pursuant to this section. It is further provided that such statement and recommendation shall be made a part of the record upon which such acquisition or application is approved or rejected.

SEC. 6. BORROWING BY BANK HOLDING COMPANY OR ITS SUBSIDIARIES.--

(a) No bank shall invest any of its funds in the capital stock of (1) a bank holding company of which it is a subsidiary, or (2) a subsidiary of such bank holding company.

(b) No bank shall accept the capital stock of (1) a bank holding company of which it is a subsidiary, or (2) a subsidiary of such bank holding company as collateral security for advances made to any person, partnership, association, or corporation: Provided, however, That any bank may, with the prior approval of the Board, accept such capital stock as a security for debts previously contracted.

(c) No bank shall (1) make any loan or any extension of credit to, or purchase securities under repurchase agreement from, (a) a bank holding company of which it is a subsidiary, or (b) a subsidiary of such bank holding company; or (2) invest any of its funds in the bonds,