

March 21, 1950

Board of Governors

Hearings on the bill S. 2318

Mr. Cherry

to regulate bank holding companies.

Comptroller of the Currency Delano and Mr. Samuel B. Stewart testified at the hearings on the bank holding company bill this morning. In addition, Mr. Cocks, representing the American Bankers Association, submitted a statement with respect to amendments proposed by the Association as had been previously requested by the Committee; and Mr. D. J. Needham, Counsel for the American Bankers Association, obtained permission for Mr. Cameron Thomson to submit a statement later regarding the bill.

Mr. Delano read a prepared statement, the gist of which was he believed in proper bank holding company legislation, but that he felt that the present bill granted too broad discretionary powers to the Board, that consideration should be given to some diffusion of the administration between the various Federal bank supervisory agencies, and that, in any event, numerous provisions of the bill should be amended for technical or other reasons. He discussed eleven different provisions in the bill which in his judgment required amendment. In response to a question from Senator Tobey, Mr. Delano refused to say whether he was for or against the bill, but reiterated his statement that the bill ought to be changed in some respects. He said he had discussed the bill with Secretary Snyder, that Secretary Snyder had authorized him to make this statement before the committee, and that he thought Secretary Snyder's views agreed generally with his.

Mr. Delano declined to discuss in open hearing the matter of the pending applications of the Bank of America to establish branches and it was indicated that he would be given an opportunity to discuss this matter with the subcommittee in executive session.

Mr. Stewart, representing Transamerica, read from a lengthy prepared statement, the bulk of which dealt with the activities of Bank of America. He also submitted statements (1) in reply to Chairman McCabe's statement of March 8, 1950 regarding the evils intended to be cured by the bill, and the Chairman's supplemental testimony given on March 17, 1950, (2) answering Mr. Townsend's letter of March 13 regarding the definition of bank holding company contained in the bill, (3) with respect to the tax questions raised by the bill, and (4) containing his own views as to how the bill should be amended.

Senators Robertson, Maybank and Tobey had a discussion as to whether Chairman McCabe should be given an opportunity to reply to the Comptroller's suggestions, as well as the suggestions to be submitted by others. In this connection, it was mentioned by Senator Robertson that a group of bank holding company representatives are meeting in New York and have asked permission to file a statement regarding the bill next week. The idea of holding the hearings open until Chairman McCabe's return was dropped; and it apparently was the consensus that an effort would be made to get all the statements in the record by next week, that the record should then be printed and distributed; and that thereafter the Committee would consider what kind of a bill should be reported.

Senator Robertson stated that he was not satisfied with the bill as it is now drawn and that he intended to have the bill rewritten. In this connection, he seemed to look with favor upon the amendments suggested by Mr. Delano, stating that such amendments were designed to tighten up the bill, eliminate vagueness, and reduce the amount of discretion conferred upon the Board.

It was agreed to hold another hearing on Thursday morning, March 23, for the purpose of asking further questions of Mr. Delano and also to give Mr. Harl an opportunity to appear if he so desires. In the absence of unforeseen developments, the hearings will close on Thursday.

Developments today clearly indicate that the bill will be rewritten and modified in several respects and, in view of the procedure indicated today, it may be some time before the subcommittee takes any definite action on the bill.

cc: All Board members
Morrill; Thurston;
Riefler; Carpenter

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