

BRANCH BANKING IN THE UNITED STATES

1st edition - October 1, 1936
2nd edition - May 20, 1937
3rd edition - July 29, 1937

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SUMMARY

Definition. - Branch banking is one of several methods or combinations of methods by which the same interests operate a banking business at more than one office. Group banking and chain banking are other such methods and branch banking is sometimes found within group or chain systems. Branch banking may be defined as a type of bank organization whereby a bank as a single entity operates more than one banking office, each such office being a part of the same legal entity. Group banking designates that type of multiple office banking in which the majority stock of two or more independently incorporated banks with or without branches is owned or controlled by a corporation, business trust, association, or similar organization. The term chain banking, on the other hand, designates that type of multiple office banking in which an individual or an unincorporated group of individuals owns and controls the majority stock of two or more banks. A unit bank, as contrasted with all of these forms of multiple office banking, maintains only one office and is independently owned and controlled.

Evolution of Branch Banking in the United States. - There are four distinct periods in the history of branch banking in the United States:

- (1) Before the National Bank Act, 1863
- (2) 1863 to 1900
- (3) 1900 to 1927
- (4) 1927 to the present time.

Before the National Bank Act branch banking was not uncommon in the United States. It existed in different States of the South and West up to 1863 and there were two examples of Nation-wide branch banking. In the free-banking 1/ States of the North and East branch banking was prohibited after about 1840 largely as a by-product of the regulation of bank note issues. Use of the free-banking statutes of the Northern and Eastern States as a model for the National Bank Act resulted in preventing branch banking by national banks for more than 60 years.

From 1863 to 1900 branch banking by national banks and by State banks was practically non-existent in the United States. During the quarter century 1900-1926, growth of city-wide branch banking by State banks in certain metropolitan areas, development of State-wide branch banking in urban and rural areas in California, and in rural areas in certain Southeastern States brought agitation for the extension of branch banking privileges to national banks.

In 1927 and again in 1933 the National Bank Act was amended to give national banks additional powers to operate branches on a basis comparable with State banks. State statutes were also changed during the period 1927 to 1935 so as to extend branch banking privileges of State banks in several States.

1/ Free banking derived its name from the fact that it developed out of dissatisfaction with the original practice of authorizing banks by special charter only. In New York the issuance of special charters was discontinued by the adoption of the Act of April 18, 1838, which provided that "any person or association of persons formed for the purpose of banking 'should be authorized' to establish offices of discount, deposit, and circulation."

State Laws and Branch Banking, June 1936. - On the basis of the statutes as they stood in June 1936, the States may be divided into three general groups according as the operation of branches or additional offices is (1) authorized, (2) prohibited, or (3) not specifically covered by provision in State laws. Thirty-four States and the District of Columbia specifically authorize branch banking; 9 States specifically prohibit it; and 5 States have no statutory provision regarding branch banking. Of the 34 States authorizing branch banking 17 permit the operation of branches on a State-wide basis and 17 restrict branches to limited areas.

Since 1924, when the first intensive analysis of branch banking was published in the Federal Reserve Bulletin, the number of States authorizing branch banking has increased from 16 to 34, and the number of States either prohibiting or without provisions regarding branch banking has declined from 32 to 14. Moreover, the areas to which the operation of branches is restricted have been widened. Only two States permitting branch banking now limit by statute the operation of branches to the city of the head office. In general, changes in State laws during the period 1924 through 1929 tended to restrict the operation of branches but after 1929 and during the depression years the changes tended to liberalize the statutes.

Growth and Distribution of Branch Banking. - Accompanying the liberalization of Federal and State laws regarding branch banking since 1924, there have been substantial increases in branch banking, both in absolute terms and in relation to the total number of banks, as well as an extension

of branches over wider areas. At the end of 1935 there were 804 commercial banks operating 3,114 branches. ^{1/} Moreover, 17 percent of all banking offices were branches at the end of 1935 compared with 7 percent in 1924. Operation of branches by banks in smaller places increased, branches were extended outside the city of the head office to rural areas more rapidly than within the city, and the number of branch-operating banks in smaller places increased at a faster rate than those in the larger centers.

The number of branches outside the city of the head office in 1935 was practically double the number in 1924, indicating that the area over which branches are being operated is increasing and is wider now than 12 years ago. It also indicates that the establishment of branches outside the city of the head office in smaller places is increasing and that rural areas are being provided with banking facilities to an increasing extent by the establishment of branches.

In 1924 banks in 29 States and the District of Columbia were operating branches, and in 1935 the number of branches in 20 of these States and in the District of Columbia was larger than in 1924. In 8 States the number of branches declined between 1924 and 1935 and in 1 the number remained the same. In 11 additional States branches were established between 1924 and 1935 and in 1 State which had branches in 1924 there were no branches in 1935. At the end of 1935 branches were being operated in 39 States and the District of Columbia. There were in operation at the

^{1/} During 1936 the number of branch offices increased by 121. At this time (July 1937), material is not yet available for analyzing the branch situation in detail for the end of 1936 as has been done in this volume for the end of 1935.

end of 1935 more than 100 branches or additional offices in each of the following States: Massachusetts, California, New York, Ohio, Michigan, Iowa, 1/ New Jersey, and Wisconsin. 1/ These States account for two-thirds of all branch offices in operation in the United States.

Suspensions of Banks Operating Branches, 1921-1936. - During the years 1921-1929, when bank failures were numerous, 45 branch operating banks with 86 branches suspended. In the following 5 years, 1930-1934, 338 banks with 1,201 branches suspended. There were no suspensions of branch-operating banks during 1935 and 1936. Two-thirds of all branches of suspended banks in 1930-1934 were head office city branches.

Evaluation of Branch Banking As a Type of Banking Structure. - As a form of bank organization branch banking as compared with independent banking has definite advantages and disadvantages to the banking public and to the banks that operate branches. Experience thus far with branch banking in the United States has been too limited, however, to test these contentions adequately. Experience abroad and theoretical analysis, nevertheless, are helpful in evaluating them.

The advantages that are claimed for branch banking may be summarized as follows: (1) greater safety and increased mobility of funds; (2) more uniform and lower money rates; (3) more efficient banking services, including greater availability of bank credit to borrowers and to local communities; (4) more flexible banking facilities; (5) possibilities for better bank management; (6) greater opportunities for diversification of loans and deposits; and (7) economies in operation.

Some advocates of branch banking also believe that, if many of the small banks were branches of larger institutions, administering monetary

1/ Additional offices with only limited powers are permitted by statute.

and credit policies would be simpler and transferring the funds of large widely spread corporations would be facilitated. Opportunities for branch operation represent an alternative to the development of chain and group banking organizations.

Branch banking also has its disadvantages. Arguments that have been advanced by opponents from time to time and used effectively in preventing its extensive development in the United States may be summarized as follows: (1) it is "monopolistic"; (2) it would result in a concentration of banking resources; (3) it would tend to restrict loans, particularly character loans, in the territory served by branches and local credits would be controlled by persons not familiar with local conditions; (4) it would siphon funds out of small communities into financial centers; (5) managements of large branch banking organizations are likely to be too complex and bureaucratic; and (6) suspensions and failures of banks operating widely distributed branches would be disastrous.

Problems in the Extension of Branch Banking. - There are important practical problems that must be considered in connection with the extension of branch banking in the United States. These arise in connection with (1) the multiple jurisdiction of banking in the United States; (2) the relation of existing independent unit banks to banks with branches; (3) the extent of the area for the operation of branches; (4) the conditions under which a bank should be permitted to establish branches; and (5) the attitudes of bankers and others toward the extension of branch banking.

Various suggestions have been made from time to time as to the area within which a national bank should be allowed to operate branches regardless of State laws governing the operation of branches by State banks. Among the suggested branch banking areas are the following, or combinations of some of them:

- (1) The entire country.
- (2) The Federal Reserve district.
- (3) The territory assigned to the head office of a Federal Reserve bank or to a branch thereof, as the case may be.
- (4) The State.
- (5) Adjoining counties, regardless of State or Federal Reserve district lines. Some suggest a proviso that the aggregate population of the head office county and of the adjoining counties must not exceed a given number of persons, e.g., 100,000, 250,000, etc.
- (6) The head office county.
- (7) Any point not more than a given number of miles from the head office of the national bank, regardless of county, State, or Federal Reserve district lines. The distance suggested by some is 50 miles and by others 100 miles.
- (8) The "trade area" of the head office city, the "trade area" being left for determination by the Federal banking authorities in the case of each application for the establishment of a branch.
- (9) A statutorily defined "trade area," such as the area which is nearer to the head office city of the national bank than to any other city with a given population, e.g., 100,000, 50,000, 25,000, etc.
- (10) Any point, regardless of State or Federal Reserve district lines, within such a distance from the head office of the national bank that the counties completely included in the circular area represented by the head office as a center and the branch as the outer point would not have an aggregate population in excess of a given number of persons. The population mentioned in this connection is sometimes 100,000, sometimes 250,000, etc.

Federal and State statutes recognize that banks establishing and operating branches should have capital funds adequate to meet their responsibilities and stipulate minimum capital requirements for such banks. As they stand, however, at the present time, the statutes are defective in several respects. If the Federal Government continues its policy of permitting each State to define the extent to which national banks may operate branches within its borders, a solution to the present situation for national banks would seem to be to substitute for the present statutes the legal requirements: (1) that a bank having branches shall have capital adequate in relation to its deposit liabilities and other corporate responsibilities, the amount to be determined with the approval of the Federal supervisory authorities; and (2) that such capital shall not be less in any case than the amount required by State law for State banks operating the same number of branches in the places where the national bank's branches are located.

A limitation of the area within which supervisory authorities may permit the establishment of branches should be stated in the statute. Detailed rules and methods with respect to the establishment of branches might well be left to the supervisory authorities under general legislative instructions that branches should be established only with due regard to the needs of the community for banking facilities and according to the method most appropriate and sound at the time and place.

The attitude of bankers toward the extension of branch banking been modified from time to time. At present it appears on the basis

of statements made over the past five or six years that metropolitan bankers are less opposed to the extension of branch banking than formerly and that opinion of country bankers is divided but their opposition appears somewhat less violent than in the past. Majority opinion among group bankers appears to favor branch banking as preferable to group banking.

CHAPTER I

PROBLEM OF THE STRUCTURE OF AMERICAN BANKING

In modern highly developed exchange economies the banking system is required to perform two major functions. On the one hand it is required to provide facilities for effecting exchange, including the making of payments and the settling of debts. On the other it is required to distribute the available funds of the community among the users in such a way that the Nation's well-being will be enhanced. In broad terms, the first of these may be referred to as the monetary function and the second as the credit supplying function of modern banking.

In performing these functions individual institutions render specific services to individual customers locally, and through these services to individuals social services are rendered to the national economy by the banking system as a whole. Specific services to individuals include making loans, receiving deposits, supplying cash, and others. As a consequence of these, media of exchange and facilities for transferring funds are provided for the economy as a whole, and arrangements for testing and maintaining the convertibility of credit are established.

These services are all essential to the smooth functioning of the economy and the primary problem of the structure of banking is to provide an efficient mechanism to handle them. When it is realized that more than 90 percent of the volume of payments in the United States is made through the use of bank credit and that an interruption in the flow of payments, such as that which occurred

in 1931-33 when large numbers of banks suspended, paralyzes all economic activity, the importance of an efficient and sound structure of banking to provide these services becomes still clearer. By analogy, the banking system plays the same role in transferring funds that the transportation system plays in transferring commodities to and from markets, and an interruption in the flow of payments is equally as destructive to economic processes in an economy using bank credit as media of exchange, as is a breakdown in the movement of goods.

Development and Recent Changes in Banking Structure. - Two general types of banking structure have developed in modern exchange economies to perform the functions and render the services thus described. One of these is a system of branch banking and the other is a system of independent unit banking. Branch banking as it is known at the present time may be defined as a type of bank organization whereby a bank as a single legal entity operates more than one banking office, each such office being a part of the same legal entity. Independent unit banking, as contrasted with branch banking, is a type of bank organization whereby each bank maintains only one office. Branch banking has developed and is typical of banking abroad, and independent unit banking has developed and prevails generally in the United States. In recent years, however, this country has experienced a growth of branch banking in certain areas side by side with independent banking and the organization of independent banks into chains and groups through common ownership of shares of stock. As a result of these recent developments, the structure of banking in

the United States is being reshaped somewhat, but independent banking still prevails as the predominant type of structure.

The unit banking system of this country in order to provide complete facilities or serving the national economy in transferring funds has developed an elaborate system of correspondent relationships among the independent banks. In widespread branch systems such as exist in England and Canada correspondent relationships are not as necessary, nor would they be in this country if all banks were members of the Federal Reserve System.

The correspondent system appears at times to work fairly smoothly but in times of stress the full provision of banking facilities may be disrupted by the failure of large banks holding the cash reserve balances of many smaller banks. Failures have not characterized banking in Canada and England in recent decades and disruptions have been avoided. It has often been contended, however, that local loans are extended more liberally under independent banking in the United States than in other countries. The greater losses to depositors in the United States, however, must be balanced against the claimed greater liberality in loans.

American banking has undergone extensive changes during the past quarter of a century but they thus far have been patch-work improve-

ments rather than fundamental alterations in the structure itself. The first and most important change was the erection of the Federal Reserve System in 1913-1914 on top of the existing banking structure to perform central banking functions and to improve some of the services of the unit banks. The Federal Reserve System, however, was superimposed upon the existing system comprising a great number of independent banks which had grown up under the idea of "free banking," and the weakness of which was once more demonstrated in the difficulties of 1931-1933.

Partly as a result of the experiences of 1931-1933, another important change was made when deposit insurance was adopted to protect the community against future disruptions in local as well as Nationwide banking services. Whether this experiment will be satisfactory in the long run remains for the future to determine.

To mitigate the weakness of the banking structure and to improve the organization of credit, branch banking has been advocated as a substitute for independent banking and it has developed in some areas side by side with independent banks. It remains to be seen whether branch banking is a cure for the banking difficulties of this country. The extent to which branch banking has developed and some of the problems involved in its extension are discussed more fully in the following chapters.

Forces Influencing the Development of Banking Structure. - As in the case of other countries many forces have influenced the development of the structure of banking in the United States. Among those that have been particularly powerful are those that developed from the legal situation governing the granting of bank charters. The dual responsibility for chartering banks -- that of the Federal Government for chartering national banks and that of the individual States for chartering State banks -- has resulted in the development of a competitive situation that preserved and supported the existing banking structure with all of its weaknesses, hindered experiments with genuine branch banking, and prevented the development of a sound unified banking system capable of serving all sections of the country economically and efficiently. Efforts upon several occasions to give national banks power to operate branches were defeated in Congress through the political influence of established institutions antagonistic to branch banking, and similar efforts in different States to give State banks branch banking powers were often thwarted by independent bankers opposed to branch banking. Throughout the history of the controversy between independent banking and branch banking the opposition appears to have been due to a large extent to the antagonism on the part of local independent banks to the operation of banks with branches. Underlying this opposition has been the undoubted fear that competition of branch banks would be destructive to local independent banks.

Senator Carter Glass, in commenting on the opposition to branch banking as he had witnessed it in his long experience with banking

legislation in Congress, recently pointed out that the opposition was seldom voiced by the customers of banks. Insofar as opposition has been expressed by others than bankers, i.e., by consumers or users of banking services, it has reflected a feeling that under a system of branch banking the individual would not receive the same liberal treatment with reference to loans as under independent banking. At no point in the history of the controversy does it appear that the interest of the depositor in the safety of his deposits and the interest of the economy as a whole in efficient banking services have received much consideration in the debates relative to the merits of branch banking and independent banking as types of banking structure for the United States.

CHAPTER II

EVOLUTION OF BRANCH BANKING IN THE UNITED STATES

As the banking structure in the United States has evolved, the term branch banking has been used to describe two types of banking organization -- (1) banks with several offices and (2) systems comprising several banks. It is important to distinguish clearly between these in studying the evolution of branch banking.

A modern branch banking organization in this country and abroad is a bank with several offices. Under this type of organization a bank operates one or more branches or branch offices, each such office being a part of one single entity. A system comprising several banks was an important type of banking organization in several States before the National Bank Act. It was an organization the head office of which functioned only as a board of control, transacting no banking business itself. There was a head office or board of control, and usually each banking company or branch operating under the supervision of the board of control was locally organized with its own capital and stockholders. The authority, however, of the board of control over the branches was very broad. Outstanding examples of branch banking organizations of this type were the State banks of Indiana, Missouri, Ohio, and Iowa, organized in 1834, 1837, 1843, and 1858, respectively.

Branch Banking Before the National Bank Act. -- The first important examples of banks with branches were the First and Second Banks of the

United States. The First Bank (1792-1811) established 8 offices in 8 cities 1/ outside its head office city, Philadelphia, and the Second Bank (1816-1836) established a maximum of 29 offices and agencies, one in practically every important city within the existing settled area of the United States. 2/ Forces resulting in the termination of the First Bank were not based upon the fact that it had branches and the hostility bringing about the end of the Second Bank appears to have been due to a variety of economic, political, and social factors, among which the fact that it operated branches was not an issue.

It should be pointed out, however, that the operation of branches by the First and Second Banks presented troublesome problems of management and supervision because of the difficulties of communication and transportation. Alexander Hamilton foresaw these difficulties and because of them advised against the establishment of branches. In the case of the First Bank, they did not prove to be serious, but in the case of the Second Bank, which had branches over a more extensive area, they were very serious and contributed to the failure of the bank to keep the branches under control and thereby to the weakness of the entire organization. In commenting upon this point,

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- 1/ Cities in which branches were established included Boston, New York, Baltimore, Norfolk, Charleston, Savannah, Washington, and New Orleans.
- 2/ In 1825 cities in which branches were operating included New York, Baltimore, New Orleans, Charleston, Boston, Cincinnati, Washington, Richmond, Louisville, Lexington, Pittsburgh, Norfolk, Savannah, Middletown, Hartford, Fayetteville, Chillicothe, Providence, and Portsmouth.

with reference to the Second Bank, Catterall says in his exhaustive history of the institution: ^{1/}

"The defects of the system were, however, great and perilous. In the last analysis all resolved themselves into a failure to exercise an adequate control over the offices."

As in the case of the First and Second Banks the early experiments with branch banking in the Southern States were chiefly with banks with branches that in structure resembled modern branch organizations. In general, the branches of the different banks had no independence and were offices of one single entity. None of the banks had very many branches but the branches were numerous by 1848 in Alabama, Delaware, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. ^{2/}

The history of banks in the West and South prior to the Civil War indicates that branches were taken as a matter of course. No record has been found of contemporary dissatisfaction with them. Some banks had more successful careers than others, but branches appear to have had little or nothing to do with that fact. The purpose of branches in all these cases was evidently to make adequate banking facilities accessible throughout the State without, however, creating more banks than could be watched and controlled.

In the Northern and Eastern States where economic and social conditions were developing differently from those in the South and West,

^{1/} Catterall, Second Bank of the United States, p. 402.

^{2/} For details as to the number of banks and the number of branches in different States in 1848, see U. S. Congress, 71st, 2nd Session, Hearings before the Committee on Banking and Currency, House of Representatives, H. Res. 141, p. 430.

the principle of free ^{1/} and independent banking took root by 1840 and branch banking declined. By 1848 only 6 branches were reported in the Eastern States, 2 each in the States of New York, Maryland, and New Jersey. By 1860 the 2 branches in New York had disappeared. ^{2/}

After 1838 as the principle of free banking became popular and spread rapidly, one of the basic problems that developed along with it was the regulation of notes issued by the banks. Steps were necessary to protect note issues and among those taken to safeguard them were measures to limit the opening of offices to issue notes to the place specified in the certificate of organization as the bank's "usual place of business." These measures, which were to prevent the issue of notes in inaccessible places, ^{3/} in effect, prevented the operation of genuine branches. They were resorted to, however, as measures of currency regulation rather than as measures hostile to the operation of branches. There is no reason for thinking that branch banking as a form of banking organization was an issue underlying these measures at all. The problem was the protection of notes, and one effective way to accomplish this was to prevent the maintenance of bank

^{1/} Free banking derived its name from the fact that it developed out of dissatisfaction with the original practice of authorizing banks by special charter only. In New York the issuance of special charters was discontinued by the adoption of the Act of April 18, 1838, which provided that "any person or association of persons formed for the purpose of banking 'should be authorized' to establish offices of discount, deposit, and circulation."

^{2/} U. S. Congress, 71st, 2nd Session, Hearings before the Committee on Banking and Currency, House of Representatives, H. Res. 141, p. 430.

^{3/} Millard Fillmore, Comptroller of the State of New York, Bankers Magazine, Vol. II, May 1848, p. 744.

offices in places where notes could not be readily redeemed. Thus it is reasonable to conclude that under the system of free banking the prevention of the operation of branches was largely a by-product of currency regulation rather than the result of efforts to prevent branch banking itself.

Branch Banking Under the National Bank Act. - Experiences of the different States with free banking were drawn upon when the National Bank Act was prepared in 1863 and provisions similar to the New York Statutes, which in effect had prevented the operation of branches, were followed. ^{1/} The National Bank Act contained this provision: "The usual business of each national banking association shall be transacted at an office or banking house located in the place specified in its organization certificate." As a result of this, the development of modern branch banking, i.e., banks with several offices, was prevented for national banks until 1927 when the Act was amended by the McFadden Act. For a few years previous to this enactment, the Comptroller of the Currency had by administrative ruling permitted national banks to operate limited power offices in the head office city where State banks could exercise such powers. Since the provisions which operated as a bar to branches had been included in the free banking statutes of New York as a by-product of the effort to regulate the issue of notes, it appears clearly that the underlying reason why the establishment of branches by national banks was not permitted until fairly recently goes back to the problem of regulating note issues prior to the Civil War.

^{1/} Congressional Globe, Vol. 33, Part 1, 1862-1863, 37th Congress, 3rd Session, pp. 848, 850, and 851.

Although the National Bank Act did not permit the establishment of banks with branches it appears that the first Comptroller of the Currency, Hugh McCulloch, regarded the national banking system as bearing some resemblance to a banking system of branches, each bank operating as a local branch with its own stockholders, officers, and capital, under the general supervision of the Comptroller of the Currency. As an organization the national banking system was in its structure similar in many respects to the organization of the State Bank of Indiana, established in 1834, of which Mr. McCulloch had been president during the greater part of its long and successful career. ^{1/}

For about thirty years following the adoption of the National Bank Act branch banking received but little public attention. Toward the end of the last century, however, the demand for banking services, particularly in rural areas, and the general movement for money and banking reform that became widespread in the 1890's, were accompanied by increased interest in branch banking as a method by which banking facilities might be extended and improved. Agitation and discussion continued for approximately a decade. In the end no changes were made in the National Bank Act with reference to the establishment of branches, but the Act was amended in 1900 to permit the organization of national banks in towns of 3,000 population or less with a minimum capital of \$25,000 as compared with \$50,000 formerly required. This made possible at the time a solution to the problem of lack of banking facilities in smaller places by the establishment of national banks with small capital, but it set in motion developments that generated more serious problems for the future. These, however, did not begin

^{1/} Hugh McCulloch, Men and Measures of Half a Century.

to materialize until after 1920 when thousands of the small banks that were established after 1900 began to fail.

Branch Banking by State Banks After 1900. - Although the strong movement for branch banking by national banks at the turn of the century failed in its aim and was circumvented by the amendment permitting national banks with small capital to be established in small places, there were several important branch banking developments by State banks in the following quarter of a century. Up to 1900 only 114 branches had been established by 82 State banks but by 1926 595 banks were operating 2,280 branches. Urban branch banking developed more rapidly than rural branch banking and by the end of the period branches in urban centers were more than twice as numerous as those in rural areas. Urban or city-wide branch banking was most pronounced in metropolitan areas in Massachusetts, Michigan, New York, and Ohio. State-wide branch banking developed extensively in California and in several Southeastern States. In California branches were developed in both urban and rural areas while in the Southeast they were mainly in rural communities.

McFadden Act of 1927 and Branch Banking. - Development of branches by State banks during the period 1900 to 1922, when national banks were not permitted to establish them, resulted in agitation for legislation giving national banks powers to operate branches similar to those enjoyed by competing State banks. Recommendations to give national banks powers to operate branches were made by the Federal Reserve Board in 1915, 1917, 1918, 1919; by the Comptroller of the

Currency in 1915, 1916, 1917, 1918, 1919, 1920, and 1921; but no legislation was adopted. In 1922 steps were taken to alleviate the situation as far as possible, in the absence of legislation, when the Comptroller authorized national banks to have additional offices with limited banking powers in the city of the head office where State laws permitted State banks to have branches.

Legislative changes were made in February 1927, when the McFadden Act was adopted. The bill had been first introduced in Congress in February 1924, three years earlier, but intense opposition delayed its adoption. In general, in States where branch banking was permitted, the Act authorized the operation by national banks of local branches within the city of the head office but prohibited the extension of rural branches. It also restrained State member banks of the Federal Reserve System from establishing branches outside the city of the head office and made State banks with out-of-town branches thereafter established ineligible for admission to the Federal Reserve System. The McFadden Act, therefore, approved intracity branches but disapproved out-of-town branches. With the exception of legalizing the operation of local branches of national banks, the Act in effect did little more than "freeze" branch banking in the status which then existed.

The McFadden Act was inconsistent in that it permitted the establishment of intracity branches only if the establishment of such branches was permitted by State law, but it forbade the establishment of out-of-town branches, regardless of whether or not the establishment of such branches was permitted by State law.

During the three years 1927-1929, following the adoption of the McFadden Act, the principal development in the extension of branch banking was the building up of urban branch systems, particularly by national banks, and the

conversion of one of the largest State-wide State branch banking systems into a national bank. In contrast, however, to the extension of branches by national banks during this period there was a movement in several States to prohibit branches of State banks. State statutes with reference to branch banking are analyzed in detail in the following chapter, but it is of interest to note here that five States - Iowa, Kansas, Montana, Nebraska, and West Virginia - adopted legislation of this sort between 1927 and 1929.

Banking Act of 1933 and Branch Banking. - The McFadden Act did not settle the branch banking issue. The alarming continuance of bank failures suggested that the banking structure was inherently weak. At the same time group and chain banking were becoming important. Furthermore, it had been found possible, where State-wide branch banking was permitted, as in California, for a member bank which itself could not establish branches outside its home city to control through affiliation a nonmember bank which could establish them.

Dissatisfaction with the McFadden Act under these circumstances was widespread. In 1930 the House of Representatives (Seventy-second Congress) authorized by Resolution 141 the Committee on Banking and Currency to hold hearings on the subject of branch, group, and chain banking "for the purpose of obtaining information necessary as a basis for legislation." At these hearings branch banking was discussed at length by public officials, bankers, and others. Among the important recommendations for an extension of branch banking was that by the Comptroller of the Currency, Mr. J. W. Pole, who recommended that national banks under proper supervision be granted the authority to establish branches in "trade areas." The hearings, however, ended in June 1930, and Congress adjourned without the introduction of a committee measure pertaining to branch banking.

When Congress convened the following December a subcommittee of the

Senate Committee on Banking and Currency was organized under the chairmanship of Senator Glass to study the "operation of the national and Federal Reserve banking systems." Branch banking was included by the subcommittee in its study but was given less attention than by the House Committee the year before. Hearings were held in the winter and spring of 1931 and the Glass bill, S. 3215, was introduced in January 1932.

Provisions in the bill pertaining to branch banking would have given greater powers to national banks than the McFadden Act permitted by authorizing State-wide branch banking privileges wherever State banks had the same privileges. Opposition, however, developed with reference to this provision at the hearings on the bill in March 1932, on the ground that it made national bank branch privileges dependent on State laws. Following the hearings the bill was changed and when it was again introduced as S. 4412 on April 18, 1932, it authorized State-wide branch banking for national banks regardless of State laws and under certain restrictions it authorized branches to be operated across State lines.

Although the proposals for extending branch banking by national banks along the lines suggested in this draft of the Glass bill represented the most advanced point yet reached by the proponents of branch banking, it also provided a rallying point for the opponents. During the months that followed strong opposition was organized within various banking groups and when the bill came up again for debate in the Senate in January 1933, changes were made by amendment that carried the bill back to the principle embodied in the first Glass bill, S. 3215, as introduced in January 1932. As finally adopted, June 16, 1933, the Banking Act of 1933 changed existing legislation (the McFadden Act of 1927) with reference to branch banking mainly by extending to

national banks the same privileges enjoyed by State banks where State laws permit the operation of branches by State banks. In effect, this made the extension of branches by national banks dependent upon State laws and thereby left the decision as to further development of branch banking in the hands of the several States. However, the spread of branch banking within the national system was, and still is, seriously handicapped by the requirement of certain minimum aggregate capital regardless of whether or not the State law requires such capital for State banks establishing branches. ^{1/} These high capital requirements prevent the establishment of branches by national banks in a number of agricultural States, even though the State laws permit the establishment of branches by State banks. They are also preventing a number of desirable State banks with branches from joining the Federal Reserve System. The provisions of the McFadden Act as it stood before amendment by the Banking Act of 1933, the provisions of each of the versions of the Glass bill with reference to branch banking, and the provisions of the National Bank Act at the present time, as amended by the Banking Act of 1933, are given in Appendix I.

During the years 1931-1935 a number of States adopted legislation authorizing branch banking on a State-wide basis and others broadened the areas within the State in which branches are permitted. At the same time the operation of branches has continued to increase.

^{1/} See p. 142ff for further discussion.

CHAPTER III

STATE LAWS AND BRANCH BANKING, 1936 ^{1/}

Examination of the banking statutes in different States reveals wide variations in statutory authorizations as to the operation of branches or additional offices. On the basis of the statutes as they stood in June 1936 ^{2/} and summarized in Appendix I, the States may be divided into three general groups according as the operation of branches or additional offices is (1) authorized, (2) prohibited, or (3) not specifically covered by State law. The States comprising each of these three groups are given in Table 3, pages 36 through 39, which show also the extent of the area in each State in which banks are permitted to operate branches or additional offices.

Thirty-four States and the District of Columbia specifically by statute authorize branch banking; 9 States specifically prohibit it; and 5 States have no statutory provision regarding branch banking. Of the 34 States and the District of Columbia authorizing branch banking 17 States and the District of Columbia permit the operation of branches on a State-wide basis and 17 permit them within limited areas. Nine of the States authorizing branches within limited areas permit them beyond the county of the head office but not State-wide; 6 restrict them to the

^{1/} A distinction is made in some States between "branches" on the one hand and "offices," "agencies," or "stations" for limited purposes on the other. The term "branch" is generally used to describe an additional office of a bank that performs the same operations as the parent bank. "Offices," "agencies," or "stations" usually are prohibited from making loans, but are permitted to perform the necessary operations involved in receiving and paying deposits. The term "branch or additional office" as used here includes both types of offices unless otherwise indicated.

^{2/} State statutes with respect to branch operation by State banks were summarized in the Federal Reserve Bulletin for November 1936, pp. 858-76.

county of the head office;^{1/} and 2 restrict them to the city of the head office of the parent bank. Thirty of the States authorizing branch banking permit branches with full banking powers and four limit the operations of the branches or additional offices to those involved in receiving and paying deposits, prohibiting those involved in making loans. Branches or additional offices in each of these four States are permitted in areas beyond the county of the head office but are not permitted on a State-wide basis.

In many States statutory provisions as to the types of branches and the extent of the areas in which they are permitted are accompanied by others stipulating conditions under which branches or additional offices may be established. Among the more important of these provisions are those relating to the methods by which branch offices may be established; those relating to the size of places where branch offices are permitted; and those regarding the minimum capital requirements of banks operating branch offices.

The law of Montana provides that no branch may be established except by consolidation of banks, and the laws of ⁴ other States contain a similar restriction with respect to branches to be established in certain circumstances.^{2/} The laws of Arkansas and Iowa provide that no branch may be established in a place where there is already a banking office, the law of Wisconsin provides that no branch shall be established where there are already adequate banking facilities, and the laws of ⁵ other States contain a similar restriction with respect to the establishment of branches in certain circumstances. The statutes of 10 States provide a somewhat less severe restriction to the effect that no branch

^{1/} Including the State of Louisiana in which banks in Allen, Calcasieu, and Jefferson Davis parishes may operate branches in any one or more of these parishes.

^{2/} For example, if the branch is outside the head office city, in a place under a certain population, etc.

may be established except by consolidation or in a place where there is no banking office, but in most cases this applies only to branches to be established in certain locations. Some States have one requirement for the establishment of branches in certain circumstances and a different requirement for the establishment of branches in other circumstances, and thus there is a certain amount of duplication in any such compilation. However, 22 different States have statutes which, in at least some circumstances, restrict the establishment of branches to consolidations, places without another bank, or an alternative between these two. 1/

The statutes of 10 States contain provisions restricting the establishment of branches to places of a specified population. In some cases these population restrictions practically confine branch banking to the places in which it now exists. For example, the law of Alabama provides that a State bank may establish a branch at any place within the county in which it is located, but another provision of the law restricts the establishment of branches to counties having a population of over 250,000. This effectively restricts branch banking to Jefferson County, in which the City of Birmingham is located. 1/

Capital requirements of banks operating branches vary widely in different States and because of their complexity the statutes with reference to them are very difficult to describe briefly. The States

1/ See footnote 2/, p. 27.

may be grouped according to the following types of capital requirements:

Table 1 - Summary of State Laws by Groups of States Regarding
Minimum Capital Requirements for Establishing
Branches or Additional Offices

<u>Minimum statutory capital require- ments by groups of States</u>	<u>States in group ^{1/}</u>
None	15
\$50,000 to 99,999	5
100,000 to 199,999	4
200,000 to 249,999	1
250,000 to 499,999	0
500,000 to 999,999	3
1,000,000 and over	3
Aggregate capital (or capital and surplus) necessary to organize banks in locations of head office and branches or offices	11
Miscellaneous requirements based upon individual branches or offices	12
Capital and/or surplus equal to percentage (10% unless otherwise indicated) of de- posits if bank has branches or offices	5

^{1/} In many cases an individual State has different requirements for branches or additional offices in different places. This makes it necessary to classify the State in more than one group.

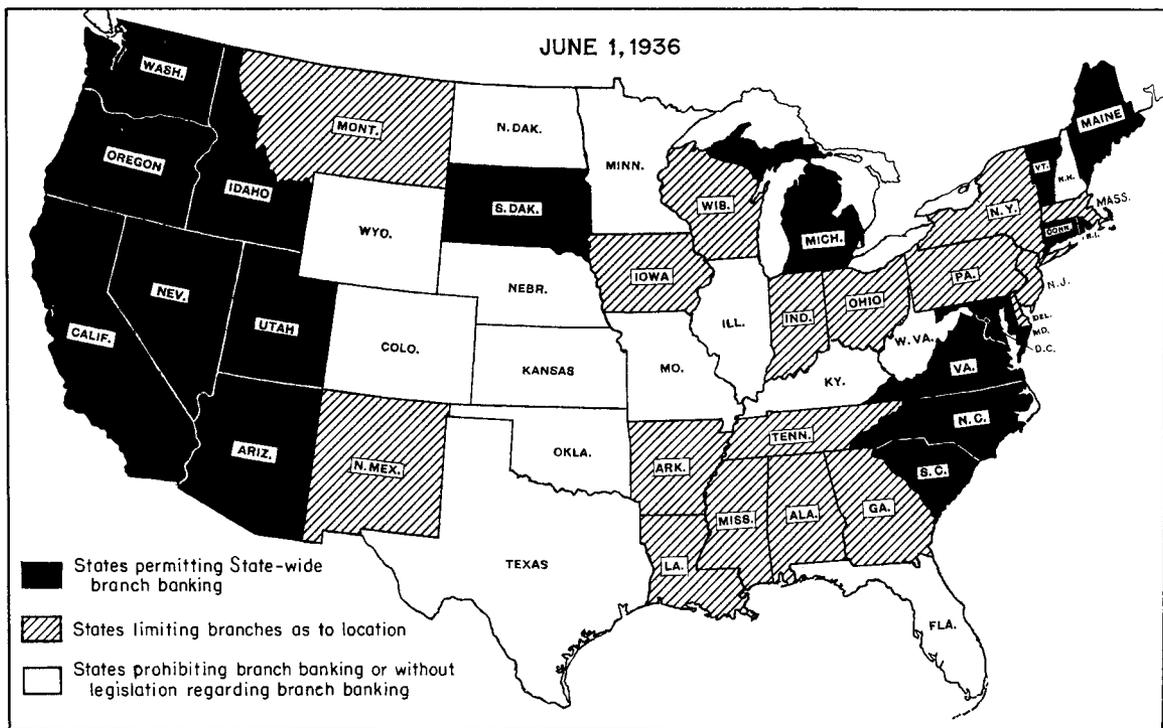
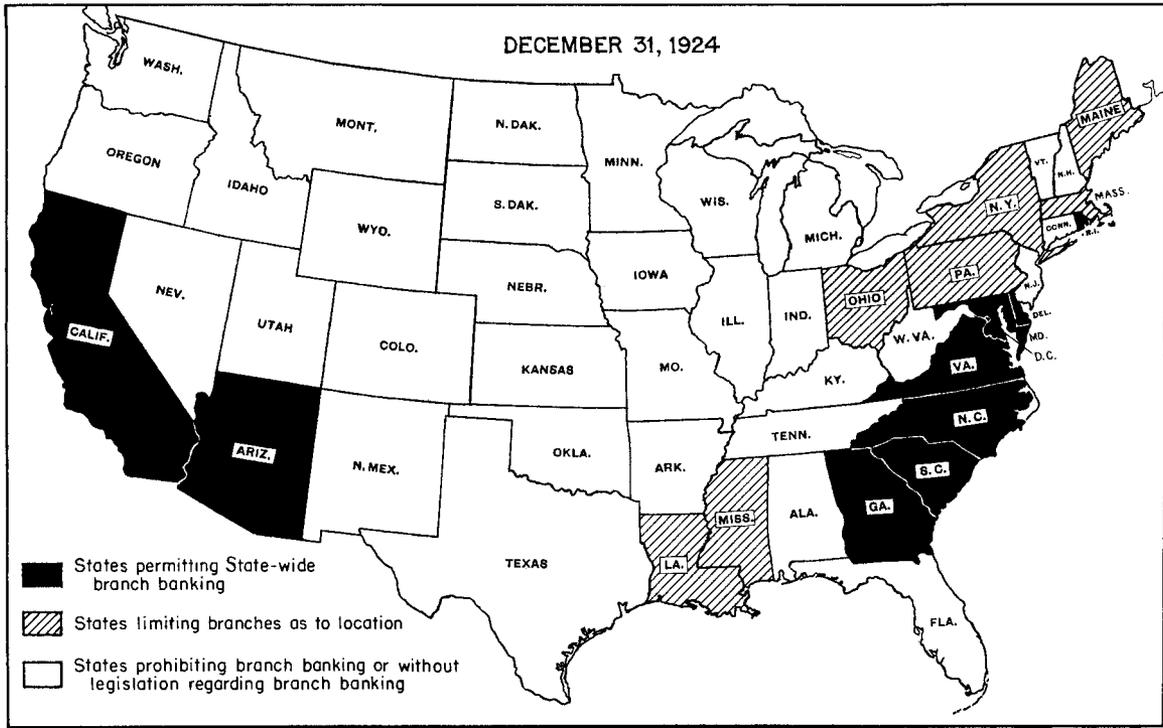
State Branch Banking Statutes Over Twelve Year Period, 1924-1936. -

Through surveys and digests of State statutes relating to branch banking prepared by the office of the Board's Counsel at four different dates ^{2/} during the period 1924-1936 information is available revealing changes in State banking laws during the past twelve years. Chart 1 has been prepared on the basis of these surveys and shows the classification of

^{2/} December 31, 1924 - Federal Reserve Bulletin, March 1925.
December 31, 1929 - Federal Reserve Bulletin, April 1930.
May 9, 1932 - Federal Reserve Bulletin, July 1932.
June 1, 1936 - Federal Reserve Bulletin, November 1936.

CHART 1

CLASSIFICATION OF STATES ACCORDING TO PREVALENT INTERPRETATIONS PLACED ON STATUTES WITH RESPECT TO BRANCH BANKING



States according to prevalent interpretations placed on statutes with respect to branch banking as they existed in 1924 and in 1936. The classification of States in 1924 and in 1936 is not exactly comparable in some instances due to different interpretations of the provisions of State laws with respect to branch banking. These differences do not, however, affect the conclusions in an important degree. In Virginia, for example, a bank may establish branches in the head office city without regard to population and in other cities with a population of 50,000 or more. In addition, a bank may open branches in the head office county or adjoining counties by purchasing other banks. Virginia has been classified as permitting State-wide branch banking.

Among the important changes in State laws regarding branch banking that have taken place since 1924 has been the increase in the number of States authorizing branch banking from 16 in 1924 to 34 in 1936, and the decrease in the number of States either prohibiting or without provisions regarding branch banking from 32 in 1924 to 14 in 1936. There has also been an increase in the number of States permitting branches on a State-wide basis and in the number of States permitting them in areas within the State beyond the city of the head office. The number of States limiting branches to the city of the head office declined from five in 1924 to two in 1936. Table 2 summarizes in greater detail the situation with reference to the State statutes authorizing branch banking in 1924 and in 1936 and shows the changes that have taken place since 1924.

Table 2 - Number of States Classified According to
Laws Authorizing Branches or Additional Offices

States classified according to laws authorizing branches or additional offices	Number of States		Increase (+) or decrease (-) 1924 to 1936
	1924	1936	
I. States which by statute specifically authorize branches or additional offices			
a. States authorizing State-wide branches or additional offices	9	17	+ 8
b. States authorizing branches or additional offices within limited areas -			
(1) In city of head office	5	2	-3
(2) In county of head office	1	6	+5
(3) Beyond county of head office but not State-wide	<u>1</u>	<u>9</u>	<u>+ 8</u>
	Total	<u>7</u>	<u>+10</u>
	Total	<u>16</u>	<u>+ 18</u>
II. States which by statute specifically prohibit branches or additional offices	17	9	-8
III. States with no legislation regarding branch- es or additional offices	<u>15</u>	<u>5</u>	-10
Note: In the District of Columbia branches were authorized on a district-wide basis in 1924 and 1936.	48	48	

Analysis of the changes in the State statutes that took place between the several shorter periods, 1924-1929, 1929-1932, 1932-1936, included in the longer period, 1924-1936, shows that the changes that occurred within the several periods differed widely. Between 1924 and 1929, the period which includes approximately 2 years before and 2 years after the adoption of the McFadden Act, and in which there was much public discussion of branch banking in Congress and in banking circles, the principal development was the

adoption of statutes prohibiting branch banking by several States which prior to that time had had no legislation regarding branch banking. States in this group included Iowa, Kansas, Montana, Nebraska, and West Virginia. New Jersey and Tennessee, on the other hand, which had been without legislation, authorized branch banking within limited areas - New Jersey within the city of the head office and Tennessee within the county of the head office. Georgia, which had adopted prohibiting legislation in 1926, having permitted State-wide branch banking prior to that time, re-enacted legislation in the summer of 1929 permitting branches in the city of the head office if the population of the head office city was not less than 80,000. The statutes thus restricted the establishment of branches to only two of the cities in the State. Vermont in this period authorized State-wide branch banking.

In the period 1929 to 1932, depression, bank suspensions, and extensive discussion of the branch banking provisions of the Glass Bill were factors influencing branch banking legislation and the trend in the preceding period prohibiting branch banking was reversed. Important developments were the adoption by four States of legislation authorizing branch banking and a decrease by 4 in the number of States that prior to that time had specifically prohibited branch banking. The 4 States adopting legislation that had formerly prohibited branch banking were Indiana, Iowa, Montana, and Wisconsin. Iowa and Wisconsin authorized the establishment of limited-power branches within limited areas where banking facilities had been destroyed by bank suspensions and failures. Indiana authorized the operation of branches within the

county of the head office, and Montana permitted banks to continue to operate as branches following consolidation of two or more banks in the same or adjoining counties. In addition to these changes New Jersey and Ohio broadened the area in which branches could be operated within the State from the city to the county of the head office.

From 1932 to 1936 liberalization of State branch banking statutes continued and was more extensive than in the period 1929 to 1932. Ten States - Alabama, Arkansas, Connecticut, Idaho, Michigan, Nevada, Oregon, South Dakota, Utah, and Washington - that had formerly prohibited or had had no legislation, authorized branch banking, and seven States - Maine, Massachusetts, Mississippi, New York, Ohio, Pennsylvania, and Wisconsin - that had formerly permitted branch banking within limited areas, extended the areas in which branches are permitted. Delaware, which had formerly authorized State-wide branch banking, adopted legislation limiting the operation of branches to the city of the head office and was the only State that adopted legislation restricting branch banking during this period.

Of the 10 States authorizing branch banking during this period, 8 authorized State-wide branches; of the 7 States extending the areas of branch operation, Maine, which had formerly permitted branches beyond the county of the head office but not State-wide, amended her statutes to permit State-wide branches. In the 6 other States that broadened the areas in which branches are permitted, the most important development was general extension of the area beyond the limits of the city where the head office is located. As a result of this development there are now only 2 States that restrict branches

to the city of the head office while there are 15 that permit branches outside the city of the head office but not on a State-wide basis.

Table 3 gives a classification of States according to laws authorizing the operation of branches or additional offices in 1924, 1929, 1932, and 1936 and shows in summary form by States the authorization of branch banking for each of these periods.

Table 3 - Classification of States According to Laws Authorizing Branches or Additional Offices - 1924, 1929, 1932, and 1936

NOTE: The following tabulation is designed to indicate the general policy of the various States on branch banking as reflected by the provisions of the laws of such States, but it does not reflect detailed provisions of the law in certain States such as restrictions based upon population of the head office or the place of the proposed branch, etc. For example, the State of Virginia is classified in the following tabulation for 1936 as a State permitting State-wide branch banking, but under the laws of that State branches may be established on a State-wide basis only in "other cities having a population of not less than 50,000 inhabitants." For such detailed provisions, reference should be had to the compilation of laws of the individual States as published in the Federal Reserve Bulletin for March 1925, April 1930, July 1932, and November 1936.

I. States Which By Statute Specifically Authorize Branches or Additional Offices

A. States Authorizing State-wide Branches or Additional Offices

<u>December</u> <u>1924</u>	<u>December</u> <u>1929</u>	<u>May</u> <u>1932</u>	<u>June</u> <u>1936</u>
Arizona	Arizona	Arizona	Arizona
California	California	California	California
Delaware	Delaware	Delaware	Connecticut
Georgia	Maryland	Maryland	Idaho
Maryland	North Carolina	North Carolina	Maine
North Carolina	Rhode Island	Rhode Island	Maryland
Rhode Island	South Carolina	South Carolina	Michigan
South Carolina	Vermont	Vermont	Nevada
Virginia	Virginia	Virginia	North Carolina **
			Oregon
			Rhode Island
			South Carolina
			South Dakota**
			Utah
			Vermont
			Virginia
			Washington

B. States Authorizing Branches or Additional Offices Within Limited Areas

1. States permitting branches or additional offices beyond county of head office but not State-wide

<u>December</u> <u>1924</u>	<u>December</u> <u>1929</u>	<u>May</u> <u>1932</u>	<u>June</u> <u>1936</u>
Maine	Maine	Iowa*	Arkansas*
		Maine	Iowa*
		Montana	Mississippi**
			Montana
			New Mexico*
			New York
			Ohio
			Pennsylvania
			Wisconsin*

2. States limiting branches or additional offices to county of head office

Louisiana	Louisiana	Indiana	Alabama
	Tennessee	Louisiana	Indiana
		New Jersey	Louisiana (See <u>1/</u> , p.28)
		Ohio	Massachusetts
		Tennessee	New Jersey
		Wisconsin*	Tennessee

3. States limiting branches or additional offices to city of head office

Massachusetts	Georgia	Georgia	Delaware
Mississippi*	Massachusetts	Massachusetts	Georgia
New York	Mississippi*	Mississippi*	
Ohio	New Jersey	New York	
Pennsylvania*	New York	Pennsylvania	
	Ohio		
	Pennsylvania		

II. States Which By Statute Specifically Prohibit Branches or Additional Offices

<u>December</u> <u>1924</u>	<u>December</u> <u>1929</u>	<u>May</u> <u>1932</u>	<u>June</u> <u>1936</u>
Alabama	Alabama	Alabama	Colorado
Arkansas	Arkansas	Arkansas	Florida
Colorado	Colorado	Colorado	Illinois
Connecticut	Connecticut	Connecticut	Kansas
Florida	Florida	Florida	Minnesota (1)
Idaho	Idaho	Idaho	Missouri
Illinois	Illinois	Illinois	Nebraska (1)
Indiana	Indiana	Kansas	Texas
Minnesota	Iowa	Minnesota	West Virginia (1)
Missouri	Kansas	Missouri	
Nevada	Minnesota	Nebraska	
New Mexico	Missouri	Nevada	
Oregon	Montana	New Mexico	
Texas	Nebraska	Oregon	
Utah	Nevada	Texas	
Washington	New Mexico	Utah	
Wisconsin	Oregon	Washington	
	Texas	West Virginia	
	Utah		
	Washington		
	West Virginia		
	Wisconsin		

III. States With No Legislation Regarding Branches or Additional Offices

<u>December</u> <u>1924</u>	<u>December</u> <u>1929</u>	<u>May</u> <u>1932</u>	<u>June</u> <u>1936</u>
Iowa	Kentucky***	Kentucky***	Kentucky***(2)
Kansas	Michigan****	Michigan****	New Hampshire (2)
Kentucky***	New Hampshire	New Hampshire	North Dakota (2)
Michigan****	North Dakota	North Dakota	Oklahoma
Montana	Oklahoma	Oklahoma	Wyoming
Nebraska	South Dakota	South Dakota	
New Hampshire	Wyoming	Wyoming	
New Jersey			
North Dakota			
Oklahoma			
South Dakota			
Tennessee			
Vermont			
West Virginia			
Wyoming			

Recapitulation:

	<u>December</u> 1924	<u>December</u> 1929	<u>May</u> 1932	<u>June</u> 1936
I. States Which By Statute Specifically Authorize Branches or Additional Offices	<u>16</u>	<u>19</u>	<u>23</u>	<u>34</u>
A. States Authorizing State-wide Branches or Additional Offices	<u>9</u>	<u>9</u>	<u>9</u>	<u>17</u>
B. States Authorizing Branches or Additional Offices Within Limited Areas -	<u>7</u>	<u>10</u>	<u>14</u>	<u>17</u>
(1) Beyond county of head office but not State-wide	1	1	3	9
(2) In county of head office	1	2	6	6
(3) In city of head office	5	7	5	2
II. States Which By Statute Specifically Prohibit Branches or Additional Offices	<u>17</u>	<u>22</u>	<u>18</u>	<u>9</u>
III. States With No Legislation Regarding Branches or Additional Offices	<u>15</u>	<u>7</u>	<u>7</u>	<u>5</u>
Total	48	48	48	48

NOTE: In the District of Columbia branches were authorized on a district-wide basis in 1924 and 1936.

- * States authorizing by statute only the operation of "offices," "agencies," or "stations" for limited purposes, as distinguished from "branches."
 - ** States authorizing by statute the operation of "offices," "agencies," or "stations" for limited purposes, and branches with full powers.
 - *** States permitting by judicial decision the operation of "offices," "agencies," or "stations" for limited purposes.
 - **** States permitting by judicial opinion the operation of "offices," "agencies," or "stations" for limited purposes.
- (1) States in which branches have been established although branch banking is now prohibited by statute. Number of banks operating branches and the number of branches or offices, December 31, 1935, by States are - Minnesota, 2 banks and 6 branches or offices; Nebraska, 2 banks and 2 branches or offices; West Virginia, 2 banks and 2 branches or offices.
- (2) States in which branches have been established although there are no provisions in the statutes regarding branch banking. Number of banks operating branches and the number of branches or offices December 31, 1935, by States are - Kentucky, 14 banks and 30 branches or offices; New Hampshire, 1 bank and 1 branch or office; North Dakota, 1 bank and 1 branch or office.

CHAPTER IV

GROWTH AND DISTRIBUTION OF BRANCH BANKING

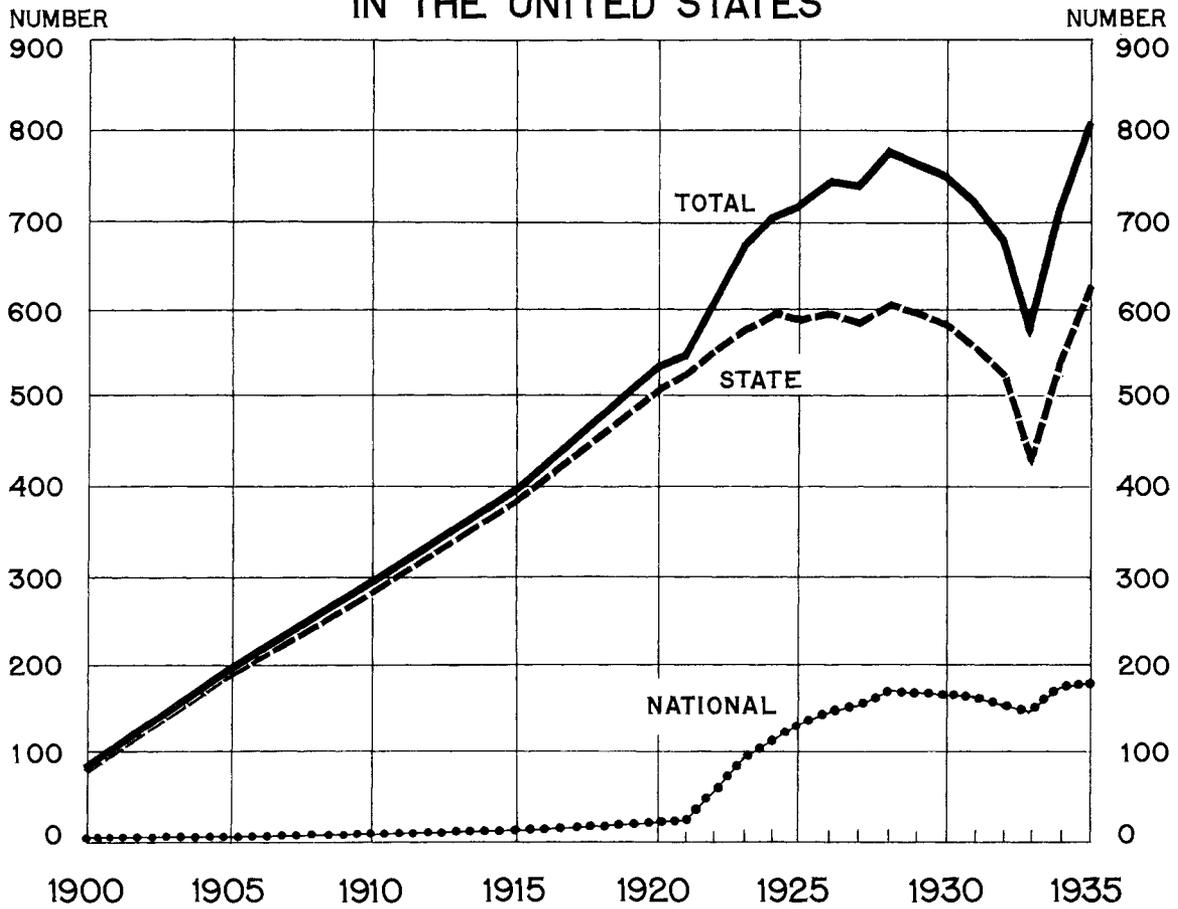
Branch banking as it now exists in the United States dates from the decade 1890-1900. The National Bank Act in 1863 committed the country to a policy of independent unit banking and the earlier experiments with branch banking were generally discontinued at that time. The majority of State banks and their branches in existence prior to the Civil War either converted into unit national banks, or failed as a result of the conflict, or were liquidated when the issuance of bank notes was discontinued. From the end of the Civil War until the closing decade of the nineteenth century there was very little branch banking in the United States. Towards the end of the century, however, as deposit banking gradually supplanted issue banking, the number of State banks began to increase and in some instances these banks established branches. By 1900, according to the best information available, a total of 87 banks - 82 State and 5 national - were operating a total of 119 branches.

Growth of Branch Banking, 1900 to 1935

From 1900 to 1915 a gradual growth in branch banking brought the number of banks operating branches to 397 and the number of branches to 785. After 1915 growth was faster and by 1920 the number of banks had increased to 530 and the number of branches to 1,281. Expansion of branch banking during the decade of the 1920's was more rapid than at any previous time and by 1930 the number of banks had increased to 750 and the number of branches had nearly trebled to a peak of 3,518.

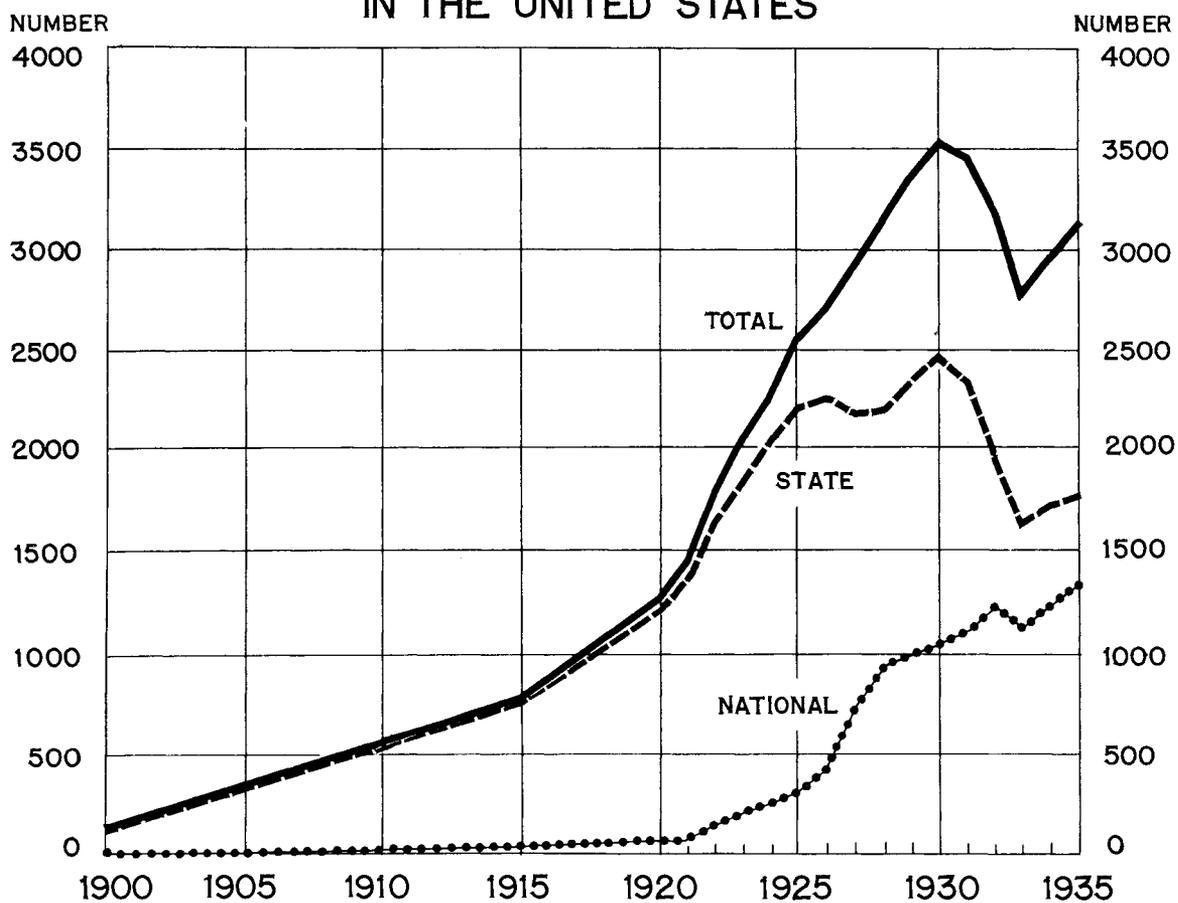
In the depression years of the early 1930's the number of banks with branches and the number of branches decreased along with the general banking collapse. By the end of 1935, however, branch banking was increasing again and at that time 804 banks, exclusive of mutual savings and private banks, were operating 3,114 branches. The thirty-five year development of branch banking as thus described is illustrated in Charts 2 and 3. Table 4 presents the figures upon which the charts are based.

CHART 2 BANKS OPERATING BRANCHES IN THE UNITED STATES



Number of State and national banks operating branches in the United States, 1900-1935. From 1900 to 1920 the figures are for five-year intervals, but from 1920 to 1935 they are for each year.

CHART 3 BRANCHES OF BANKS IN THE UNITED STATES



Number of domestic branches of State and national banks in the United States, 1900-1935. From 1900 to 1920 the figures are for five-year intervals, but from 1920 to 1935 they are for each year.

(1)
 Table 4. Number of Banks Operating Branches
 or Additional Offices and Number of
 Branches or Offices
 1900-1935

Year ⁽²⁾	Banks operating branches or offices			Branches or offices		
	Total	National	State	Total	National	State
1900	87	5	82	119	5	114
1905	196	5	191	350	5	345
1910	292	9	283	548	12	536
1915	397	12	385	785	26	759
1920	530	21	509	1,281	63	1,218
1921	547	23	524	1,455	72	1,383
1922	610	55	555	1,801	140	1,661
1923	671	91	580	2,054	204	1,850
1924	706	112	594	2,297	256	2,041
1925	719	130	589	2,524	318	2,206
1926	743	148	595	2,701	421	2,280
1927	739	153	586	2,912	723	2,189
1928	774	171	603	3,136	934	2,202
1929	763	167	596	3,349	995	2,354
1930	750	166	584	3,518	1,042	2,476
1931	722	164	558	3,463	1,110	2,353
1932	680	157	523	3,191	1,220	1,971
1933	575	146	429	2,752	1,121	1,631
1934	715	176	539	2,973	1,243	1,730
1935	804	181	623	3,114	1,329	1,785

- (1) Mutual savings and private banks not included. Mutual savings banks thus excluded numbered 80 and had 129 branches December 1935; private banks numbered 4 and had 4 branches.
- (2) For the years 1900 to 1923, inclusive, the figures are not as of any uniform month. For 1924 they are as of June, for 1925 and 1926 as of December, for 1927 to 1931, inclusive, as of June, and for 1932 to 1935, inclusive, they are as of December.

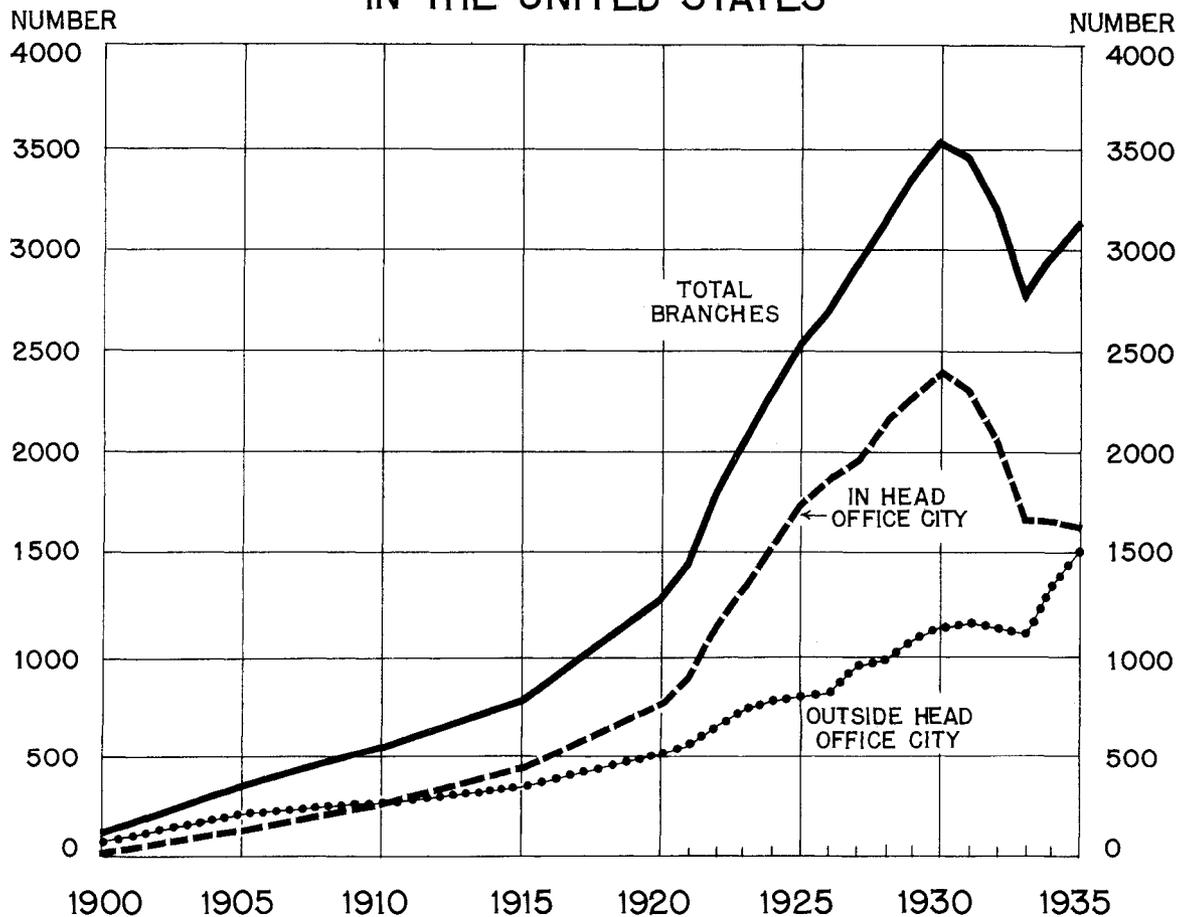
Branch Banking of State and National Banks. - Prior to 1922 the development of branches was limited almost entirely to State banks, as shown by Charts 2 and 3. Occasionally a State bank with branches was converted into a national bank and retained its branches, or was absorbed with its branches by a national bank. The growth in the number of branches of national banks from this source was slow, however, and in 1921 there were only 72 branches of national banks as compared with 1,383 branches of State banks. Beginning in 1922 branches of national banks increased more rapidly and in 1930 they aggregated 1,042 as compared with 2,476 for State banks. The growth of national bank branches from 1922 to 1927 was due chiefly to the "additional offices" authorized by the Comptroller of the Currency in cities where State banks were permitted to have branches. At the same time there was an increasing number of absorptions of State banks with branches into the national system. The growth of branches of national banks was accelerated by the passage of the McFadden Act on February 25, 1927, which, with certain restrictions, expressly permitted national banks to establish branches in their head office cities where State banks were allowed similar privileges. ^{1/} The act also provided that a State bank could become a national bank and continue to operate such other branches as were legally in operation on February 25, 1927. The passage of this act also precipitated the conversion of certain State banks with numerous branches into national banks and caused the number of State bank branches to decline temporarily.

^{1/} See Chapter II, pp. 22-23, for the legal and legislative history of branch banking during the period 1922-1933.

In the period of the banking crises, 1931-1933, the number of State and national banks operating branches and the number of branches decreased somewhat. In 1934 and 1935, however, branches were increasing again and by the end of 1935 623 State banks and 181 national banks were operating 1,785 and 1,329 branches, respectively.

Branches Outside and in Head Office City. - At the beginning of the branch banking movement branches were established mainly outside the city of the head office in rural areas. By 1910, however, branch banking in urban areas was beginning and by 1915 it was growing faster than in rural areas. Since 1915 the number of branches in the city of head office has continued greater than the number of outside branches. Following the banking crises, however, the establishment of branches outside the city of the head office proceeded rapidly while the number of head office city branches continued at about the same figure as in 1933. By the end of 1935 the number of branches in the head office city aggregated 1,617 as compared with 1,497 outside. Chart 4 illustrates the growth of branches in and outside the city of head office from 1900 to 1935 and Table 5 gives the statistics upon which this chart is based.

LOCATION OF BRANCHES OF BANKS IN THE UNITED STATES



Number of domestic branches of State and national banks in the United States in the head office city and outside the head office city, 1900-1935. From 1900 to 1920 the figures are for five-year intervals, but from 1920 to 1935 they are for each year.

Table 5 - Number of Branches or Additional Offices of Banks ^{1/}
Within and Without Head Office City 1900-1935

Year ^{2/}	Number of branches or offices						
	Total	In head office city			Outside head office city		
		Total	National	State	Total	National	State
1900	119	25	1	24	94	4	90
1905	350	135	1	134	215	4	211
1910	548	271	1	270	277	11	266
1915	785	435	15	420	350	11	339
1920	1,281	773	41	732	508	22	486
1921	1,455	904	50	854	551	22	529
1922	1,801	1,156	118	1,038	645	22	623
1923	2,054	1,327	181	1,146	727	23	704
1924	2,297	1,514	233	1,281	783	23	760
1925	2,524	1,724	296	1,428	800	22	778
1926	2,701	1,877	384	1,493	824	37	787
1927	2,912	1,958	433	1,525	954	290	664
1928	3,136	2,140	595	1,545	996	339	657
1929	3,349	2,273	650	1,623	1,076	345	731
1930	3,518	2,387	703	1,684	1,131	339	792
1931	3,463	2,299	714	1,585	1,164	396	768
1932	3,191	2,064	831	1,233	1,127	389	738
1933	2,752	1,651	677	974	1,101	444	657
1934	2,973	1,642	691	951	1,331	552	779
1935	3,114	1,617	686	931	1,497	643	854

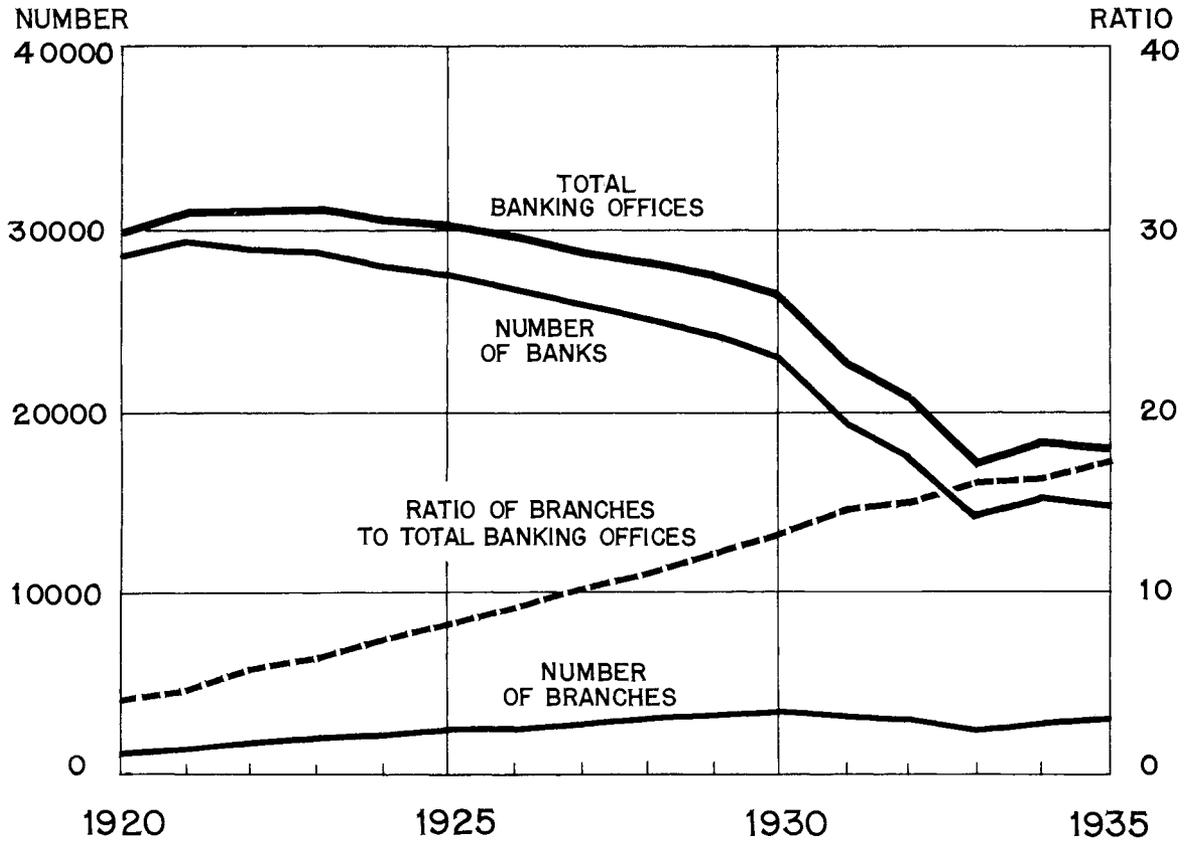
^{1/} See Note 1 Table 4.

^{2/} See Note 2 Table 4.

Branches and Banking Offices. - Growth in the number of branches in the fifteen year period, 1920-1935, as thus described, and the decline at the same time in the number of banks have resulted in a rapid increase in the proportion of branches to total banking offices. At the end of 1935, as shown by Chart 5, branches constituted 17 percent of total banking offices or slightly more than one of every six of the total offices. In 1920 branches amounted to less than one of every twenty of the total offices.

CHART 5

BRANCHES AND TOTAL BANKING OFFICES



Number of banking offices, banks and branches of State and national banks (exclusive of mutual savings and private banks) and the ratio of the number of branches to total banking offices in the United States. For the years 1920 to 1923, inclusive, the figures are not of any uniform month. For 1924 they are as of June, for 1925 and 1926 as of December, for 1927 to 1930, inclusive, they are as of June, and for 1931 to 1935, inclusive, they are as of December.

Distribution of Branch Banking, December 31, 1935

The extent to which branch banking has developed varies widely in different sections of the country. As pointed out in Chapter III the States may be classified into four groups according as branches or additional offices by statute are (1) permitted on a State-wide basis, (2) permitted on a limited basis, (3) prohibited, or (4) not specifically covered by legislation. Tables 1 and 2 of Appendix II classify the States on this basis and show for each State and for each class of banks - national, State member, nonmember, mutual savings and private banks - the total number of banks, the number of banks operating branches or additional offices, the number of branches or offices, and the amount of loans and investments, and deposits of all banks and of banks operating branches or offices.

Proportion of Banks With Branches to Total Banks. - Table 6, summarizing by groups of States the statistics of banks and banking offices, shows that 5 percent of all banks in the United States operate branches. In the States, however, that permit branch banking on a State-wide basis and in those limiting branches to certain areas the proportion is higher - 10 percent and 8 percent, respectively. Total banking offices in branch systems, on the other hand, are much larger in proportion to the total number of banking offices, constituting 22 percent for the country as a whole, 44 percent for States permitting State-wide branch banking, and 26 percent for States limiting the operation of branches or additional offices.

The table also shows by geographic regions that the proportion of banks operating branches to total banks is largest in the New England and

Pacific States where 15 and 9 percent, respectively, of all banks have branches. The proportion of total banking offices in branch systems is largest in the Pacific States where it amounts to 60 percent, and smallest in the West South Central and the West North Central States where it is only 5 and 7 percent respectively. It is approximately 40 percent in New England; 32 percent in the Middle Atlantic States and 25 percent in the South Atlantic States.

Table 6 -Number of Banks and Banking Offices in Branch Systems Compared
 With All Banks
 December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Branch systems		All banks		Ratio of branch systems to total number of banks (percent)	Ratio of banking offices in branch systems to total banking offices (percent)
	Number of banks	Total banking offices (banks and branches)	Number of banks	Total banking offices (banks and branches)		
State-wide branch banking permitted	260	1,757	2,475	3,972	10.5	44.2
Branches limited as to location	522	2,097	6,521	8,096	8.0	25.9
Establishment of branches prohibited	6	16	4,791	4,801	.1	.3
No provision in State law regarding branch banking	16	48	1,165	1,197	1.4	4.0
Total - All States	804	3,918	14,952	18,066	5.4	21.7
Geographic divisions of United States						
New England	85	313	560	788	15.2	39.7
Middle Atlantic	161	972	2,248	3,059	7.2	31.8
East North Central	167	629	3,162	3,624	5.3	17.4
West North Central	103	252	3,600	3,749	2.9	6.7
South Atlantic	129	447	1,499	1,817	8.6	24.6
East South Central	58	198	1,180	1,320	4.9	15.0
West South Central	32	89	1,660	1,717	1.9	5.2
Mountain	20	89	520	589	3.8	15.1
Pacific	49	929	523	1,403	9.4	66.2
Total -United States	804	3,918	14,952	18,066	5.4	21.7

Note: Mutual savings banks and private banks not included in tabulation.

The proportion of total loans and investments in banks operating branches to loans and investments of all banks is considerably larger than the proportion of banking offices in branch systems. Table 7 shows that it amounts to 53 percent for the country as a whole; 67 percent for States permitting State-wide branch banking; and 63 percent for States restricting branches limited as to location. For geographic regions it amounts to 82 percent in the Pacific States; 69 percent in the Middle Atlantic States; 55 percent in New England; and 45 percent in the Southeastern.

Table 7 - Loans and Investments of Banks Operating Branches or Additional Offices and Loans and Investments of All Banks
December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Loans and investments of banks operating branches (000 omitted)	Loans and investments of all banks (000 omitted)	Percent of total in banks operating branches
State-wide branch banking permitted	\$ 4,764,479	\$ 7,046,656	67.6
Branches limited as to location	13,499,483	21,430,135	63.0
Establishment of branches prohibited	203,338	5,938,733	3.4
No provision in State law regarding branch banking	106,454	757,827	14.0
Total - All States	18,573,754	35,173,351	52.8
Geographic divisions of United States			
New England	1,300,320	2,369,357	54.9
Middle Atlantic	10,822,303	15,634,158	69.2
East North Central	1,703,014	6,049,729	28.1
West North Central	271,883	2,513,923	10.8
South Atlantic	962,065	2,142,159	44.9
East South Central	292,635	939,583	31.1
West South Central	164,103	1,382,891	11.9
Mountain	106,668	545,743	19.5
Pacific	2,950,763	3,595,808	82.1
Total - United States	\$ 18,573,754	\$ 35,173,351	52.8

Note: Mutual Savings banks and private banks not included in tabulation.

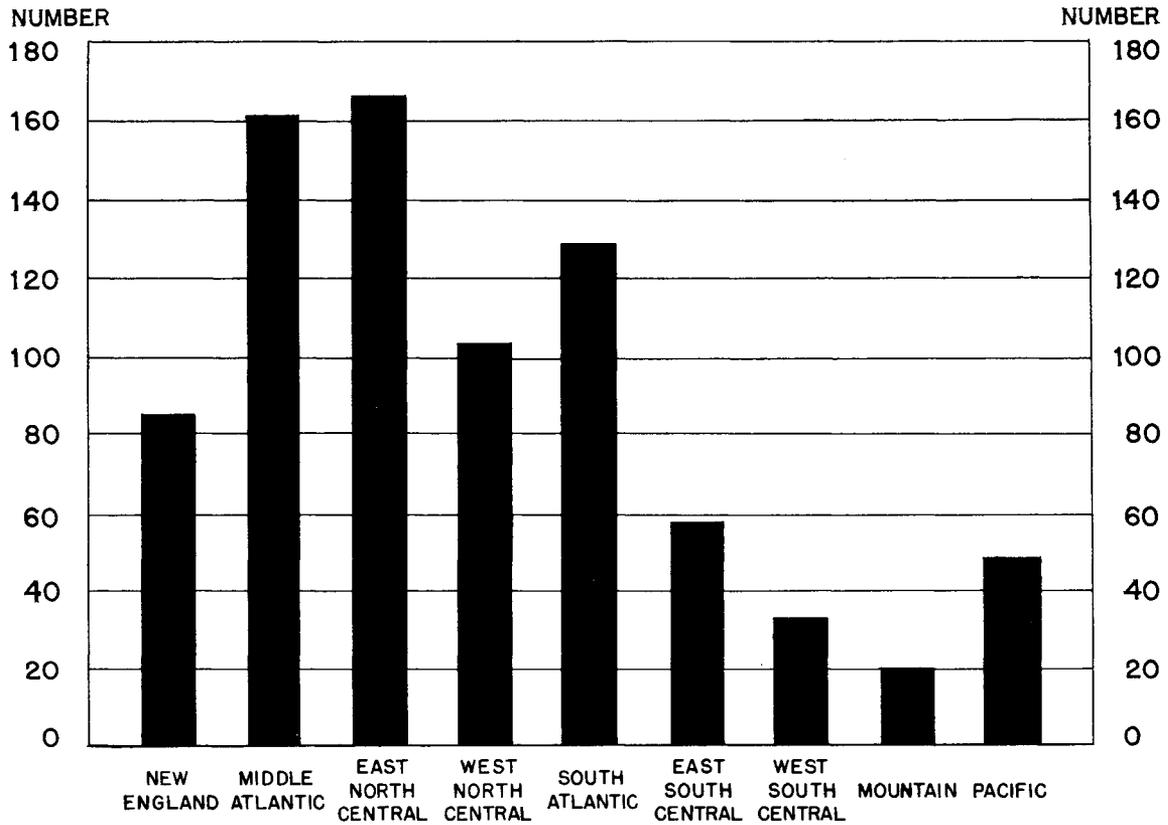
Geographic Distribution of Branch Systems - Table 8 shows that slightly less than one-third of the banks operating branches or additional offices are in States permitting State-wide branch banking and nearly two-thirds are in States limiting branch banking. Chart 6 gives the distribution of branch systems by geographic divisions and shows that over one-half of the branch systems are in the Middle Atlantic, the East North Central, and the South Atlantic States. Chart 7 shows the distribution of branches by geographic divisions.

Table 8 - Banks and Branches or Additional Offices by Groups of States
December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Number of banks operating branches	Number of branches	Percent of total in each group of States	
			Banks	Branches
State-wide branch banking permitted	260	1,497	32.3	48.1
Branches limited as to location	522	1,575	64.9	50.6
Establishment of branches prohibited	6	10	.8	.3
No provision in State law regarding branch banking	<u>16</u>	<u>32</u>	<u>2.0</u>	<u>1.0</u>
Total - All States	804	3,114	100.0	100.0
Geographic divisions of United States				
New England	85	228	10.6	7.3
Middle Atlantic	161	811	20.0	26.1
East North Central	167	462	20.8	14.8
West North Central	103	149	12.8	4.8
South Atlantic	129	318	16.0	10.2
East South Central	58	140	7.2	4.5
West South Central	32	57	4.0	1.8
Mountain	20	69	2.5	2.2
Pacific	<u>49</u>	<u>880</u>	<u>6.1</u>	<u>28.3</u>
Total - United States	804	3,114	100.0	100.0

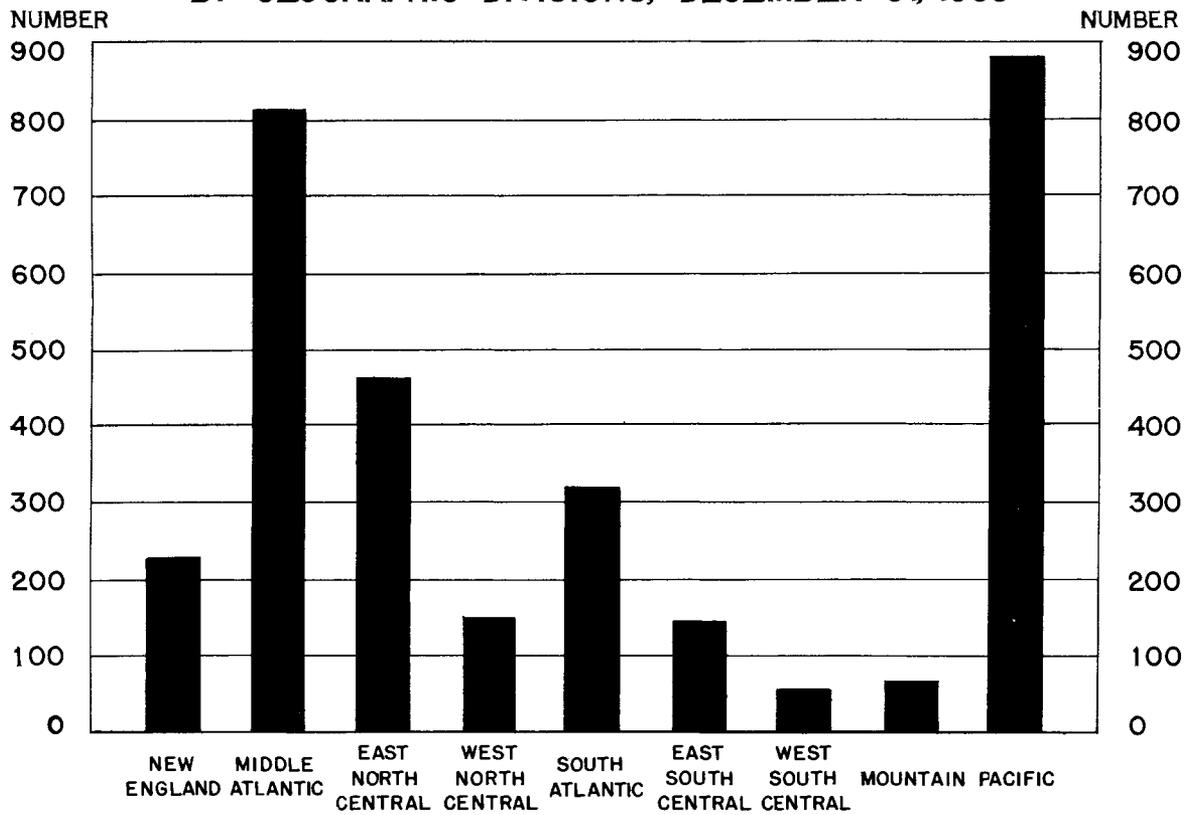
Note: Mutual savings and private banks not included in tabulation.

CHART 6
DISTRIBUTION OF BRANCH SYSTEMS
BY GEOGRAPHIC DIVISIONS, DECEMBER 31, 1935



Number of State and national banks operating branches arranged according to the geographic divisions in which they are located.

CHART 7
DISTRIBUTION OF BRANCHES
BY GEOGRAPHIC DIVISIONS, DECEMBER 31, 1935



Number of branches of State and national banks arranged according to the geographic divisions in which they are located.

Loans and Investments, and Deposits. - Table 9, which summarizes by groups of States loans and investments, and deposits of banks operating branches, shows that approximately 25 percent of loans and investments and of deposits are in banks in the States permitting State-wide branch banking and nearly 75 percent are in States limiting the operation of branches. By geographic regions 58 percent of loans and investments, and deposits are in the Middle Atlantic States and 16 percent are in the Pacific States. The concentration of loans and investments, and deposits in banks operating branches in the Middle Atlantic States is due to the fact that each of several of the large banks in New York City operates a small number of branches. The Guaranty Trust Company, for example, has \$1,400,000,000 of deposits but operates only two branches.

Table 9 - Loans and Investments, and Deposits of All Banks and Banks Operating Branches
or Additional Offices, by Groups of States
December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Loans and investments		Deposits		Percent of total for each group of States			
	All banks (000 omitted)	Banks operating branches	All banks (000 omitted)	Banks operating branches	Loans and investments		Deposits	
					All banks	Banks operating branches	All banks	Banks operating branches
State-wide branch banking permitted	\$ 7,046,656	\$ 4,764,479	\$ 8,644,014	\$ 5,819,470	20.0	25.7	19.4	24.6
Branches limited as to location	21,430,135	13,499,483	26,718,810	17,407,101	60.9	72.7	59.8	73.7
Establishment of branches prohibited	5,938,733	203,338	8,325,218	263,412	16.9	1.1	18.6	1.1
No provision in State law regarding branch banking	757,827	106,454	998,927	138,987	2.2	.5	2.2	.6
Total - All States	35,173,351	18,573,754	44,686,969	23,628,970	100.0	100.0	100.0	100.0
Geographic divisions of United States								
New England	2,369,357	1,300,320	2,922,677	1,705,790	6.7	7.0	6.5	7.2
Middle Atlantic	15,634,158	10,822,303	19,068,735	13,794,818	44.4	58.2	42.6	58.4
East North Central	6,049,729	1,703,014	8,056,400	2,326,438	17.2	9.2	18.0	9.8
West North Central	2,513,923	271,883	3,486,941	354,708	7.2	1.5	7.8	1.5
South Atlantic	2,142,159	962,065	2,839,289	1,285,857	6.1	5.1	6.4	5.5
East South Central	939,583	292,635	1,240,681	389,236	2.7	1.6	2.8	1.7
West South Central	1,382,891	164,103	2,077,538	243,518	3.9	.9	4.7	1.0
Mountain	545,743	106,668	833,018	149,581	1.6	.6	1.9	.6
Pacific	3,595,808	2,950,763	4,161,690	3,379,024	10.2	15.9	9.3	14.3
Total - United States	\$ 35,173,351	\$ 18,573,754	\$ 44,686,969	\$ 23,628,970	100.0	100.0	100.0	100.0

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Note: Mutual savings banks and private banks not included in this tabulation.

Types of Branch Systems. - Table 10 shows the types of banks operating branches by groups of States classified according to the extent of the area in which branches are operated. The different types of systems are (1) those that operate branches confined to the head office city, (2) those that operate branches outside the head office city but confined to the head office county, (3) those that operate branches beyond the county of the head office in contiguous counties, and (4) those that operate branches beyond the head office county in non-contiguous counties. Of the 804 banks operating branches, 285 operate them only in the city of the head office; 347 operate them only in the county of the head office; 122 operate them in contiguous counties; and 50 operate them in non-contiguous counties. The largest proportion of banks operating branches confined to the city of the head office is in the Middle Atlantic States; the largest proportion in contiguous counties is in the West North Central States, in Iowa and Wisconsin particularly, and in the South Atlantic States, particularly in North Carolina and Virginia; and the largest proportion in non-contiguous counties is in the South Atlantic States, particularly in North and South Carolina, and the Pacific States, especially California.

Table 10 - Types of Branch Systems by Groups of States
December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Number of banks operating branches or offices					
	Total	Confined to head office city	Outside head office city			
			Total	Head office county	Contiguous counties	Non-contiguous counties
State-wide branch banking permitted	260	68	192	99	54	39
Branches limited as to location	522	208	314	240	64	10
Establishment of branches prohibited	6	5	1	1	-	-
No provision in State law regarding branch banking	<u>16</u>	<u>4</u>	<u>12</u>	<u>7</u>	<u>4</u>	<u>1</u>
Total - All States	804	285	519	347	122	50
Geographic divisions of United States						
New England	85	43	42	25	16	1
Middle Atlantic	161	132	29	21	7	1
East North Central	167	47	120	97	21	2
West North Central	103	4	99	70	25	4
South Atlantic	129	35	94	48	32	14
East South Central	58	8	50	35	10	5
West South Central	32	6	26	23	1	2
Mountain	20	-	20	7	4	9
Pacific	<u>49</u>	<u>10</u>	<u>39</u>	<u>21</u>	<u>6</u>	<u>12</u>
Total - United States	804	285	519	347	122	50

Note: Mutual savings banks and private banks not included in tabulation.

Table 10 -(Continued) Percentage Distribution of Types
of Branch Systems in Each Group of States
December 31, 1935

States classified ac- cording to law (June 1, 1936) regarding branch banking	Number of banks operating branches or offices					
	Total	Confined to head office city	Outside head office city			
			Total	Head office county	Contiguous counties	Non- contiguous counties
State-wide branch bank- ing permitted	32.3	23.9	37.0	28.5	44.3	78.0
Branches limited as to location	64.9	73.0	60.5	69.2	52.5	20.0
Establishment of branches prohibited	.8	1.7	.2	.3	-	-
No provision in State law regarding branch banking	2.0	1.4	2.3	2.0	3.2	2.0
Total - All States	100.0	100.0	100.0	100.0	100.0	100.0
Geographic divisions of United States						
New England	10.6	15.1	8.1	7.2	13.1	2.0
Middle Atlantic	20.0	46.3	5.6	6.1	5.8	2.0
East North Central	20.8	16.5	23.1	27.9	17.2	4.0
West North Central	12.8	1.4	19.1	20.2	20.5	8.0
South Atlantic	16.0	12.3	18.1	13.8	26.2	28.0
East South Central	7.2	2.8	9.6	10.1	8.2	10.0
West South Central	4.0	2.1	5.0	6.6	.8	4.0
Mountain	2.5	-	3.9	2.0	3.3	18.0
Pacific	6.1	3.5	7.5	6.1	4.9	24.0
Total - United States	100.0	100.0	100.0	100.0	100.0	100.0

Note: Mutual savings banks and private banks not included in tabulation.

Location of Branches or Offices. - Examination of Table 11 giving by groups of States the location of branches or additional offices according to (1) head office city, (2) head office county, (3) contiguous counties, and (4) non-contiguous counties, shows that 1,617 or slightly more than one-half of the 3,114 branches

are in the city where the parent bank has its head office. The remaining 1,497 branches are distributed as follows: 617 in the county of the head office but outside of the head office city; 348 in the counties contiguous to the head office county; and 532 in non-contiguous counties. The largest proportion of head office city branches is in the Middle Atlantic, East North Central, and Pacific States. Head office county branches are largely in the East and West North Central, the South Atlantic, and the Pacific States. Head office city branches are largely in New York, California, Ohio, and Michigan, while head office county branches or additional offices are mainly in Iowa, California, and Wisconsin. Branches operating beyond the county of the head office are more numerous, in proportion to total branches, in the New England, the South Atlantic, and the Pacific States. The States where these branches are most important are California, North Carolina, Maine, Oregon, and Washington.

Table 11- Location of Branches or Additional Offices,
by Groups of States
December 31, 1935

States classified ac- cording to law (June 1, 1936) regarding branch banking	Number of branches or offices					
	Total	In head office city	Outside head office city			
			Total	Head office county	Contiguous counties	Non- contiguous counties
State-wide branch bank- ing permitted	1,497	508	989	247	248	494
Branches limited as to location	1,575	1,081	494	361	96	37
Establishment of branch- es prohibited	10	9	1	1	-	-
No provision in State law regarding branch banking	32	19	13	8	4	1
Total - All States	3,114	1,617	1,497	617	348	532
Geographic divisions of United States						
New England	228	115	113	72	38	3
Middle Atlantic	811	767	44	34	9	1
East North Central	462	287	175	149	24	2
West North Central	149	8	141	102	32	7
South Atlantic	318	109	209	87	67	55
East South Central	140	40	100	46	28	26
West South Central	57	23	34	29	3	2
Mountain	69	2	67	14	27	26
Pacific	880	266	614	84	120	410
Total - United States	3,114	1,617	1,497	617	348	532

Note: Mutual savings and private banks not included in tabulation.

Table 11 - (Continued) Percentage Distribution of Location of Branches or Additional Offices by Groups of States December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Number of branches or offices					
	Total	In head office city	Outside head office city			
			Total	Head office county	Contiguous counties	Non-contiguous counties
State-wide branch banking permitted	48.1	31.4	66.1	40.0	71.3	92.9
Branches limited as to location	50.6	66.9	33.0	58.5	27.6	7.0
Establishment of branches prohibited	.3	.5	.1	.2	-	-
No provision in State law regarding branch banking	1.0	1.2	.8	1.3	1.1	.1
Total - All States	100.0	100.0	100.0	100.0	100.0	100.0
Geographic divisions of United States						
New England	7.3	7.1	7.5	11.7	10.9	.6
Middle Atlantic	26.1	47.4	2.9	5.5	2.6	.2
East North Central	14.8	17.8	11.7	24.2	6.9	.3
West North Central	4.8	.5	9.4	16.5	9.2	1.3
South Atlantic	10.2	6.7	14.0	14.1	19.3	10.3
East South Central	4.5	2.5	6.7	7.4	8.0	4.9
West South Central	1.8	1.4	2.3	4.7	.8	.4
Mountain	2.2	.1	4.5	2.3	7.8	4.9
Pacific	28.3	16.5	41.0	13.6	34.5	77.1
Total - United States	100.0	100.0	100.0	100.0	100.0	100.0

Note: Mutual savings and private banks not included in tabulation.

Important Branch Banking States. - At the end of 1935 banks in 39 States and the District of Columbia were operating branches or additional offices. In different States, however, branch banking varied widely in its development and importance. The thirteen States in which the largest number of banks with branches or additional offices were operating are given in Table 12.

Table 12 - Number of Banks Operating Branches or Additional Offices
and Number and Location of Branches or Offices in 13 States
December 31, 1935

State	Number of banks operating branches or ad- ditional offices	Loans and Investments (000 omitted)	Deposits (000 omitted)	Number of branches or additional offices					
				Total	Head office city	Outside head office city			
						Total	Head office county	Contiguous counties	Non-contiguous counties
California	38	2,630,576	2,967,281	794	241	553	78	108	367
Indiana	30	115,430	160,362	47	19	28	27	1	-
Iowa	93	54,787	70,846	125	-	125	98	27	-
Maryland	23	265,151	321,523	76	35	41	21	14	6
Massachusetts	42	883,975	1,221,932	110	91	19	18	1	-
Michigan	36	564,316	828,833	141	120	21	17	2	2
New Jersey	48	676,064	845,347	114	91	23	21	1	1
New York	76	8,725,640	11,232,324	606	591	15	9	6	-
North Carolina	36	120,458	161,150	89	7	82	24	34	24
Ohio	34	808,990	1,050,119	169	130	39	36	3	-
Pennsylvania	37	1,420,599	1,717,147	91	85	6	4	2	-
Virginia	37	135,440	200,162	64	21	43	31	10	2
Wisconsin	67	214,278	287,124	105	18	87	69	18	-
Total - 13 States	597	16,615,704	21,064,150	2,531	1,449	1,082	453	227	402
Total - All States	804	18,573,754	23,628,970	3,114	1,617	1,497	617	348	532
Percent of 13 States to All States	74.3	89.5	89.1	81.3	89.6	72.3	73.4	65.2	75.6

Note: Mutual savings and private banks not included in tabulation.

Distribution of Branches and Banks by Size of Town. - More than 60 percent of the branches in the United States are divided between the very large cities and the very small towns, Thirty-six percent of them are in cities of over 500,000 population and 26 percent are in towns of less than 2,500. Head office city branches are concentrated in cities of 50,000 population and over, more than 95 percent of them being in these cities. On the other hand, more than one-half of the branches outside the city of the head office are in towns with less than 2,500 population. Table 13 and Chart 8 show the extent to which branches are distributed in towns of different size.

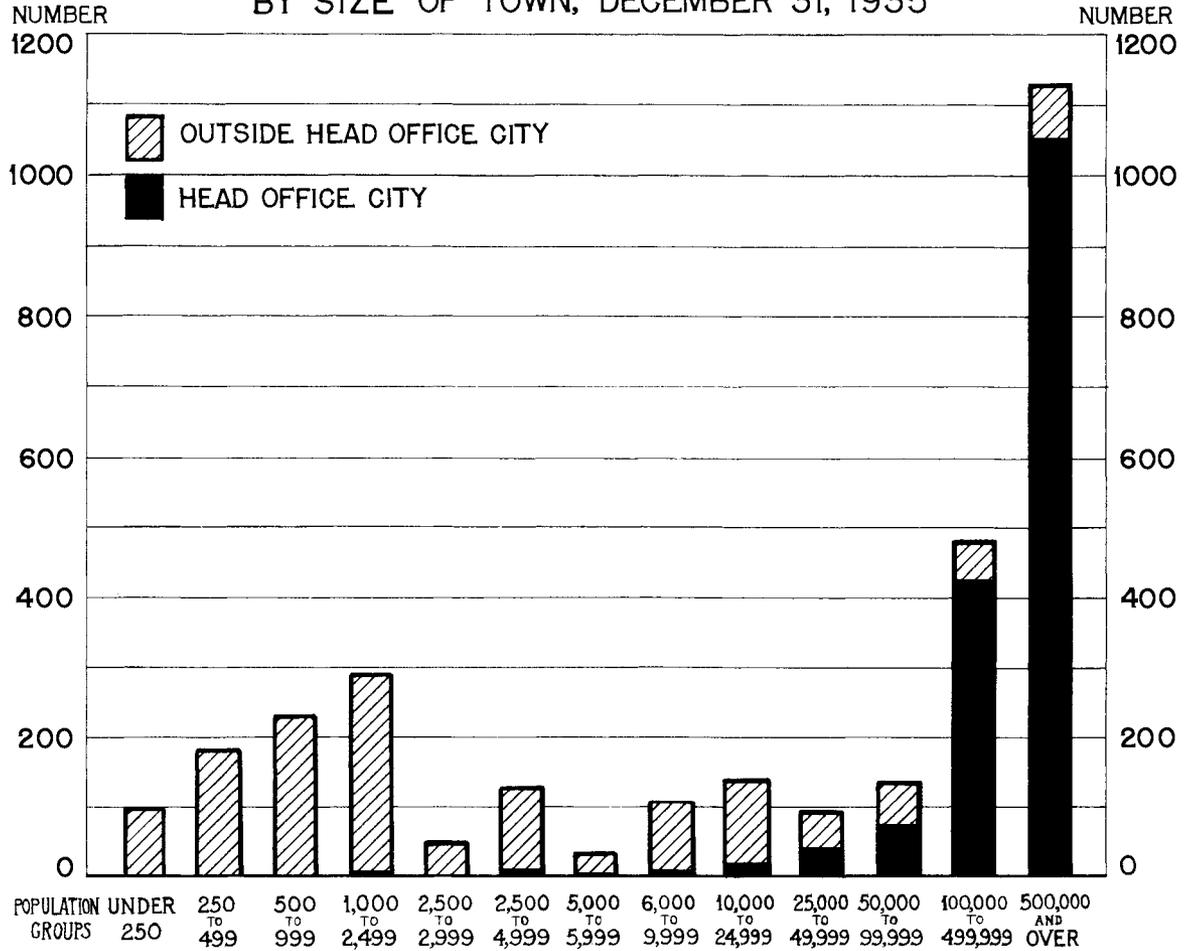
Table 13 - Number of Branches or Additional Offices by Size of Town
December 31, 1935

Population of town	Number of branches or offices					
	Total	In head office city	Outside head office city			
			Total	Head office county	Contiguous county	Non-contiguous county
Under 250	100	-	100	72	22	6
250 - 499	187	-	187	124	46	17
500 - 999	233	-	233	138	42	53
1,000 - 2,499	291	3	288	103	77	108
2,500 - 2,999	52	-	52	17	10	25
3,000 - 4,999	129	6	123	32	37	54
5,000 - 5,999	33	1	32	12	7	13
6,000 - 9,999	108	4	104	29	25	50
10,000 - 24,999	138	17	121	37	21	63
25,000 - 49,999	93	39	54	16	14	24
50,000 - 99,999	137	73	64	29	12	23
100,000 - 499,999	481	423	58	6	33	19
500,000 and over	1,132	1,051	81	2	2	77
Total	3,114	1,617	1,497	617	348	532

	Percent of total					
	Total	In head office city	Outside head office city			
			Total	Head office county	Contiguous county	Non-contiguous county
Under 250	3.2	-	6.7	11.7	6.3	1.1
250 - 499	6.0	-	12.5	20.1	13.2	3.2
500 - 999	7.5	-	15.6	22.4	12.1	10.0
1,000 - 2,499	9.3	.2	19.2	16.7	22.1	20.3
2,500 - 2,999	1.7	-	3.5	2.7	2.9	4.7
3,000 - 4,999	4.1	.3	8.2	5.2	10.6	10.2
5,000 - 5,999	1.1	.1	2.1	1.9	2.0	2.4
6,000 - 9,999	3.5	.2	6.9	4.7	7.2	9.4
10,000 - 24,999	4.4	1.1	8.1	6.0	6.0	11.8
25,000 - 49,999	3.0	2.4	3.6	2.6	4.0	4.5
50,000 - 99,999	4.4	4.5	4.3	4.7	3.5	4.3
100,000 - 499,999	15.4	26.2	3.9	1.0	9.5	3.6
500,000 and over	36.4	65.0	5.4	.3	.6	14.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: Mutual savings and private banks not included in tabulation.

CHART 8
 DISTRIBUTION OF BRANCHES
 BY SIZE OF TOWN, DECEMBER 31, 1935



Number of branches located in and outside head office city of State and national banks in the United States arranged according to the size of town in which they are located.

As in the case of branches, a large proportion of the banks operating branches are in cities of more than 500,000 population and of less than 2,500. The banks operating branches, however, are not concentrated in these two groups of cities to the same extent as the branches, only 45 percent of them being in these cities and towns. Banks in the large cities, i. e., those of more than 500,000 population, have 75 percent of the deposits of all banks with branches. Table 14 shows the distribution of branch systems by size of town in which the head office is located and Table 15 shows the number of them in the 13 largest cities, together with the location of their branches.

Table 14 - Branch Systems by Size of
Town of Head Office
December 31, 1935

Population of Town	Number of banks	Loans and investments (000 omitted)	Deposits (000 omitted)	Percent of Total		
				Number of banks	Loans and investments	Deposits
Under 250	21	5,178	6,398	2.6	-	-
250-499	51	18,761	22,428	6.2	.1	.1
500-999	70	27,744	33,915	8.7	.2	.2
1,000-2,499	105	68,237	84,965	13.1	.4	.4
2,500-2,999	15	18,968	25,067	1.9	.1	.1
3,000-4,999	64	77,894	91,051	8.0	.4	.4
5,000-5,999	12	22,091	25,760	1.5	.1	.1
6,000-9,999	32	52,337	64,132	4.0	.3	.3
10,000-24,999	64	222,267	269,490	8.0	1.2	1.1
25,000-49,999	54	319,450	388,921	6.7	1.7	1.7
50,000-99,999	61	523,498	671,774	7.5	2.8	2.8
100,000-499,999	150	3,217,861	4,145,304	18.7	17.3	17.5
500,000 and over	105	13,999,468	17,799,765	13.1	75.4	75.3
Total	304	18,573,754	23,628,970	100.0	100.0	100.0

Note: Mutual Savings and private banks not included in tabulation.

Table 15 - Number of Branch Systems Operating Branches or Additional Offices
in the Thirteen Largest Cities in the United States
December 31, 1935

Cities of more than 500,000 population (1930 census)	Population 1930 census	Number of banks operating branches or additional offices	Number of branches or offices						Loans and investments of banks with branches (000 omitted)	Deposits of banks with branches (000 omitted)
			In head office city		Outside head office city					
			Total	In head office city	Total	In head office county	In con- tiguous county	Non- con- tiguous county		
New York City	6,930,446	40	463	463	-	-	-	-	7,946,495	10,359,592
Chicago	3,376,438	-	-	-	-	-	-	-	-	-
Philadelphia	1,950,961	19	64	62	2	-	2	-	921,660	1,201,777
Detroit	1,568,662	4	79	75	4	4	-	-	413,571	639,786
Los Angeles	1,238,046	4	211	143	68	42	8	18	620,032	720,764
Cleveland	900,429	6	69	54	15	12	3	-	436,784	560,263
St. Louis	821,960	-	-	-	-	-	-	-	-	-
Baltimore	804,874	7	35	33	2	-	2	-	242,410	298,653
Boston	781,188	7	47	47	-	-	-	-	669,667	969,403
Pittsburgh	669,817	4	10	10	-	-	-	-	420,814	424,685
San Francisco	634,394	8	527	84	443	-	94	349	1,894,295	2,103,712
Milwaukee	578,249	2	14	14	-	-	-	-	161,172	219,716
Buffalo	573,076	4	68	66	2	2	-	-	272,298	301,214
Total 13 cities	20,828,542	105	1,567	1,051	536	60	109	367	13,999,468	17,799,765
Remainder of United States	101,946,500	699	1,527	566	961	557	239	165	4,574,286	5,829,205
Total United States	122,775,042	804	3,114	1,617	1,497	617	348	532	18,573,754	23,628,970

Note: Mutual savings and private banks not included in tabulation.

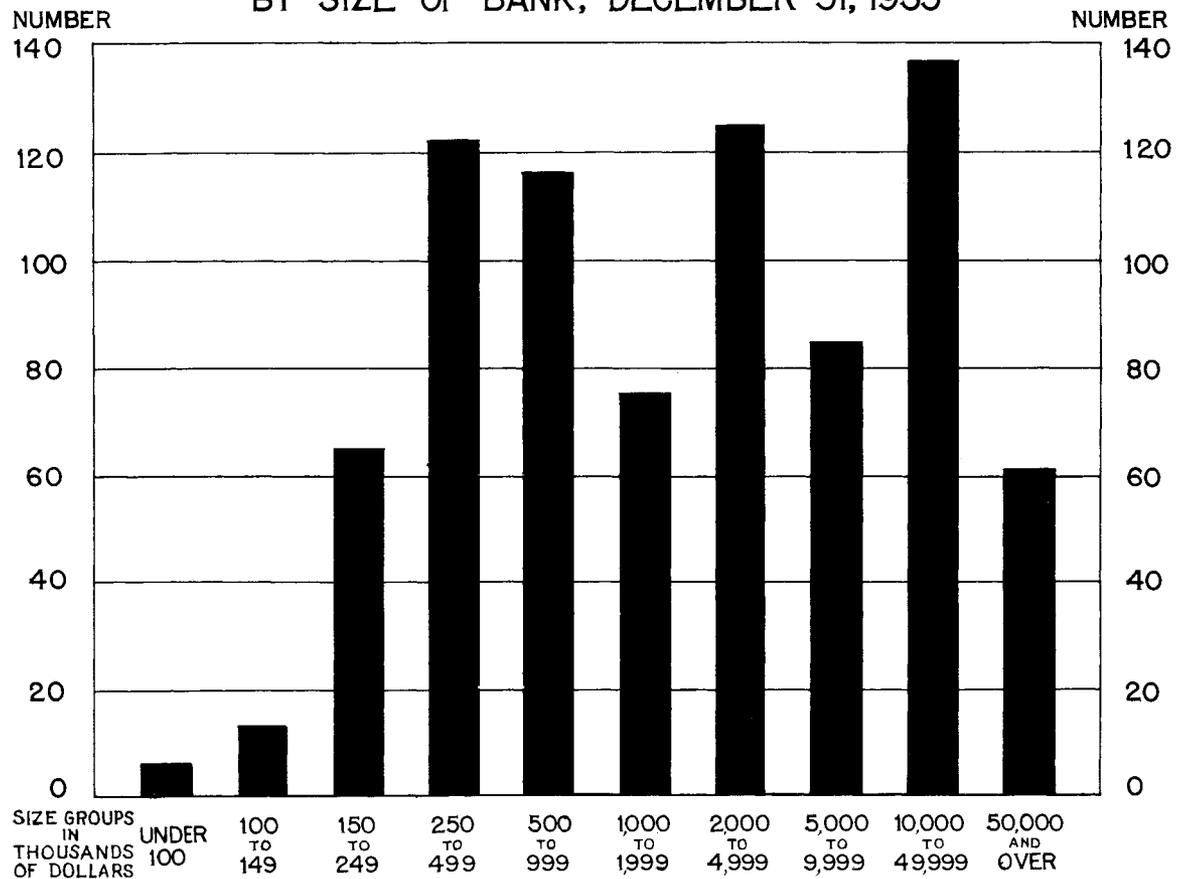
Distribution of Branches and Banks by Size of Banks - Approximately one-half of the branches in existence are operated by the very large banks, as shown in Table 16. Of the total of 3,114 branches or offices, 1,555 are operated by 61 banks each with \$50,000,000 or more of loans and investments. These 61 banks hold 76 percent of total loans and investments, and deposits of all banks operating branches. Table 16 and Chart 9 show that the number of banks operating branches, however, is fairly evenly distributed between large banks and small banks; 397 having loans and investments under \$2,000,000 and 407 having loans and investments of \$2,000,000 or more.

Table 16 - Banks Operating Branches or Additional Offices,
Classified by Size of Loans and Investments
December 31, 1935

Size group loans and investments (000 omitted)	Number of banks	Number of branch- es or offices	Loans and invest- ments (000 omitted)	Deposits	Percent of total			
					Number of banks	Number of branch- es or offices	Loans and in- vest- ments	De- posits
Under \$100	6	6	\$507	\$887	.7	.2	-	-
100 - 149	13	13	1,644	2,454	1.6	.4	-	-
150 - 249	65	72	12,474	18,073	8.1	2.3	.1	.1
250 - 499	122	148	43,882	57,827	15.2	4.8	.2	.2
500 - 999	116	189	83,831	105,273	14.4	6.1	.5	.5
1,000 - 1,999	75	108	103,949	125,121	9.3	3.5	.5	.5
2,000 - 4,999	125	224	406,388	498,149	15.6	7.2	2.2	2.1
5,000 - 9,999	84	203	664,819	807,241	10.5	6.5	3.6	3.4
10,000 - 49,999	137	596	3,071,174	3,900,148	17.0	19.1	16.5	16.5
50,000 and over	61	1,555	14,185,086	18,113,797	7.6	49.9	76.4	76.7
Total	804	3,114	18,574,754	23,628,970	100.0	100.0	100.0	100.0

NOTE: Mutual savings and private banks not included in tabulation.

CHART 9
DISTRIBUTION OF BRANCH SYSTEMS
BY SIZE OF BANK, DECEMBER 31, 1935



Number of State and national banks in the United States operating branches arranged according to the size of the banks as measured by the amount of loans and investments.

The majority of the large banks operate branches but there is very little correspondent relation between size of bank and number of branches. Of the 50 largest banks in the country as shown in Appendix II, 15 have no branches; and nine have only 1 to 2 branches each, 1 of these being the third largest bank in the country. The fifth and seventh largest banks have no branches at all. The majority of these banks are metropolitan banks, with large business with country correspondents and with correspondents in foreign fields, and were large before they acquired branches. Their branches are responsible for only a portion of their subsequent growth. It has rather been through consolidation that the banks have grown, consolidation having been more extensive and having affected more banks than branch operation. Only in certain States, especially California, and not until recently has branch banking been able to follow consolidation.

Table 17 shows that the capital of banks operating branches varies from less than \$25,000 to over \$1,000,000. Approximately 25 percent of the banks have \$1,000,000 of capital or over and 10 percent have \$25,000 or less. Deposits, however, of the small banks with branches constitute one-tenth of 1 percent while those of the larger banks amount to 92 percent of the total.

Table 17 - Banks Operating Branches or Additional Offices,
Classified by Amount of Capital Stock 1/
December 31, 1935

Amount of capital stock (000 omitted)	Number of banks	Number of branches	Loans and investments (000 omitted)	Deposits
Less than \$25,000	22	22	\$4,084	\$5,576
25,000	55	64	14,388	18,815
26,000 - 49,000	50	61	16,251	20,745
50,000	53	63	25,576	34,153
51,000 - 99,000	53	87	34,953	44,190
100,000	60	83	67,109	83,199
101,000 - 199,000	61	90	57,538	67,739
200,000	32	58	75,672	94,016
201,000 - 249,000	12	21	18,978	21,777
250,000	10	30	21,090	26,765
251,000 - 499,000	60	99	191,579	241,873
500,000	26	57	198,113	232,356
501,000 - 999,000	72	180	429,180	531,105
1,000,000	30	88	365,186	477,924
Over 1,000,000	198	2,111	17,053,057	21,728,737
Total	804	3,114	18,573,754	23,628,970

Percentage distribution

Less than \$25,000	2.7	.7	-	-
25,000	6.9	2.0	.1	.1
26,000 - 49,000	6.2	1.9	.1	.1
50,000	6.6	2.0	.1	.1
51,000 - 99,000	7.8	2.8	.2	.2
100,000	7.5	2.7	.4	.4
101,000 - 199,000	7.6	2.9	.3	.3
200,000	4.0	1.9	.4	.4
201,000 - 249,000	1.5	.7	.1	.1
250,000	1.2	1.0	.1	.1
251,000 - 499,000	7.5	3.2	1.0	1.0
500,000	3.2	1.8	1.1	1.0
501,000 - 999,000	9.0	5.8	2.3	2.2
1,000,000	3.7	2.8	2.0	2.0
Over 1,000,000	24.6	67.8	91.8	92.0
Total	100.0	100.0	100.0	100.0

1/ Aggregate par value of common and preferred stock plus capital notes and debentures sold to the Reconstruction Finance Corporation.

NOTE: Mutual savings and private banks not included in tabulation.

Classification of Branch Systems. - Classification of branch systems by number of branches per system, as given in Table 18, shows that the number of branches operated by the majority of branch operating banks is small. More than one-half of the banks operating branches have only one branch each. At the other extreme one bank has 420 branches. Only two banks have more than 100 branches while 476 have only one each and 243 have from two to five each. The two largest systems have 539 branches while the 719 smaller ones operate only 1,157 branches. The average size of the 476 banks with one branch each is about \$5,650,000 of deposits, and that of the 129 banks with two branches is about \$35,000,000. Deposits of the bank with 420 branches are approximately \$1,150,000,000. The banks with two branches each obviously include some of the very large banks.

Table 18- Number of Branch Systems Classified by Number
of Branches or Additional Offices in Each System
December 31, 1935

Number of branches per bank	Number of banks operating branches	Aggregate number of branches	Aggregate loans and investments (000 omitted)	Aggregate deposits (000 omitted)
1	476	476	2,256,998	2,692,979
2	129	258	3,519,095	4,494,676
3	56	168	776,388	958,020
4	35	140	511,993	694,188
5	23	115	631,895	766,194
6	12	72	285,296	360,266
7	8	56	262,998	347,929
8	5	40	465,967	635,402
9	6	54	168,536	240,318
10	6	60	510,050	651,675
11	5	55	186,649	233,109
12	3	36	73,894	97,871
13	4	52	1,260,763	1,591,105
14	7	98	224,907	281,924
15	2	30	20,793	36,977
16	3	48	302,711	395,102
17	3	51	284,582	328,888
19	1	19	73,660	89,663
20	2	40	42,534	55,998
24	1	24	379,438	575,305
25	1	25	56,184	68,825
26	1	26	79,372	113,290
27	1	27	241,246	368,060
28	1	28	80,341	108,919
30	1	30	110,073	134,784
33	1	33	136,918	155,468
35	1	35	75,815	98,245
38	1	38	1,350,205	2,006,551
53	1	53	65,128	83,901
54	1	54	222,237	303,176
55	1	55	502,188	558,305
63	1	63	346,282	483,173
70	1	70	217,757	242,652
73	2	146	1,315,477	1,702,153
119	1	119	466,825	525,127
420	1	420	1,068,558	1,148,752
Total	804	3,114	15,573,754	23,628,970

Note: Mutual savings and private banks not included in tabulation.

A large proportion of the banks operating branches have them only in the city of the head office of the parent bank and very few have branches beyond the county of the head office. Table 19, which illustrates the distribution of the 804 banks with branches according to the number of towns and counties in which the various branch offices are located, shows that only 172 banks have branches outside the county of the head office. Of the 804 banks with branches or offices, 285 have all of their branches in the head office city; 519 have them in 1 city outside the head office city and 101 have them in 2 towns outside the head office city. At the other extreme 1 bank, the Bank of America N. T. & S. A, in California, has branches in 244 towns and in 52 counties.

Table 19 - Banks Operating Branches or Additional Offices,
Classified by Number of Towns and Counties in Which
Branches or Offices are Located
December 31, 1935

Towns		Counties	
Number of towns outside head office city in which offices are located	Number of banks operating branches or offices	Number of counties outside head office county in which offices are located	Number of banks operating branches or offices
1	319	1	72
2	101	2	57
3	40	3	8
4	17	4	6
5	9	5	8
6	6	6	4
7	2	7	2
8	1	8	2
9	8	9	2
10	3	10	4
11	2	11	2
12	-	12	1
13	1	13	-
14	3	14	2
15	2	15	1
17	1	17	-
20	1	20	-
31	1	52	1
49	1		
244	1		
Total banks operating branches outside head office city	519	Total banks operating branches outside head office county	172
Banks with branches in head office city only	285	Banks with branches in head office county only	632
Total banks operating branches	804	Total banks operating branches	804

NOTE: Mutual savings banks and private banks not included in tabulation.

Method of Establishing Branches. - Of the 3,114 branches in operation, as shown in Table 20, 1,977 were established de novo, and 1,105 were established by conversion of a bank into a branch. In head office cities branches have been established de novo to a greater extent than outside the head office cities. In non-contiguous counties more branches have been established by conversion of existing banks than de novo.

Table 20 - Branches or Additional Offices Classified According to Method by Which Established
December 31, 1935

Method by which established	Total	Head office city	Outside head office city			
			Total	Head office county	Con-tiguous counties	Non-con-tiguous counties
De novo	1,977	1,153	824	388	210	226
By conversion of a bank into a branch	1,105	451	654	218	135	301
Unknown	32	13	19	11	3	5
Total	3,114	1,617	1,497	617	348	532

NOTE: Mutual savings and private banks not included in tabulation.

Branch Banking Over Twelve-Year Period, 1924-1935

Since 1924 when the first intensive analysis of the development of branch banking in the United States was published by the Federal Reserve Board ^{1/} important changes in branch banking have taken place. Laws with reference to the operation of branches have been liberalized in many States and those for national banks likewise have been liberalized. Liberalization of statutes has been accompanied by an increase in the operation of branches and by measurable changes in the location and size of branch systems. In Chapter III the changes in State laws were analyzed and Tables 21 and 22 summarize the important changes with reference to the extent of branch banking and the location and size of branch systems between 1924 and 1935.

Over the twelve-year period the major changes were substantial, absolute and relative increases in branch banking and an extension of branches over wider areas. In 1935, 17 percent of all banking offices were branches, as compared with seven percent in 1924. Thus somewhat more than one-sixth of banking offices in the United States in 1935 were branches while twelve years ago about one-fifteenth of total offices were branches.

As these increases in the proportion of branch banking to total banking took place over the period, there were important changes in the location and size of branch systems. Operation of branches by banks in smaller places increased, branches were extended outside the city of the head office to rural areas more rapidly than within the city, and the number of branch operating banks in the smaller places increased at a faster rate than those in the larger centers.

^{1/} Federal Reserve Bulletin, December 1924, pp. 925-940.

Branch operating banks in towns of less than 2,500 population increased 84 percent and the number of branches in towns of this size increased 63 percent. On the other hand, branch operating banks in towns of 100,000 population and over were 10 percent less than in 1924, and the number of branches in these towns increased only 23 percent for the period, a smaller increase than that for any other group of towns.

The number of branches outside the city of the head office practically doubled between 1924 and 1935, indicating that the area over which branches are being operated is increasing and is wider now than twelve years ago. It also indicates that the establishment of branches outside the city of the head office in smaller places is growing and that rural areas are being provided to an increasing extent with banking facilities in this way.

In 1924 banks in 29 States and the District of Columbia were operating branches and in 1935 the number of branches in 20 of these States and the District of Columbia was larger than in 1924. In 8 States the number of branches declined between 1924 and 1935 and in one it remained the same. In 11 additional States banks established branches between 1924 and 1935 and at the end of 1935 branches were being operated in 39 States and the District of Columbia. States in which the largest increases (more than 30) in the number of branches or additional offices occurred were California (256), New York (247), Iowa (125), Wisconsin (96), New Jersey (93), Oregon (41), Indiana (39), Washington (37), and Massachusetts (36). States in which there were the largest declines in number of branches (5 or more) were Michigan (191), Louisiana (42), Ohio (34), Georgia (29), Delaware (5), Minnesota (5), and Tennessee (5).

Table 21 - Changes in Branch Banking in the United States
between 1924 and 1935

	June 1924 ^{1/}	December 1935	Increase (+) or Decrease (-)
<u>Extent of Branch Banking</u>			(percent)
Total banking offices	30,701	18,066	- 41.2
Total branches	2,233	3,114	+ 39.5
Ratio of branches to total banking offices	7.3	17.2	+ 135.6
<u>Location and Size of Branch Systems</u>			
Banks operating branches with head office in towns and cities-			
Under 2,500	134	247	+ 84.3
2,500-24,999	155	187	+ 20.6
25,000-99,999	108	115	+ 6.5
100,000 and over	234	255	- 10.2
Total	631	804	+ 18.1
Branches in towns and cities			
Under 2,500	496	811	+ 63.5
2,500-24,999	225	460	+ 104.4
25,000-99,999	178	230	+ 29.2
100,000 and over	1,307	1,613	+ 23.4
Total	^{2/} 2,206	3,114	+ 41.2
Number of branches			
In head office city	1,463	1,617	+ 10.5
Outside	770	1,497	+ 94.4
Total	2,233	3,114	+ 39.5
Number of banks operating			
1-3 branches	559	661	+ 18.2
4 or more branches	122	143	+ 17.2
Total	681	804	+ 18.1

^{1/} The 1924 figures are those published in the December 1924 F. R. Bulletin page 924, and do not agree with those in Tables 4 and 5 which are revised figures for which details are not available.

^{2/} No report on 27 branches.

Table 22 - Changes in the Number of Branches or Additional Offices, by States between 1924 and 1935

	June 1924 ^{1/}	December 1935	Increase (+) or Decrease (-) (number)
States with banks operating branches or additional offices in 1924			
Alabama	19	22	+ 3
Arizona	20	21	+ 1
Arkansas	3	6	+ 3
California	538	794	+256
Delaware	18	12	- 6
District of Columbia	19	30	+ 11
Florida	1	-	- 1
Georgia	53	24	- 29
Indiana	8	47	+ 39
Kentucky	12	30	+ 18
Louisiana	93	51	- 42
Maine	47	58	+ 11
Massachusetts	74	110	+ 36
Maryland	72	76	+ 4
Michigan	332	141	-191
Minnesota	11	6	- 5
Mississippi	25	40	+ 15
Nebraska	2	2	-
New Jersey	21	114	+ 93
New York	359	606	+247
North Carolina	67	89	+ 22
Ohio	203	169	- 34
Oregon	1	42	+ 41
Pennsylvania	82	91	+ 9
Rhode Island	19	38	+ 19
South Carolina	20	21	+ 1
Tennessee	53	48	- 5
Virginia	45	64	+ 19
Washington	7	44	+ 37
Wisconsin	9	105	+ 96
States without banks operating branches or additional offices in 1924 with such banks in 1935			
Connecticut		9	+ 9
Idaho		26	+ 26
Iowa		125	+125
Nevada		7	+ 7
New Hampshire		1	+ 1
New Mexico		5	+ 5
North Dakota		1	+ 1
South Dakota		15	+ 15
Utah		10	+ 10
Vermont		12	+ 12
West Virginia		2	+ 2
Total All States	2,233	3,114	+881
Number of States with banks operating branches or additional offices	<u>2/</u> 30	<u>2/</u> 40	+ 10

^{1/} The 1924 figures are those published in the December 1924 F. R. Bulletin page 924, and do not agree with those shown in Tables 4 and 5 which are revised figures for which details are not available.

^{2/} Includes District of Columbia.

CHAPTER V

EXPERIENCE WITH BANKS OPERATING BRANCHES

Experience with branch banking on an important scale in the United States covers only the 16 years since 1920, one of the most difficult periods in American banking history. Wide-spread bank failures occurred throughout the period and finally in 1933 the entire banking structure collapsed. The results of the operations of branches in the United States from 1921 to 1936 on the basis of the record of suspensions of banks with branches and such other information as is available are analyzed in the following paragraphs.

Suspensions of Banks Operating Branches, 1921-1936

A total of 383 banks which were operating branches suspended from 1921 through 1934 involving 1,287 branches. There were no suspensions of branch systems in 1935 or in 1936. Most of the suspensions for the period as a whole occurred after 1930. From 1921 through 1929 only 45 banks with 86 branches suspended as compared with 338 banks with 1,201 branches from 1930 to 1934. Moreover, the banks that suspended after 1930 were larger than those prior to that time. The average number of branches per suspended bank in 1930-1934 was approximately four as compared with less than two in 1921-1929. Loans and investments of such banks in 1930-1934 averaged \$9,100,000 and \$1,800,000 in 1921-1929. Table 23 shows suspensions by years from 1921 to 1936.

The table also shows that total loans and investments of all banks operating branches which suspended in 1921-1936 were \$3,151,000,000 and that the deposits of these banks were \$2,691,000,000. This excess of loans and investments over deposits is typical among suspending banks since there is often a decrease in deposits before closing.

Table 23 - Suspensions of Banks with Branches, 1/ 1921-1936

Year	Number of suspensions	Percent of total	Number of branches					Percent of total	Loans and investments (000 omitted)	Percent of total	Deposits (000 omitted)	Percent of total
			In head office city	Outside head office city			Total					
				In head office county	In contiguous counties	In non-contiguous counties						
1921	6	1.6	3	3	-	-	6	.5	\$33,911	1.1	\$36,299	1.3
1922	2	.5	-	1	-	1	2	.2	1,921	.0	1,463	.1
1923	4	1.1	-	5	1	-	6	.5	2,629	.1	1,979	.1
1924	4	1.1	-	4	1	-	5	.4	1,867	.0	1,401	.1
1925	2	.5	1	1	-	-	2	.2	2,652	.1	2,418	.1
1926	11	2.9	-	10	3	20	33	2.6	11,724	.4	9,870	.4
1927	3	.8	-	6	1	-	7	.5	2,226	.1	3,061	.1
1928	3	.8	-	7	-	-	7	.5	2,843	.1	2,795	.1
1929	10	2.6	7	7	4	-	18	1.4	23,213	.7	20,105	.7
1930	40	10.4	109	27	10	1	147	11.4	434,074	13.8	359,663	13.4
1931	94	24.5	166	51	22	2	241	18.7	538,947	17.1	456,552	17.0
1932	28	7.3	18	20	9	43	90	7.0	99,873	3.2	73,332	2.7
1933 2/	171	44.6	490	120	53	48	711	55.2	1,976,371	62.7	1,700,420	63.1
1934	5	1.3	8	3	1	-	12	.9	18,268	.6	21,701	.8
1935	None											
1936	None											
Total	383	100.0	802	265	105	115	1,287	100.0	3,150,519	100.0	2,691,059	100.0

1/ Mutual savings and private banks not included in this tabulation. Mutual savings banks thus excluded that failed in 1921-1936 numbered 3 and had 3 branches. One of these banks suspended in 1928, one in 1932 and one in 1933; private banks numbered 2 and had 4 branches. One of these banks suspended in 1921 and the other in 1930.

2/ Includes 13 banks with loans and investments of \$75,966,000 and deposits of \$52,646,000 which suspended between January 1, 1933 and March 15, 1933; 13 licensed banks with loans and investments of \$57,002,000 and deposits of \$49,458,000 which suspended between March 16, 1933 and December 31, 1933; 98 banks with loans and investments of \$1,663,022,000 and deposits of \$1,453,287,000 not licensed following the holiday and subsequently placed in liquidation or receivership; and 47 banks with loans and investments of \$180,381,000 and deposits of \$145,029,000 not licensed by June 30, 1933 but licensed at one time or another after that date. By the end of June 1933 it is believed that supervisory authorities had completed their examination of the banks not granted licenses immediately following the banking holiday and had authorized such banks to reopen as could then qualify for licenses.

State and National Banks. - Of the 383 banks operating branches which suspended between 1921 and 1936, as shown in Table 24, 332 were State banks and 51 were national banks. No national bank operating branches suspended prior to 1930. Loans and investments of the State banks operating branches which suspended amounted to \$2,190,000,000 and those of national banks amounted to \$961,000,000. Most of the suspensions of national banks operating branches are recorded for 1933 and represent banks which failed to open following the banking holiday.

Table 24 - Suspensions of State and National Banks
with Branches, 1/ 1921-1936

Year	Number of sus- pensions	Number of branches					Loans and investments (000 omitted)	Deposits (000 omitted)
		Total	In head office city	Outside head office city In head office county	In con- tiguous counties	In non- contiguous counties		
<u>State banks</u>								
1921	6	6	3	3	-	-	\$33,911	\$36,299
1922	2	2	-	1	-	1	1,921	1,463
1923	4	6	-	5	1	-	2,629	1,979
1924	4	5	-	4	1	-	1,867	1,401
1925	2	2	1	1	-	-	2,652	2,418
1926	11	33	-	10	3	20	11,724	9,870
1927	3	7	-	6	1	-	2,226	3,061
1928	3	7	-	7	-	-	2,843	2,795
1929	10	18	7	7	4	-	23,213	20,105
1930	38	145	107	27	10	1	383,407	309,254
1931	85	218	144	50	22	2	483,564	408,580
1932	26	85	13	20	9	43	78,653	63,461
1933 <u>2/</u>	133	444	233	117	50	44	948,049	817,971
1934	5	12	8	3	1	-	18,268	21,701
1935	-	-	-	-	-	-	-	-
1936	-	-	-	-	-	-	-	-
Total	332	990	516	261	102	111	2,189,949	1,849,709
<u>National banks</u>								
1921- 1929								
1930	2	2	2	-	-	-	50,667	50,409
1931	9	23	22	1	-	-	55,383	47,972
1932	2	5	5	-	-	-	21,220	9,371
1933 <u>2/</u>	38	267	257	3	3	4	833,300	733,093
1934	-	-	-	-	-	-	-	-
1935	-	-	-	-	-	-	-	-
1936	-	-	-	-	-	-	-	-
Total	51	297	286	4	3	4	960,570	841,350
Total-- State nation- al	383	1,287	802	265	105	115	3,150,519	2,691,059

1/ See footnote 1/ Table 23.

2/ See footnote 2/ Table 23.

Location of Branches. - Of the total of 1,287 branches operated by the suspended banks, 802 or 62 percent of the total were head office city branches. One-fifth of the total branches were outside the city of the head office in the head office county, and over one-sixth of them were in contiguous and non-contiguous counties. Table 25 presents these figures in detail.

Table 25 - Branch Offices of Banks, Suspended 1921-1936, and of All Banks Operating Branches, December 31, 1935, by Location

Location	Branch-operating banks suspended 1921-1936		All branch-operating banks December 31, 1935	
	Number	Percent of total	Number	Percent of total
Head office city	802	62.3	1,617	51.9
Outside head office city				
Head office county	265	20.6	617	19.8
Contiguous counties	105	8.2	348	11.2
Non-contiguous counties	<u>115</u>	<u>8.9</u>	<u>532</u>	<u>17.1</u>
Total	1,287	100.0	3,114	100.0

Table 26 presents a distribution of branch offices of suspended banks by the size of city or town in which such branch offices were located. Of the total of 1,287 branches of suspended banks during 1921-1936, 760 were located in towns of 50,000 population or more, and 750 of these branches were head office branches. The disproportionately large share of head office city branches of suspended banks in large towns, as thus indicated, reflects the suspension of several very large metropolitan banks.

Table 26 - Branch Offices of Banks, Suspended 1921-1936,
by the Size of Town in Which the Branches
Were Operated 1/

Size of town or city (Population 1930)	Number of branch offices				
	Total	Head office city	Outside head office city		
			Head office county	Con- tiguous counties	Non-con- tiguous counties
Under 1,000	260	-	176	42	42
1,000 - 2,499	110	1	49	36	24
2,500 - 9,999	85	7	26	24	28
10,000 - 49,999	72	44	8	2	18
50,000 and over	<u>760</u>	<u>750</u>	<u>6</u>	<u>1</u>	<u>3</u>
Total	1,287	802	265	105	115

1/ Appendix IV gives the statistics in detail on which this table is based.

By Number of Localities. - Most of the suspended branch-operating banks had branches in only one city or county, as shown in Table 27. Of the 383 suspended banks 300 operated branches in only one city and 345 had branches in only one county. Of the 1,287 branches operated by the suspended banks, 854 were attached to banks operating branches in only one city and 1,009 were attached to banks operating branches in only one county.

Table 27 - Branch-operating Banks, Suspended 1921-1936, by
Number of Towns or Cities and Counties in Which
Branches Were Operated at Date of Suspension 1/

Number of towns or cities	Number of banks		Branches operated	
	All Dec. 31, 1935	Suspended 1921-1936	All Dec. 31, 1935	Suspended 1921-1936
1	604	300	1,443	854
2 - 5	167	70	632	242
6 and over	<u>33</u>	<u>13</u>	<u>1,039</u>	<u>191</u>
Total	804	383	3,114	1,287
<u>Number of counties</u>				
1	704	345	1,895	1,009
2 - 5	79	32	371	151
6 and over	<u>21</u>	<u>6</u>	<u>848</u>	<u>127</u>
Total	804	383	3,114	1,287

1/ Appendix IV gives the statistics in detail on which this table is based.

Size of Suspended Banks Operating Branches. - Branch-operating banks which suspended 1921-1936 averaged about the same size as all branch-operating banks on December 31, 1935, except for the banks with more than \$50,000,000 of loans and investments, as the figures in Table 28 indicate. The average amount of loans and investments of all branch-operating banks with less than \$50,000,000 of loans and investments on that date was \$5,900,000, whereas the average amount for the same group of suspended banks was \$5,200,000.

Table 28 - Banks Operating Branches, Active December 31, 1935,
and Suspended 1921-1936, by Size of Loans
and Investments ^{1/}
(Dollar amounts in thousands)

Size of loans and investments	Active Dec. 31, 1935		Suspended 1921-1936	
	Number	Loans and investments	Number	Loans and investments
Under \$250	84	\$ 14,625	32	\$ 4,626
250 - 999	238	127,713	109	64,059
1,000 - 9,999	284	1,175,156	172	670,218
10,000 - 49,999	137	3,071,174	62	1,218,621
50,000 and over	<u>61</u>	<u>14,185,086</u>	<u>8</u>	<u>1,192,995</u>
Total	804	18,573,754	383	3,150,519

^{1/} Appendix IV gives statistics in detail on which this table is based.

Individual Branch-Operating Bank Suspensions

In Table 29 the 21 banks operating more than 10 branches each which have suspended since 1921 are listed. The Georgia State Bank was the only one with more than 10 branches that suspended prior to 1930, and it was a part of the Witham-Manly chain which operated banks in both Georgia and Florida. Two banks with more than 10 branches each failed in 1930, 4 in 1931, 1 in 1932, and the remainder were banks suspending in the year 1933. Of the total of 561 branches operated by these banks, 404, or 72 percent, were head office city branches. These banks held \$1,418,000,000 of the total of \$3,150,000,000 of loans and investments of all branch-operating banks that suspended.

Table 29 - Suspensions of Banks With More Than Ten Branches Each, 1921-1936

Name and location of bank	Year of suspension	Number of branches				Total	Amount of loans and investments (000 omitted)	Amount of deposits
		In head office city	Outside head office city		Total			
			In head office county	In contiguous counties				
Georgia State Bank, Atlanta	1926			2	18	20	\$ 3,990	\$ 3,460
Bank of United States, NYC	1930	58				58	213,403	161,000
Bankers Trust Co., Philadelphia	1930	19				19	47,932	44,497
Security Home Trust Co., Toledo	1931	11				11	25,148	25,192
Commercial Savings Bank and Trust Company, Toledo	1931	11				11	14,103	15,611
Ohio Savings Bk. & Tr. Co., Toledo	1931	16				16	44,261	38,692
Central Trust Co., Frederick, Md.	1931		6	5		11	15,440	13,400
Peoples State Bank, Charleston, South Carolina	1932	2		5	37	44	17,000	23,139
Tennessee Valley Bk., Decatur, Ala.	1933		1	5	9	15	3,636	3,145
Canal Bank and Trust Co., New Orleans	1933	20				20	60,720	58,012
Augusta Trust Co., Augusta, Maine	1933		4	8		12	14,971	12,896
Baltimore Trust Co., Baltimore, Md.	1933	17				17	57,832	30,642
Union Trust Co. of Maryland, Baltimore	1933	16		2		18	48,148	45,255
Eastern Shore Tr. Co., Cambridge, Md.	1933		5	4	11	20	13,394	12,528
First National Bank, Detroit, Mich.	1933	147				147	379,788	373,360
Guardian National Bk. of Commerce, Detroit, Michigan	1933	39				39	109,856	108,103
Grand Rapids Savings Bank, Grand Rapids, Michigan	1933	16				16	13,949	10,475
Page Trust Co., Aberdeen, N. C.	1933		1	7	5	13	3,509	3,676
North Carolina Bank and Trust Co., Greensboro, N. C.	1933	1	1	1	12	15	19,406	19,338
Guardian Trust Co., Cleveland, Ohio	1933	14	4			18	122,038	109,752
Union Trust Co., Cleveland, Ohio	1933	17	4			21	189,563	194,906
Total - 21 banks		404	26	39	92	561	1,418,087	1,307,079

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The Bank of the United States of New York City, which was the largest bank that had ever failed in this country up to the banking holiday, had 58 branches all located in one city. After the suspension of this bank several of its principal officials were convicted of illegal acts.

The Bankers Trust Company of Philadelphia, all the branches of which were in one city, was closed by action of the directors after a long period of declining deposits. It had previously been developed in the late 1920's mainly by consolidating or merging with several banks in different sections of the city.

Suspension of the three banks in Toledo in 1931 accompanied a local crisis, in which four leading banks closed in one day, another having closed two months earlier. One of the five banks had no branches, and all the branches of the others were within the city of Toledo.

All of the foregoing six branch-operating banks that suspended in 1930 and 1931 were city banks the branches of which were confined to the city in every case. The Central Trust Company of Maryland, however, was more distinctively a branch organization. Frederick, where its main office was situated, is a town of about 15,000 people, and the bank, which had loans and investments of more than \$16,500,000 at the end of 1930, or 45 percent of the loans and investments of all the banks in town, appears to have owed a substantial part of its business to its branches, which were situated in eleven other towns. The bank was not a member of the Federal Reserve System. According to the State Commissioner of Maryland, its difficulties arose mainly from "various large commitments accumulated in real estate holdings.....a majority of which were located outside the State, and of course, the conditions existing nationally at that time contributed in no

small degree to the shrinkage in the asset value of this class of commitment." 1/

Of all the banks with branches that failed prior to 1933 the Peoples State Bank of South Carolina was most distinctively a branch organization. It had a total of 45 offices, including its head office, in 42 different cities, towns, and villages situated throughout the State. Its business was derived to a large extent from its branches and externally it would appear to have been one of the chief exemplars in structure of State-wide branch banking in this country outside of California. It was not a member of the Federal Reserve System and its branch organization had been developed almost entirely after the passage of the McFadden Act in 1927. The bank's failure, according to reports, "was caused by poor judgment, poor management, and an excess of ambition. The branches contributed to the failure, of course, but if the institution had possessed good ability and good judgment it would not have failed just because it had a string of branches." 2/ Before converting to a State charter and beginning its career as a branch organization it had already been "continuously subject to criticism from national examiners..... The part which the branches played in the failure was played not because they were branches but because of the manner in which they were established. A large proportion of the branches were formed by taking over unit banks which were practically 'busted' when they were taken over. These operations filled the group with highly unliquid, and in many cases, worthless assets, and when public confidence began to weaken in South Carolina, the Peoples State Bank had absolutely no margin of safety.... The whole thing was recklessly and inexpertly done, and therein lies the real cause of the failure." 2/

1/ Twenty-second Annual Report of the Bank Commission of the State of Maryland, February 1, 1932, p. 7.

2/ Comments transmitted by the Agent of the Federal Reserve Bank of Richmond.

All of the other banks with more than 10 branches each which suspended were those that suspended in the year 1933. The 6 largest of these banks included 2 each in Detroit and Cleveland and 1 each in New Orleans and Baltimore.

The First National Bank-Detroit was not only the largest suspension in our banking history but also had the largest branch system involved in a suspension. The management of this bank was identical with the management of the Detroit Bankers Company, a large group organization, and many practices of this holding company were responsible in large measure for the difficulties of the bank. Dividends were maintained long after substantial losses had been suffered in order to maintain dividends on the group company stock. In addition, this bank made many loans on the collateral of the holding company and conducted improper operations in the maintenance of the market prices of the stock. The proportion of real estate investment by the bank was excessive and large loans were made to officers, directors, and their interests. 1/

The history of the Guardian National Bank of Commerce of Detroit was very similar to that of the First National Bank-Detroit. Its holding company organization, however, had expanded beyond the Detroit area and included banks throughout southern Michigan. 2/

The two large Cleveland banks, the Guardian Trust Company and the Union Trust Company, operating together 39 branches in the greater Cleveland area, had been linked with a large number of nonbanking affiliates and were engaged in a number of lines of business quite foreign to banking, many of them involving real estate promotion. The Guardian Trust Company conducted extensive real estate operations and supported the enterprises of several of its officers and directors. 3/ The Union Trust Company was heavily involved in the enterprises of the Van Sweringens. 4/

1/ U. S. Congress, 72nd (S.Res. 84) and 73rd (S.Res. 56 & 97) Report of the Committee on Banking and Currency of the Senate on Stock Exchange Practices, p. 23.
2/ Ibid., p. 232. 3/ Ibid., p. 295. 4/ Ibid., p. 318

The Baltimore Trust Company, according to examination reports, was conducted in an unsafe manner, making improvident loans to local enterprises and individuals, several of which resulted in heavy losses. In addition, the Company engaged in security operations through affiliates and made commitments which were not consistent with good commercial banking practice. Owners of a security issue successfully prosecuted a claim against the Trust Company for an improper discharge of trust and this not only caused a loss but resulted in reduced confidence and considerable withdrawal of outside money. Although the bank survived some time after this incident, its losses were so substantial that it could not be reorganized for license following the banking holiday.

The Canal Bank and Trust of New Orleans incurred heavy losses through unwise loan policies, poor collection methods, and poor investment practices, and its weak condition was recognized very early in the depression. The bank was reorganized, new capital was subscribed, and new officers were installed in an effort to "clean up" the bank. The bank's earning power, however, was reduced because of the losses and it was too weak to open following the holiday.

Analysis of the suspensions of branch banks in this country suggests that such suspensions were caused by many of the same factors that characterized unit banking. Branch banking may have contributed to failure in some instances in which ambitious promoters to achieve bigness acquired banks at excessively high prices and converted them into branches. In a great many cases the branches were undoubtedly purchased during the inflation of the 1920's and on the basis of the immediately past earning record.

NOTE: During the years when the banks with large numbers of branches, especially head office city branches, referred to in the above paragraphs, were failing, numerous failures also occurred among neighborhood banks in localities of all sizes. Difficulties in Chicago and elsewhere, where no branch banking existed, were notable.

Such cases were largely a fault of the individuals who wanted to expand rapidly rather than the fault of the type of the system.

Experience with Branch Banking in Canada and England

The Canadian and English branch banking systems withstood the post-war international financial developments and the problems of the recent depression almost without loss to depositors. The only failure in either system was the Home Bank of Canada which failed in 1923. ^{1/} The strength, however, of banking in England and Canada is not wholly due to the branch structures of these countries. Smaller departure from classical commercial banking and the greater traditions of banking conservatism, professionalism, and integrity are undoubtedly factors. Banks in these countries have had the opportunity for a wide diversification of assets since through branch operation they serve many areas covering a variety of economic activities. In addition, the flexibility of these systems, particularly in adjusting to receding and unprofitable territories, has avoided the scourge of failure in such areas, as experienced in the United States.

Another experience of the Canadian banking system that is significant in comparison with that in the United States has been the greater stability of Canadian bank earnings over the past 10 years. Table 31 shows that the earnings of the Canadian banks on either loans and investments or capital funds have moved within a much narrower margin than in this country. The minimum return per \$100 of loans and investments between 1925 and 1934 was

^{1/} It has been variously claimed that suspensions underrate the true losses in the Canadian system since many banks known to be weak have been absorbed by the stronger banks to avoid the consequences of a failure. Stockholders may have lost thereby, but the fact remains that the interests of depositors have been safeguarded--something that heretofore was not done effectively for depositors in the United States.

\$0.81 and the maximum return was \$1.09, whereas in 4 States (Illinois, Minnesota, North Dakota, and Montana) not permitting branch banking, and with areas and banking resources similar to those in Canada, the range of fluctuation was from a loss of \$4.28 to \$1.67 of profits. Similar fluctuations are apparent in the ratio of net profits to capital funds. The apparently large return on capital funds throughout the greater part of the period for Canadian banks is due to the proportionately smaller proprietary equities of these banks. It is reported, however, that the retention of hidden reserves is greater in Canadian banks than in non-metropolitan banks in the United States. This does not explain, however, the wide differences in the fluctuations of the rates of return in the two countries.

Table 33 - Net Profits Per \$100 of Loans and Investments and of Capital and Surplus for All Canadian Banks and for National Banks in Selected States ^{1/} which Prohibited Branch Banking 1925-1934

Year	Net profits per \$100 of loans and investments		Net profits per \$100 of capital and surplus	
	Selected States	Canada	Selected States	Canada
1925	\$ 1.12	\$ 0.91	\$ 7.76	\$ 8.11
1926	1.13	.96	7.68	8.73
1927	1.01	.92	7.03	8.95
1928	1.26	.93	9.21	9.52
1929	1.67	1.07	11.65	9.41
1930	.89	1.09	6.02	8.72
1931	-.08	1.00	-.51	7.69
1932	-1.75	.94	-10.79	6.86
1933	-4.28	.82	-26.03	6.65
1934	-.47	.81	-2.95	6.64

^{1/} Illinois, Minnesota, North Dakota, and Montana.

CHAPTER VI

EVALUATION OF BRANCH BANKING AS A TYPE OF BANKING STRUCTURE

Up to this point developments with reference to branch banking have been discussed without attempting to evaluate it as a type of banking structure. The task remains now to analyze its abstract advantages and disadvantages for the economy of the United States in the light of the responsibilities of the banking system as discussed in Chapter I.

The type of banking structure that will render most satisfactorily the banking services required in a modern economy with a highly developed credit system depends to a great extent upon the nature and structure of the economic organization of the community. It is important, therefore, in attempting to evaluate branch banking as a type of banking structure for the United States to bear in mind some of the important characteristics and features of the country's economic organization at the present time and the general background of their evolution and development over the past century.

A Century of Banking and Economic Evolution. - A hundred years ago when developments in industry and commerce were turning in the same direction in the United States and in England and the use of bank credit in both countries as a medium of circulation was increasing, it is significant that the structural organization of banking in the two countries was beginning to shape itself according to basically different patterns. As the century ad-

vanced the economy of each of these countries became increasingly industrial. Population increased rapidly, particularly in the United States, and the proportion that was rural steadily declined. Organization of industry changed from individual and family undertakings operating on a small scale to large scale companies--corporate units in the United States and joint stock enterprises in England--operating in nation-wide and international markets. Developments in transportation and communication brought the different regions of each country closer together and stimulated larger intercourse between them. As these transitions took place, and as production, distribution, and consumption expanded, bank deposits gradually surpassed metallic and paper currencies as the most important circulating medium in each of the two countries.

In England the banking development was similar to that which took place in industry. From many small units widely scattered throughout the country in the 1820's the banking structure was transformed by 1920 into a highly organized system of a few joint stock banks operating on a nation-wide basis through widely distributed branches. In the United States developments in the structure of banking over the century were opposite to those in England. Independent banking units were preserved on a local basis and correspondent banking evolved as a mechanism to handle banking services over wider areas. Experiments with nation-wide branches terminated with the second Bank of the United States in 1836, and those with State-wide branches were generally abandoned by 1863. It is of

particular interest to note in this connection that independent banking started in the 1830's as the second Bank of the United States with its widespread branches liquidated, and developed most rapidly in the regions that were beginning to experience the same type of industrial evolution that was taking place in England. By 1860 the principle of independent banking had been generally adopted in the Northern and Eastern States, and in 1863 it was incorporated in the National Bank Act and thereby became a fundamental feature in the development of American banking for the following three-quarters of a century.

To summarize, the two countries were starting on similar industrial careers as the century opened, using the same form of media of exchange but with banking structures that were to develop on fundamentally different principles. Independent unit banking on a local basis was declining in England and branch banking was beginning a development that was to continue for a hundred years. In the United States nation-wide branch banking ended in the 1830's and State-wide branches were discontinued in the 1860's. Independent banking started a career in the 1830's that was to reach its zenith in the 1920's. The hundred years following the 1820's witnessed in England the development of an integrated branch banking structure operating on a nation-wide basis through widely extended branches. In the United States the same period saw the development of an independent banking structure with each bank operating on a local basis.

It is the opinion of some authorities that the compactness of the English banking structure contributed in large measure to its

success in meeting the difficulties of the post-war period without failures. Crick and Wadsworth in their recent history of the development of joint stock banking say: ^{1/}

"....It is safe to say that, but for the process of structural consolidation, English banking could never have survived un mutilated the stress of the post-war period. Consider, for example, the consequences that might have followed during that time from the existence of numerous small local banks concerned disproportionately with the activities of single industries --the Bradford bank absorbed in wool; the Oldham bank in cotton; the Sheffield bank in steel; the Lincoln bank in agriculture; the London banks in the financing of international trade and investment. In the modern country-wide bank it is possible deliberately to seek a due spread and balance of risks...."

In describing the situation in England before structural unification began, following the "Act for the better regulation of Co-partnerships of certain Bankers in England" in May 1826, the same authors comment on the position of the independent banks as follows: ^{2/}

"....The country banker, generally speaking, was for a number of reasons a constant source of weakness in a flimsy, ill-balanced banking structure. Too often the capital employed in banking firms was dangerously small The mixing of banking with other trades, moreover, involved divided interest and unsound methods,.... Moreover, in the allocation of the country banker's assets there was little or no possibility of spreading risks, and the fortune of many a country bank was bound up in the success or failure of one or two large firms. 'Runs' upon banks were common occurrences,.... At the best of times failures were distressingly numerous, and in periods of strain the country banks collapsed in such numbers as to entail grave disorder and to undermine confidence over and over again."

Thus, in view of developments in the United States in the 1920's and the early 1930's, it appears that structural problems in banking are similar in many respects to those in England in the 1820-30's

^{1/} W. F. Crick and J. E. Wadsworth, A Hundred Years of Joint Stock Banking, 1936, p. 345.

^{2/} Ibid., pp. 13-14.

when consolidations and unification contributed to the development of joint stock banks and the extension of branches. It is the purpose of the remainder of this chapter to analyze the advantages and disadvantages that are claimed for branch banking as a type of banking structure to meet the requirements of agriculture, commerce, and industry under present conditions.

Advantages Claimed for Branch Banking

Although branch banking in the United States thus far has had a very limited development, experience abroad has caused some commentators to see in it certain definite advantages as a form of banking structure. Such a structure is said to have the following comparative advantages to the banking public: greater safety and increased mobility of funds; more uniform and lower money rates; more efficient banking services, including greater availability of bank credit to borrowers and to local communities; and more flexible banking facilities. Branch operating banks are said to have greater opportunities for diversification of loans and deposits; possibilities for better bank management; and economies in operation.

In addition, it is claimed that branch banking offers improved arrangements for administering monetary and credit policies as well as protection against development of chain and group banking organizations.

Safety and Mobility of Funds. - Greater diversification of risks increases the safety of funds. Such diversification is much easier for branch systems operating over wider areas than for local unit banks. Illustrations of greater safety to depositors are found in

England and Canada, where branch banking has developed extensively. Although these countries have had a few bank failures over the past thirty-five years, losses to depositors have been infinitesimal as compared with losses in the United States.

It has been pointed out by Cartinhour ^{1/} that the ability of the Canadian banking system to transfer funds is one of its distinctive features that has meant much to the development of the western grain provinces. In the United States funds are shifted about but

"...in a relatively crude fashion when compared with the ease in the mobility of funds in Canada. Interior banks borrow from their correspondents in the East or in large centers or from the Federal reserve banks to meet seasonal and on occasion cyclic needs. But the borrowing unit banks cannot be financed continuously to meet the constantly growing needs of a developing community, as may the branches of banks in Western Canada whose loans may for a long period exceed deposits." ^{2/}

More Uniform and Lower Money Rates. - As a result of the increased mobility of funds between economic areas under branch banking, more uniform and lower money rates are facilitated. Sykes points out in his study of the amalgamation movement in English banking 1825-1924 ^{3/} that:

"...With the increase in the number of branches belonging to one bank (particularly since the 90's of the last century), and the growth of associations of bankers, rates and charges have tended to become more uniform and to be reduced. This tendency has now crystallized into effective practice by the development of competition."

^{1/} Gaines T. Cartinhour, Branch, Group, and Chain Banking, p. 309.

^{2/} Ibid. See also H. P. Willis and B. H. Beckhart, Foreign Banking Systems, pp. 412-13.

^{3/} Joseph Sykes, The Amalgamation Movement in English Banking, 1825-1924, pp. 149 and 106. See also Cartinhour, op. cit., p. 12.

Scottish banks through their branches are also reported to maintain uniform rates throughout the country for both deposits and loans. On the basis of information reported to the Banking and Currency Committee of the House of Representatives, it appears that branch banking has lowered the rates of interest in some leading agricultural communities in California. 1/ It has been pointed out that in Canada:

"... Rates in the territory west of the Great Lakes vary from 7% to 9% and in the east from 5% to 6%. Free money in the East is shifted West because the banks are thus able to secure higher rates. As a result, interest rates in the East tend to increase while those in the West tend to decline. In consequence, a more uniform rate prevails throughout the Dominion than is found in the United States. The easier it is to transfer funds, the more uniform will be interest rates. Borrowers are continually seeking lower rates and competition in this way tends to reduce the cost of borrowing. The final result seems to be that branch banking lowers the rate for borrowing in Western Canada." 2/

"By virtue of the great mobility of capital under the branch system, the large Canadian banks have for many years been able to finance the immense seasonal money demands of the Dominion involved in crop-seeding, crop-harvesting, lumbering and fishing, as well as security market operations without the fluctuation of rates for credit accommodation that occur in some other countries including our own." 3/

It is possible that the lower rates charged by branch systems than by unit banks in the same localities may in some cases be more apparent than real. Unit banks may be willing to enter fields involving higher risks than their branch banking competitors.

Banking Services. - The availability of bank credit to borrowers is one of the important banking services that receives considerable

1/ U. S. Congress, 71st, 2nd Session, Hearings on H. Res. 141, pp. 1525-26.

2/ Cartinhour, op. cit., pp. 312-13. See also Willis and Beckhart, op. cit., p. 374.

3/ Cartinhour, op. cit., p. 313. See also address by C. R. Howard, Canadian Bank of Commerce, N. Y. Agency, American Banker, September 18, 1929, p. 1.

attention when the merits of branch banking are under consideration. It is often claimed that bank loans are not available as liberally to local borrowers under branch banking as under independent banking and that communities served by branches are at a disadvantage. In commenting upon this contention at the hearings on branch, chain, and group banking in 1930, the Comptroller of the Currency, Mr. J. W. Fole, spoke as follows: 1/

"It is said that branch banking will lead to a restriction upon local loans--that the borrowers will suffer. To this theory I do not subscribe. It is unreasonable to suppose that banks will make substantial investments in branches without any expectation of developing the business of the branch. This cannot be done by draining the community of its cash. It can be done only by rendering to that community a scientifically balanced banking service including the making of loans as well as the receiving of deposits."

Another writer comments still further with reference to this point and says: 2/

"....as no financial need would be too large to be supplied, extensive branch systems would be in a far better position to finance the sound and legitimate growth of a community than would be possible through the employment of local capital alone. In addition,....such banks would probably be in a position to render a more adequate banking service at all times because they would be capable of weathering a complete or partial agricultural or industrial failure in any given section during one or more years.

"It may be alleged that funds would be withdrawn to metropolitan centers from smaller communities. This is improbable. In Canada complaint has been made by city borrowers that head offices located in the same cities have been disposed to shift their funds into country districts, in order to receive the slightly higher interest rates obtainable in these regions. This condition has prevailed

1/ U. S. Congress, 71st, 2nd Session, Hearings, H. Res. 141, p. 21.

2/ Cartinhour, op. cit., pp. 315-316.

in Canada for some time, and in itself constitutes a rebuttal of the assertion that the independent banking system tends to keep funds in smaller communities, while branch banking has the reverse effect.

"Mr. S. H. Logan, General Manager of the Canadian Bank of Commerce, expressed the opinion that, 'Any suggestion that the Canadian banking system involves a concentration of loans in larger centers to the detriment of smaller communities, is as far from the mark as can possibly be. The larger centers are of course served and well served, but the very essence of successful banking in Canada is the more widely served entire community--agricultural, commercial, industrial, and financial--the better for banks and the growth of their business. Concentration would mean stagnation to the banks of Canada as well as to the communities which they serve.'"

Experience with branch banking in California shows that parent banks frequently have placed more funds at the disposal of local communities served by branches than they have withdrawn from them. When discussing this problem before the Banking and Currency Committee of the Senate in 1931, the Comptroller of the Currency said: 1/

"The history of it (drawing funds from small communities) as far as branch banking has been carried in this country, particularly in California, is that the parent banks have thrown far more of their funds to the small rural communities than they have ever drawn from them."

The Chairman of the Security-First National Bank of Los Angeles which operates a large number of branches in the vicinity of Los Angeles is of the same opinion. 2/ He says:

"Our experience in the country is that we have done more for the branches than they could have done for themselves as individual banks. In other words, city funds have gone to our country branches. And that has been true for the last 10 years."

1/ J. W. Polc, U. S. Congress, 71st, 3rd Session, Hearings, S. Res. 71, January 1931, p. 9.

2/ Henry M. Robinson, U. S. Congress, 71st, 3rd Session, Hearings, S. Res. 71, February 1931, p. 324.

Statistical information submitted by Mr. Bacigalupi, Vice Chairman of the Advisory Committee, Transamerica Corporation, to the Banking and Currency Committee of the House of Representatives, 1930, showed that "in 100 branches of the Bank of Italy over 70 per cent of the local deposits are lent in the local community. In many of these instances more than 100 per cent of the local deposits are lent in the neighborhood." ^{1/}

The results of a more recent analysis of the ratio of loans to deposits of all unit banks and of all branch banks in California given in Table 32 show that the ratio of loans to deposits at the end of each of the three years 1933, 1934, and 1935 was higher for branch banks than for unit banks, indicating that branch banks use a slightly larger percentage of their deposits for local loans than the unit banks. The difference, however, is not large enough to be significant, but it is evidence that local communities receive loans as liberally, if not slightly more liberally, under branch banking as under unit banking.

Table 32 - Ratio of Loans to Deposits of Unit Banks and Branch Banks in California

	Unit banks	Branch banks
December 31		
1933	61.5	65.3
1934	44.0	56.6
1935	42.1	51.3

Table 1 of Appendix III gives the ratios for banks in each county and shows that the ratios for the 44 counties where unit banks and branch

^{1/} U. S. Congress, 71st, 2nd Session, Hearings on Branch, Chain, and Group Banking, H. Res. 141, May 6, 1930, p. 1389.

banks were both operating were higher for branch banks in 19 counties, and smaller in 25 counties, than those for unit banks.

Procedures followed by banks with branches in handling loans are often cited as evidence in support of the contention that local borrowers are at a greater disadvantage under branch banking than under independent banking. With reference to this point the experience in Canada was commented on by the Royal Commission on Banking and Currency in 1933 as follows: 1/

"It was alleged that the boards of directors of the Canadian banks, who decide the general policy of the several banks, included too large a proportion of members domiciled in the Central Provinces and that accordingly the attitude of the banks was more sympathetic to Central than to Eastern and Western requirements. Representations were received to the effect that, under such a centralized system, applications for loans from Eastern and Western communities or business interests had to be passed upon by head office officials who were not sufficiently conversant with Eastern or Western conditions and who might be inclined to favor enterprises near at hand.

"The banks have been most emphatic in denying these charges, and have submitted that their boards were as far as possible representative of the entire country, or at least of such parts of the country as provided a sufficient volume of business. The banks submit that for administrative purposes the branches are grouped into districts, generally by provinces, under the charge of a supervisor with authority to deal with all credits up to, say, \$25,000. At certain points, where banks have committees of directors, the limit is still larger. We received evidence to the effect that, in the case of one bank having its head office in Montreal, out of thousands of loans made in the three Prairie Provinces 99.64 per cent were granted before reference to head office; whilst another bank reported that 82.32 per cent of its loans in Alberta had been dealt with by the branch managers directly, that 16.47 per cent had been referred to the Calgary superintendent, leaving 1.21 per cent for approval by the Assistant General Manager in Winnipeg, and out of this 1.21 per cent only 605 per cent had been submitted to head office."

1/ Report of the Royal Commission on Banking and Currency in Canada, 1933, pp. 77-78.

The policy of the Bank of America, N. T. & S. A. with regard to the loaning policy at its branches indicates how it operates in this respect in California. 1/

"Loans are made direct by the branches except in instances where the amount is unusually large or the branch manager wishes to secure the advice of the head office credit department. The customers of the branch deal with the local officers, and only in extraordinary circumstances are they brought into contact with the head office departments. Each branch has a general lending limit fixed by the bank's finance committee. Within this limit each branch may lend and report without previous consultation of head office. These limits vary with the proven credit capacity of the various branch loaning officers. Experience has demonstrated that the limits thus fixed are usually sufficient to take immediate care of the ordinary requirements of the branches. In other cases lines are established for the larger borrowing accounts, in advance of the time when these firms or individuals require the accommodation for their seasonable operations. As a matter of fact, after a branch has been in operation for a year or more, experience shows that easily 80 per cent of the annual commercial credits extended by the branches are renewals under established lines. All applications for unfixed lines of credit in excess of the lending limit of a given branch are promptly considered and acted upon by the proper central credit department and proper advice and instruction issued. The branch makes daily reports of all loans, and as these are received the credit department reviews them. Pertinent comments or suggestions are then forwarded to the branch manager, so that the loan may be properly followed and collection insured at maturity. The broad fundamental policies respecting credits are outlined by the general executive committee and interpretation and application is then made by the credit department.

"This system permits the smallest branch in the organization to secure the benefits of the best obtainable advice and counsel on every loan that is made, and it also insures uniformity of policy, based on a thorough knowledge of conditions throughout the entire organization and the country as well."

1/ U. S. Congress, 71st, 3rd Session, Hearings, H. Res. 141, May 1930, pp. 1347-48.

Loaning policies of the Security-First National Bank of Los Angeles, the second largest branch banking organization in California, have been described as follows:

"We have in the local branches in each case an executive board which corresponds with the board of the unit bank, of the men in the community who are best informed. And they have full authority to make loans up to certain limits without any consultation with the head officers It (the limit) varies somewhat with the community. It will run as high as \$50,000, and I think in one instance \$100,000...(and) as low as \$10,000." 1/

Another argument often advanced against branch banking is that there is no sympathy with local needs. The point of view expressed in the following quotation is pertinent to this matter:

"...there is such a thing as a banker being too responsive to local applications and too much under the influence of local and personal appeals.... The fact that a local banker is under greater pressure from local borrowers than a branch manager, supervised by an outside authority, may cause the interests of depositors to be imperiled for the accommodations of borrowers." 2/

Trouble can more easily grow from the fact that credit is extended too freely rather than from the fact that credit is not available. It would seem, therefore, that with branch banking managers less under the influence of local pressures they would be in a position to operate more objectively and consider the needs of the community rather than the personal desires of local interests.

There are other banking activities that would appear to be more satisfactory under branch banking such as services in connection with investment securities and the administration of trusts. As an example of the extension and improvement in trust services that would be made available under branch banking, Mr A. P. Giannini of the Bank of

1/ Henry M. Robinson, U. S. Congress, 71st, 3rd Session, Hearings, S.Res. 71, February 1931, page 325.

2/ Gaines T. Cartinhour, op.cit., p.318. See also Joseph A. Broderick, former Superintendent of Banks, New York, Hearings, S.Res. 71, January 1931. He expressed the opinion that the objections to branch banks were due to the feeling "a local bank will be probably more liberal to its own officers and directors than an outside institution."

America, N. T. & S. A. commented as follows: ^{1/}

"Opportunities for spread of the trust idea are further multiplied through the practical circumstances of branch banking. For example, the institution with branches in many communities is able to provide for the performance of trust functions in places that otherwise would not be reached. Out of a total of 165 California cities served by our institution, the people of 91, or 55% can look to our institution alone for service locally in connection with their personal estates. In only 15% of the communities we serve are there unit banks authorized to perform trust functions.

"Corporate customers, as well as individual depositors, benefit, through our plan of State-wide trust service. In California, it is compulsory for new corporations to have their stock registered by a trust company. A number of corporate registrarships are being administered by our bank in communities hundreds of miles away from the larger cities. Likewise we are serving as transfer agents for stocks as trustees of bond issues for many companies whose offices are located away from the centers of population. The significance of this development lies in the fact that these standard trust functions are being performed by a financial institution that is able to guarantee a high degree of specialization and security in the performance of its work."

Banking Facilities. -- An important advantage claimed for branch banking is that a bank with branches is more flexible than an independent bank in adjusting to the requirements of the community for banking services. At the present time it is especially urgent that banking facilities be restored in communities that have been completely deprived of banking services because of failures over the past decade, and under ordinary conditions it is desirable to extend banking facilities to communities as they develop and to discontinue them as communities decline or undergo changes.

A comparison of the banking facilities available in different communities in the States where failures have been most numerous since 1921

^{1/} A. P. Giannini, "How Branch Banking Multiplies Opportunities for Trust Service," Trust Company Magazine, March 1929, Vol. XLVI, No. 3, p. 312.

shows that there are many communities that had facilities in 1921 that are now without them. As an illustration of the extent to which communities have been depleted of banking facilities, Table 33 shows that in Iowa, where 1,197 banks suspended between 1921 and 1935, a total of 361 towns that had facilities in 1921 are now without them. It shows also that an additional 114 towns which were depleted of facilities in 1921-1935 are now served by limited banking offices permitted by the amendment to the Iowa statutes in 1932 authorizing banks to establish such offices. During the same 14 year period there were 285 towns in Kansas which were divested of banking facilities. Most of the towns that lost their facilities and are still without them are small, having less than 1,000 population.

Table 33 - Number of Towns in Iowa and Kansas Without Banks, June 1935, That Had Banks in 1921

Population of town (1930 Census)	Iowa			Kansas total
	Total	Towns without banking office June 1935	Towns with limited banking office June 1935	
Less than 100	39	33	6	37
100 - 249	199	178	21	160
250 - 499	150	108	42	66
500 - 999	74	35	39	15
1,000 - 2,499	10	4	6	7
2,500 and over	3	3	-	-
Total	475	361	114	285

In several States in addition to Iowa--Arkansas, New Mexico, Wisconsin, and South Dakota--which had not permitted branch banking until recently, policies have been adopted looking to the establishment of branch offices with limited powers. In several other

States branches with full powers have been authorized in recent years.

In several other States where branches are not authorized by statute, lack of banking facilities is resulting in serious hardships and various devices are being adopted to obtain them. In North Dakota, for example, where 79 towns of 200 to 1,400 population had no banks it is reported that several methods are being tried.^{1/} In some places, banking by mail is making progress. "In some towns the local merchants have arranged daily trips on an alternating basis whereby one man each day handles the banking functions of the group. In another, a former banker pays and issues checks drawn on an outside bank, and renders all services except taking deposits. Another bank kept a man in a rented office in a neighboring town, but discontinued this plan after losing \$600 in six months. With opportunities so meager for banking profit in small communities, plans such as these offer at least a temporary solution to a real problem."^{2/} In 1935 and early in 1936 two "exchange" offices were established by two banks in North Dakota to receive and handle deposits in communities from which the head office had been removed.

Under ordinary conditions it is likely that banking facilities could be provided by establishment of branches more easily and readily than by the organization of new banks. In both Canada and England experience indicates that branches have been established and banking services provided ahead of the time when the communities would have been able to support an independent bank. Indeed, branches have been established in places where an independent bank would probably never have succeeded. In Canada, particularly, branches were established in the

^{1/} Press reports state that North Dakota has adopted the "Iowa Plan" effective July 1, 1937.

^{2/} "Bankless Towns," American Bankers Association Journal, August 1932, pp. 48-50.

frontier outposts of the Western provinces in advance of the railways, along with the coming of the very earliest settlers, and thereby contributed greatly to the settlement and development of the Dominion. In England it is frequently the case that branches are established for several years before they pay their way. In this way facilities are provided "to residents and storekeepers in the suburbs and outlying districts," and deposit feeders for the main office are established. Sometimes such facilities are provided through a branch that is open but one or two days a week--the manager serving three or four such communities on alternate days.

When communities decline or undergo important changes, such as those resulting from the extension of highways, the use of the automobile, and improved communication facilities, banking services of branches can be discontinued gradually without loss to depositors. Independent banks often find adjustment to such changes difficult if not impossible, and failure with heavy losses to depositors frequently occurs. In both England and Canada banking offices are opened and closed in response to the requirements of the communities with comparatively little, if any, losses or hardships, in the cases where branches are closed, to the different communities. In the United States services of an independent bank are often discontinued by failure and accompanied by heavy losses to the community.

On the basis of the number of banking offices and the population of the United States, Canada, and England, banking facili-

ties are not so numerous in the United States as in Canada and England under branch banking. For the United States as a whole the population per banking office is 6,500 as compared with 3,000 for Canada and 4,000 for England. In different States population per banking office varies from 2,600 in Kansas to 12,100 in Arizona, as compared with a variation in the different provinces of Canada (excluding Yukon and the Northwest Territory) from 2,630 in Quebec to 4,166 in New Brunswick. Table 34 shows in detail the number of banking offices, the population, and the population per banking office for the United States, Canada, and England, as well as for the geographic divisions of the United States and the provinces of Canada.

Table 34 - Banking Offices and Population in United States, Canada, and England

	Number of banking offices	Population	Population per banking office
United States	1/ 18,904	4/ 122,775,046	6,495
Canada	2/ 3,527	5/ 10,376,786	2,942
England	3/ 10,148	6/ 40,090,330	3,951
<u>Geographic Divisions of United States</u>			
New England	1,202	8,166,341	6,794
Middle Atlantic	3,337	26,260,750	7,870
East North Central	3,684	25,297,185	6,867
West North Central	3,754	13,296,915	3,542
South Atlantic	1,899	15,793,589	8,361
East South Central	1,320	9,887,214	7,490
West South Central	1,717	12,176,830	7,092
Mountain	589	3,701,789	6,285
Pacific	1,412	8,194,433	5,803
Total	18,904	122,775,046	6,495
<u>Provinces of Canada</u>			
Prince Edward Island	27	83,038	3,261
Nova Scotia	134	512,846	3,827
New Brunswick	98	408,219	4,166
Quebec	1,093	2,874,255	2,630
Ontario	1,259	3,431,683	2,726
Manitoba	193	700,139	3,627
Saskatchewan	309	921,785	2,983
Alberta	215	731,605	3,403
British Columbia	195	694,263	3,560
Total	7/ 3,527	7/ 10,376,786	2,942

- 1/ This figure comprises 15,657 national and State banks and 3,247 branches, including mutual savings and private banks, December 1935.
- 2/ Number of banking offices, December 1934 - Canada Year Book, 1934-35, page 977.
- 3/ Includes 15 joint stock banks and 10,133 branches, 1934 - Crick and Wadsworth, A Hundred Years of Joint Stock Banking, page 41.
- 4/ Census of 1930.
- 5/ Census of 1931 - Canada Year Book, 1934-35, page 99.
- 6/ Census of 1931 (including Wales) - World Almanac and Statistical Abstract of the United Kingdom.
- 7/ Includes Yukon and Northwest Territory.

Diversification of Loans and Deposits. - Where branches are operated over a wider area than that embraced by one community, diversification lessens the chances of losses, increases returns to stockholders, and in general strengthens an individual bank.^{1/} If the system of branches is well proportioned employment of bank funds at different seasons is easier and the shifting of funds in order to meet seasonal pressures is greatly facilitated. In addition, banks with branches with diversified loans and deposits are likely to be in a position to carry frozen assets in a particular community until they can be liquidated with smaller losses than individual banks. And finally, if banks operated branches over diversified economic areas, they would probably find it unnecessary to carry balances in the New York money market to assure liquidity to the same extent as the independent banks have in the past.

Advantages of the diversification of risks to banks in England through the operation of branches are summarized by Crick and Wadsworth as follows: ^{2/}

"....The wider the range of a branch system, the more economically could the banking services be rendered, and the more stable became the structure. Only by spreading resources over the greatest possible variety of industries and personnel of borrowers could the banks attain maximum stability, and this same process of consolidation ensured that banking funds flowed readily from areas of surfeit to be distributed over districts in need of working capital."

^{1/} With reference to diversification in California the Chairman of the Security-First National Bank of Los Angeles has stated, "We have a great, wide diversity, and that means a better use of our funds than the individual banks could have had." Henry M. Robinson, Hearings, S. Res. 71, February 1931, page 323.

^{2/} W. F. Crick and J. E. Wadsworth, A Hundred Years of Joint Stock Banking, page 38.

Better Bank Management. - It has long been pointed out by students of banking, public officials and bankers themselves, that banking under modern conditions should be under the directions of persons with high standards of professional competence and ethics. Such standards would definitely improve the management of banks and should be developed more easily through the careful personnel policies of larger banks operating branches than in smaller independent banks. Operations under branches would be on a larger scale and they would offer greater advantages for training and development of personnel. Indeed, it has been noted by students of Canadian banking that the opportunities that are offered and used there for training personnel are among the distinctive features of that system. Patterson summarizes the advantages of Canadian banking with respect to the training of personnel as follows: 1/

"One of the most valuable assets of a bank is the personnel of its staff, who are men trained from their youth up to their profession. In their early years, moving from branch to branch, they become thoroughly versed in local customs and environments, and in many cases gain experience in branches abroad. As accountants and managers of large city branches they obtain a broad knowledge of national trade and finance until, as general managers or superintendents, they are found directing the administration of their numerous branches."

Opportunities thus offered for training through the branches in Canada have been envied by American bankers who have expressed the opinion that "An appointment as branch manager under the (Canadian) system of loaning limits and supervision teaches a sound banker to creep before he is called on to walk." 2/

1/ E. L. Stewart Patterson, Canadian Banking, p. 64.

2/ Opinion of New York banker quoted by S. C. Norsworthy, Assistant General Manager, Bank of Montreal, in "Lending Money," Journal of Canadian Bankers Association, May 7, 1936, p. 408.

Wiser and more cautious restraints are likely to be exercised in credit practices at branches with management trained and experienced in the arts and techniques of banking than at independent banks, and this should result in advantages to both the bank and the community.

Economies in Operation. - Although specific evidence is not available comparing the cost of operating banks with branches and banks without branches, it is reasonable to conclude that certain economies in operation are available to banks with branches that are not possible for independent banks. More efficient management and diversified business should result in relatively smaller losses to banks with branches, and the overhead expenses in operating branches should be lower than for independent banks. Economies of large scale operations such as those that are gained through centralized management of advertising and purchasing, as well as in the management of all domestic and foreign arrangements, should be possible in the case of the bank with branches.^{1/} It must be realized, of course, that the theoretical economies such as some of these may be offset in part by the added expenses of coordinating and centralizing the internal banking processes of the branches.

^{1/} Gaines T. Cartinhour, Branch, Group, and Chain Banking, page 321. Also see comment in Review of Economic Conditions, National City Bank of New York, February 1935, that in Canada "the branch banking system undoubtedly lowers both interest rates and capital charges by reducing both operating and capital costs."

Another economy that is possible in England in the operation of branches has been described as follows: 1/

"....the expense account is kept within reasonable limits, because the name is a sufficient assurance to the public of its importance and stability. It does not need to put up a costly bank building, such as an individual bank would have to do, as a mere matter of advertising its strength and its importance. The parent bank can adjust the expenses of each branch to the volume of business; can, if it chooses, occupy modest quarters without loss of prestige, employ only what capital is actually needed in the business of the branch, and feel no necessity, ordinarily, of freezing a lot of capital in an unnecessarily pretentious building, as is customary with banks in the United States."

Administration of National Monetary and Credit Policies. - In England and Canada with branch banking, the central bank and the Treasury have fewer individual bank managements to deal with in coordinating activities towards a common national monetary objective than is the case in this country. It is easier to obtain the co-operation of a few banks rather than many in the administration of banking and credit policies, and easier to hold a few banks to principles of sound banking. Likewise, with fewer banks it should be easier to formulate and carry out policies in crises and emergencies than in the past when thousands of local banks had to be dealt with. In England and Canada the advantages of fewer banks in these connections have been generally recognized and the greater stability of banking in these countries may be attributed in part to them.

1/ Joseph Ernest Goodbar, Managing the Peoples Money, page 367.

Substitutes for Chain and Group Banking. - The development of branch banking in the United States would probably mean the supplanting of chain and group banking. A branch banking system has the advantage of being less complicated in organization and less difficult to examine and supervise than a chain or group banking system. Rapid development of chain and group banking, especially group banking, in 1927-1930 instead of branch banking was due to a considerable extent to restrictions against the extension of branch banking. Several of the bankers responsible for the growth of group banking at that time have since stated that branch banking if allowed would be preferable and that they would favor the conversion of members of the groups into branches if legislation permitted.

Disadvantages of Branch Banking

Although branch banking has definite advantages as a type of banking structure, it also has disadvantages. The arguments that have been advanced against branch banking may be summarized as follows:

- (1) Branch banking is monopolistic and will result in the destruction of unit banks as well as a decline in the personal element in banking.
- (2) If branch banking is permitted on a large scale it will result in a concentration of banking resources and will undermine the Federal Reserve System.

- (3) Suspensions and failures of banks operating widely distributed branches will be more disastrous and result in far wider economic distress than failures of unit banks.
- (4) Operation of branches over large areas is dangerous because of the difficulty in obtaining adequate administrative personnel to handle banking and credit problems in widely different communities.
- (5) Conversion of unit banks to branches as well as the establishment of de novo branches may be associated with unwholesome competitive practices.

It is desirable at this point to discuss briefly each of these criticisms and objections to branch banking.

Monopolistic Tendencies. - It is often asserted that an extension of branches by banks would greatly reduce the number of banks in the United States as in Canada and England and in the end it would lead to a monopoly in the field of banking. It is pointed out that as the number of branches increases the unit bank which "in its daily life represents the success of the community in which it exists" and which "is owned and managed by the people of the community" ^{1/} would be destroyed. It is also claimed that the branches would be unwilling to take substantial local risks and thereby inclined to make loans

^{1/} L. A. Andrew, "Future of Unit Banking in the United States," American Bankers Association Journal, June 1934, page 59.

more cautiously than local independent banks. Such policies, it is stated, would retard local communities and local enterprises.

A recent opinion that branch banking is monopolistic is expressed in an editorial in the Hoosier Banker of the Indiana Bankers Association, July 1936, under the title, "Branch Banking as a Monopoly," urging bankers to fight the growing movement toward branch banking. It appears, however, from the editorial that branch banking is only monopolistic when it is area (or nation) wide, such as that which is "prevalent in the California program," and which is said to be broadening now to include surrounding States. It is explained that local branch banking of the type that is developing in Indiana is not monopolistic. The editorial says:

"....Branch banking in Indiana is confined by state statute to county limits and these Indiana branches have been established to meet a banking need in a community where there are no banking facilities. Surely no one would think of the banking monopoly as being in vogue in Indiana."

Another opinion that branch banking is monopolistic is that of Hon. Henry B. Steagall, Chairman of the Banking and Currency Committee of the House of Representatives. Speaking at the recent meeting (September 15, 1936) of the National Association of Supervisors of State Banks at Detroit, he said

"....Branch banking is at variance with the spirit of our people and with our fundamental principles of Government. It is absentee banking. It is monopoly and monopoly in its worst form. The platforms of our great political parties denounce monopoly because it destroys competition and imposes undue burdens upon the public. Banking monopoly is worse than any other because it invites those engaged in it to participate in other forms of monopoly and because banking monopoly means the control of business whether engaged in competition or not. Worst of all, banking monopoly carries with it the power to control political and administration of public offices. It is at enmity with all the free institutions and ideals of our heritage."

In England, although the number of banks has been reduced to five large joint stock banks and eleven smaller ones, and independent (private) banks have discontinued altogether, "much of the broadening of the character of the banking services was a direct outcome of keen competition between rapidly growing or already large institutions." ^{1/} In Canada, where branch banking has existed for a long period, competition between the banks is maintained and banking service appears to have been extended liberally to rural borrowers as well as to others within the limits of safety. In California, where branch banking has developed rapidly in the past 15 years, experience shows that not only is there competition between different branch systems, but independent banks when well managed can exist side by side with branch banks in the same community.

So far as the banking public is concerned, it appears in England and Canada that "there is severe competition to obtain deposits and advance credits." "If a banking monopoly exists in Canada, it does not redound to the pecuniary advantage of the banks. Interest charges are reasonable and dividends paid are lower than those of national banks in the United States." ^{2/}

Furthermore, the Royal Commission, in its report on Banking and Currency in Canada in 1933, said: ^{3/}

".....The banks state that there is a high degree of competition among them in the services rendered by branches to depositors and borrowers and in investment and foreign exchange transactions. If a would-be borrower fails to receive accommodation from one bank he may go to another. Even between branches of the same bank a degree of competition exists."

^{1/} W. F. Crick and J. E. Wadsworth, A Hundred Years of Joint Stock Banking, p. 339.

^{2/} Gaines T. Cartinhour, "Branch Banks Versus Unit Banks," The Annals of the American Academy of Political and Social Science, January 1934, pp. 38-9.

^{3/} Report of the Royal Commission on Banking and Currency in Canada, 1933, p. 35.

The contention, however, that branch banking is monopolistic is not new in the United States. It runs through some phases of the discussions of banking problems throughout a considerable part of the history of American banking and has been emphasized particularly since the branch banking controversy of 1890-1900. In general, it may be summarized that the contention has been and still is supported by the point of view of producers needing capital for production rather than by the point of view of merchants and dealers needing facilities to effect commerce and exchange. From the earliest days it appears that local areas needing capital for development have felt that their needs would be jeopardized by banks operating branches and interested largely in facilitating commerce and exchange. Throughout the controversy, however, it seems never to have been accepted that it is possible for a bank operating branches properly developed to offer more adequate and efficient services to producers and to merchants and dealers than an independent bank.

Branch Banking and the Federal Reserve System. - It is contended that the concentration of banking resources through the development of banks with branches would undermine the Federal Reserve System. Such branch systems, it is claimed, would be able to perform for themselves many of the services that are now handled by the Reserve banks within the different districts and by the Reserve System for the country as a whole, and thereby reduce the need for the Reserve System. The effect of branch banking on the Federal Reserve System has been summarized

as follows: 1/

"Since the existence of a large number of banking units, which had no dependable source of help in time of need, is the primary reason for having a Reserve System, the formation of large branch systems will tend to lessen the usefulness of the Reserve Banks. The head office and branches constitute a good-sized clearing and collection system in themselves, so that the volume of items sent through the Reserve System would be materially lessened. With its great resources, well diversified as to season and risk, one would expect the branch bank also to make much less use of the rediscount facilities of the Reserve Banks than the same number of independent banks would do."

If a bank operates a highly developed system of branches, the need for some of the services in connection with clearing and collection and others now rendered by the Reserve banks would be reduced. The need, however, for the larger functions of a central bank would still remain for the Federal Reserve System to perform. Evidence of this is clear in England where the functions of the central bank merged and became definitely recognized during a period when branches had their rapid development; and in Canada, although a central bank has recently been established, branch banking developed without one.

It is likely that many of the responsibilities of a central bank can be handled more efficiently and more successfully through fewer banks than through the thousands of small independent banks, whose activities are difficult to coordinate.

Suspension and Failure of Banks with Branches. - The suspension and failure of banks operating branches over wide areas would be much more disastrous and result in a far wider economic distress than the failure of scattered independent banks. Where banks with branches thus far have failed in the United States and abroad, the consequences have

1/ G. W. Dowrie, Monetary and Banking Policies, pp. 40-41.

been serious and far reaching. On the other hand, the advantages and improvement that should accompany the proper development and operation of branches would lessen the probability of failure. In England and Canada, failures have been few and losses negligible.

Personnel and Management Problems of Branch Banking. - A serious criticism that can be made of branch banking on a large scale is that the task of handling banking services and banking problems in widely different regions would be extremely difficult. In a country as extensive geographically and as diversified economically as the United States, banking problems vary widely in different sections and it might be difficult to obtain properly qualified personnel, particularly for important executive posts, in branch banking organizations operating on a nation-wide basis.

In both Canada and England problems of personnel and management have been difficult as the branch systems have evolved, but thus far they are said to have been worked out reasonably satisfactorily. Circumstances, however, surrounding the development of branch banking in both England and Canada made the problems of personnel and management less difficult than they would be in the United States with large scale branch banking. Canada is more sparsely populated and less developed economically, both extensively and intensively, and the banking problems presented in different regions are less widely diversified than in the United States. Moreover, branch banking is the only type of banking structure that has been experienced in the Dominion and

as it developed with the growth of the country banking personnel was trained from the beginning in the arts and techniques of branch administration. In the United States, where banking personnel has been trained in independent bank administration, the development of a philosophy of branch banking would naturally be slow and difficult.^{1/} Indeed, transition from independent banking to branch banking could only be safe by proceeding slowly.

In England, where industrial organization is similar in many respects to that of the United States, banking problems vary widely in different regions, but the total area of the country is small, as compared with the United States, and the distances between head office and branches are not great. Relatively short distances between head office and branches facilitate contact between them and the coordination of operations and policies. If branch banking should be attempted in the United States on a nation-wide basis as in England, the greater distances between head office and branches would present serious problems of personnel and management and internal organization.^{2/} Such problems would endanger its success and outweigh any advantages that it possesses over independent banking.

^{1/} In commenting upon the personnel problem in the development of branch banking in California, the Chairman of the Security-First National Bank of Los Angeles stated to the Banking and Currency Committee of the Senate: "Our experience when we first started in branch banking was that, in giving autonomy to the branches, we ran into a great many different attitudes on the part of the management of the different branches as to what their duties and obligations were to the community and to the bank itself. And it has been a matter of slow growth to get branch managers to conform to what is considered best banking practice." Hearings, Henry M. Robinson, Senate Resolution 71, February 1931, page 323.

^{2/} Albert H. Wiggin, Chairman, Chase National Bank, New York, commented on this point in 1931 as follows: "...if there was any suggestion of branch banking to the extent of the whole country, we would consider it exceedingly inadvisable, because of the difficulty and impossibility of running branches at such a distance, in a satisfactory way." Hearings, S. Res. 71, page 196.

Although the problems of personnel and management of branch banking on a broad scale as thus described are serious, they are less important with respect to branch banking on a limited basis under proper and effective public supervision.

Unwholesome Competitive Practices. - The development of branch banking in this country has come about in part in the past by the purchase and conversion of independent banks into branches of a system, and further development of branch banking will probably be along these lines. This would be particularly true if do novo establishment of branches were not allowed in places in which existing banking facilities were believed to be adequate. Every student of banking realizes that there have been unwholesome consequences connected with the bidding of several banks one against the other for independent banks to convert into branches. A system which paid too much for its branches would be under temptation to strain after earnings and load up on assets upon which large losses might have to be taken. Supervisory authorities which attempted to prevent branch systems from paying too much for banks for conversion into branches would be confronted by serious problems. The management of a small bank would resent influences tending to hold down the price which it might realize in a sale. On the other hand, if the authorities countenanced a sale at a too high price, they would be blamed for any unfortunate consequences which might eventuate.

CHAPTER VII

PROBLEMS IN THE EXTENSION OF BRANCH BANKING

The important practical problems that would have to be considered if a program were formulated for the extension of branch banking in the United States arise in connection with

- (1) the multiple jurisdictions of banking in the United States,
- (2) the relation of existing independent unit banks to banks with branches,
- (3) the extent of the area for the operation of branches,
- (4) the conditions under which a bank should be permitted to establish branches, and
- (5) the attitudes of bankers and others toward the extension of branch banking.

Problems in Connection with Legal Status of Banking. - As in the case of many other banking problems, the multiple jurisdictions of banking have been an important factor influencing the history of branch banking. Although the provisions of the original National Bank Act that were interpreted to prohibit branches were by-products of efforts to regulate the issue of bank notes before the Civil War, they were used effectively to prevent an extension of branches by national banks for over 60 years. Even the legislation in 1927 and 1933 which permitted national banks to operate branches did not give them any greater powers in a particular State than were enjoyed by State banks. In fact, in 1927 the powers were by no means as liberal as those in some States. Thus the opponents of branch banking have succeeded under the principle of "State rights in banking" in preventing Federal statutes from advancing branch banking by national banks faster than the States themselves have been willing to go. Moreover, as a result of this situation, the legislative principle has been evolved that the decision as to the extent to which branches may be operated in a

particular State should be left to that State notwithstanding the fact that the Supreme Court has consistently held that national banks are instrumentalities of the Federal Government and the States have no right to restrict their operations in any way. This, in effect, has preserved State autonomy in the operation of branches.

Illustrations of the importance of State autonomy in this connection are reflected clearly in the following statements by L. A. Andrew, formerly Superintendent of Banks in Iowa. Mr. Andrew has been an ardent defender of the principle of independent banking and of the dual banking system for many years, and he expresses the views of a considerable body of bankers. The first of these statements was made in 1932 when he criticized the branch banking provision of the Glass Bill on the grounds that it violated the rights of the States. At the time, he said,

"....Section 19 of the Glass Bill now before Congress, giving national banks of \$500,000 capital, or more, the right to establish branches in any State where they do business even if the State prohibits branch banking, is a direct attack on the sovereignty of our States and an attempt to override the expressed will of the people of the individual States by national legislation." 1/

Again in 1934 he urged the independent bankers to prevent legislation permitting a further extension of branch banking on the grounds that it would be a destruction of State rights. He said,

"....It is apparent that a strong effort will be made at the next session of Congress to put through a law allowing branch banking by national banks, even in States that prohibit it by statute. Destruction of State rights by this method should be considered beyond the possibility of enactment, but it is going to take the unified effort of all unit bankers, both national and State, to prevent the passage of such legislation." 2/

1/ Address on "State Banks and Their Important Field of Service," The Commercial and Financial Chronicle, American Bankers Convention, October 22, 1932, page 52.

2/ Address on "The Future of the Unit Bank," Proceedings of the Missouri Bankers Association, May 1934, page 99.

Thus if a Federal program should attempt to extend branches more widely than is now permitted, it would involve giving national banks greater powers than State banks have in some States. Such a program may be expected to arouse opposition from the independent unit bankers as in the past. An effective reply to such opposition should be that the importance of banking and of bank deposits in the national economy under present day conditions, and the responsibility of the Federal Government to the monetary organization of the country as a whole, more than justify a policy of dealing with the structure of banking as a national matter rather than of leaving it to the States to be handled on a local basis. Moreover, if branch banking continues to grow, the Federal Government would be in a position to establish effectively uniform standards for the evolution and development of a sound structure of branch banking.

Relation of Existing Independent Unit Banks to Branch Banks. -

Problems associated with the relation of existing independent unit banks to banks with branches require the development of adequate safeguards against the dangers that might develop, first, from competition between national and State banks in establishing branches, second, from competition between branch banks and existing unit banks in the same place, and third, from the overestablishment of branches in particular communities.

In the event of competitive races between banks to establish branches, which could easily develop in the absence of adequate safeguards, dangers of over-banked areas and of banking abuses would arise, and they would be as serious in the long run as those that developed in communities over-banked with independent unit banks in the 1920's.

In several States the possibilities of such dangers have received attention already, and steps have been suggested to guard against them. For example, the President of the New Jersey Bankers Association said in 1934,

"...should State-wide branch banking come to pass, the possible and only logical solution, may be found in the enactment of legislation which shall provide for the mutual approval of both State and National authorities before the establishment of branches of either State or National banks in any community - and then, only after careful analyses of the normal banking needs of that community, made by the Bank Advisory Board, or some other competent and impartial authority." 1/

A similar suggestion was made in New York in 1932 by the Superintendent of Banks, Mr. Joseph A. Broderick. He said,

"...In our opinion, neither State nor National branch banks should be established except on the concurrence of the State, National and Federal Reserve authorities with the view of strengthening the banking system of the respective states." 2/

In 1933, the Banking Board of the State of New York took a position similar to that expressed by the Superintendent of Banks and adopted a resolution memorializing Congress to incorporate such provisions in the Banking Act of 1933. Again, in 1934, the Committee on Federal Legislation of the New York State Bankers Association expressed concern as to the dangers of competition in the establishment of branches and suggested the Federal Deposit Insurance Corporation as the proper agency to exercise supervision of their development. They said,

"...the approval of the F.D.I.C. should be sought by every bank seeking to establish branches. In this manner a single agency can control the rate of expansion without in any way interfering with the sovereignties of either state or national systems. It is highly probable that such a plan may help to eliminate excessive competition." 3/

1/ Carl K. Withers, Proceedings of the New Jersey Bankers Association, May 1934, p. 113.

2/ Report of Banks of Deposit and Discount, New York, 1932, p. 7.

3/ Proceedings of the Meeting of New York State Bankers Asso., 1934, p. 153.

Although experience in California and elsewhere shows that branch banking does not necessarily eliminate unit banks when the latter are properly located and operated, it is possible for abuses to result from competition between branches and existing unit banks that should be guarded against. Establishment of new branches, for example, in competition with existing institutions in smaller places would aggravate the difficulties of the situation that surrounds many small banks. The potential dangers involved in developments of this sort often have been stressed by unit bankers and in many instances their strong opposition to branch banking is due in part to them.

As safeguards against such dangers several States now permitting branch banking have adopted measures to protect existing banks. The measures that have been adopted are of three general types - (1) those that prohibit the establishment of branches except by consolidation with or absorption of existing banks, (2) those that prohibit the establishment of branches except in places without banking facilities, and (3) those that prohibit the establishment of branches except with the consent of existing banks. ^{1/} In many States, however, no such safeguards have been provided.

As an example of the measures that have been adopted to protect the unit banks, the New York statutes may be cited:

"A bank...may open and occupy a branch office or branch offices in any city or village located in the banking district in which is located its principal office, provided in no event shall a branch be opened and occupied...in a city or village in which are located one or more banks, trust companies or national banking associations except for the purpose of acquiring by merger, sale or otherwise, the business and property of one or more such banks, trust companies or national banking associations." (italics ours)

^{1/} See Appendix I for details in the different States as to the specific statutory provisions regarding these three types of measures.

Another type of safeguard is found in a few States. In the statutes of Utah, for example, it is required that:

"...no branch shall be established in any city, town or village in which is located a bank or banks...unless the bank seeking to establish such branch shall take over an existing bank or obtain the consent of all banks therein located, except that in cities of the first class, branches may be established without such consent;...No unit bank hereafter organized and operating at a point where there are other operating banks....shall be permitted to be acquired by another bank for the purpose of establishing a branch until such bank shall have been in operation as such for a period of five years." (italics ours)

The overestablishment of branches in particular communities must be as carefully checked as the excess chartering of independent unit banks. The protective measure most commonly adopted is that branches can be established only with the approval of the banking supervisory authorities. All States now permitting branches, except Georgia, South Carolina, and Tennessee, have provisions of this sort. A few States have attempted, in addition, to restrict branches to places of certain size and to limit the number of branches according to population. A more effective safeguard might be to provide by law that no additional banking office, whether unit or branch, shall be established in any place unless the public convenience and advantage require it and the community affords enough potential business to support it.

On the basis of the experience of different States with legislation, thus described, it appears to be a difficult problem to give protection by statute to unit banks against competition of branch banks, and to protect communities against over-banking. Federal statutes pertaining to the operation of branches by national banks contain no specific provisions to protect existing banks against competition of branches other than the general provision that the establishment and operation of branches must be with the approval of the Comptroller of the Currency.

Extent of the Area for Operation of Branches. - The third problem that arises in connection with a program for the extension of branch banking in the United States pertains to the extent of the geographical areas over which it is desirable to permit a bank to operate branches. A consideration of this problem with particular reference to national banks will indicate the nature of the problem itself and of the difficulties involved in finding a solution.

Various suggestions have been made from time to time as to the area within which a national bank should be allowed to operate branches. Among the suggested branch banking areas are the following, or combinations of some of them, all of which contemplate that a national bank should be allowed to establish a branch at any point within the area in which the head office of the bank is located, regardless of how that area may be described:

- (1) The entire country.
- (2) The Federal Reserve district.
- (3) The territory assigned to the head office of a Federal Reserve bank or to a branch thereof, as the case may be.
- (4) The State.
- (5) Adjoining counties, regardless of State or Federal Reserve district lines. Some suggest a proviso that the aggregate population of the head office county and of the adjoining counties must not exceed a given number of persons, e.g., 100,000, 250,000, etc.
- (6) The head office county.
- (7) Any point not more than a given number of miles from the head office of the national bank, regardless of county, State or Federal Reserve district lines. The distance suggested by some is 50 miles and by others 100 miles.

- (8) The "trade area" of the head office city, the "trade area" being left for determination by the Federal banking authorities in the case of each application for the establishment of a branch.
- (9) A statutorily defined "trade area," such as the area which is nearer to the head office city of the national bank than to any other city with a given population, e.g., 100,000, 50,000, 25,000, etc.
- (10) Any point, regardless of State or Federal Reserve district lines, within such a distance from the head office of the national bank that the counties completely included in the circular area represented by the head office as a center and the branch as the outer point would not have an aggregate population in excess of a given number of persons. The population mentioned in this connection is sometimes 100,000, sometimes 250,000, etc.

Considerations with Respect to Various Branch Banking Areas. - Nationwide branch banking in this country scarcely appears to be a practical consideration in either the near or the distant future. For one thing, decades would be required to build up management and personnel to handle a branch banking system operating in all the diverse areas of this country. Moreover, such systems would imply a degree of banking concentration which would not be generally favored.

The boundaries of Federal Reserve bank or branch zones or territories have been fixed with reference to economic and financial, and in some instances topographical, rather than political factors and are in a sense homogeneous trade areas. 1/ If an attempt were made by Federal legislation to give national banks the right to operate branches anywhere within the Federal Reserve bank or branch zone, there would be numerous possibilities for national banks to cross State lines. This, of course, would meet determined opposition, particularly from the States' rights elements. Conversely, if Federal statutes should stipulate that

1/ Branch "zones" in the St. Louis Federal Reserve district are not marked by State and county boundary lines.

an insured State bank could not operate a branch outside of the zone or territory of the Federal Reserve bank or branch, conflicts would arise in certain States which are divided as to zone or territory but in which the State law permits a State bank to operate a branch anywhere within the State. Some of the States now permitting State-wide branch banking which would raise the question are the following:

Arizona -- divided between Los Angeles and El Paso
California -- divided between San Francisco and Los Angeles
Connecticut -- divided between Boston and New York
Idaho -- divided between Spokane and Salt Lake City 1/
Michigan -- divided between Detroit, Chicago, and Minneapolis
Nevada -- divided between Salt Lake City and San Francisco
North Carolina -- divided between Richmond and Charlotte
South Carolina -- divided between Richmond and Charlotte
Washington -- divided between Portland, Spokane, and Seattle 1/

If some policy were adopted with respect to branch operation in Federal Reserve bank or branch zones or territories, it would appear that a branch operating bank should be permitted to establish an office at any point within 50 or perhaps 100 miles of the head office in order that a bank located at the edge of the zone as otherwise defined would not be prevented from serving a natural trade area which might otherwise be just outside of the zone or territory. Trade areas so defined should be large enough to provide considerable diversification of loans and deposits.

The operation of branches throughout contiguous counties would in some areas of the United States allow a national bank to serve an area with a diameter of as much as 300 miles. In other parts of the country it would mean little more than 25 miles. It is questionable whether in many parts of the country a contiguous county area would serve to provide much diversification in the banking business.

Areas defined by county boundaries or boundaries of a territory assigned to a Federal reserve bank or branch zone might vary from time to

1/ Recently the Spokane branch territory, except the city of Spokane, was reassigned to the Seattle branch.

time and raise problems. For example, if a given Federal Reserve branch were discontinued and its territory either reassigned to the head office or divided among other branches, this might bring about an important change in the field of operation of some banks. Presumably in such circumstances a bank would be permitted to retain any branches previously established no matter if they were outside the new zone limits. Similar difficulties probably would arise more frequently, though they would not be as important, in connection with changes in the boundary lines of counties. Sometimes a given county is subdivided, but more recently there has been considerable agitation for consolidating counties in the interest of more economic administration of State governments. Such consolidations would, of course, expand the business field of operations of banks located within the counties that consolidated.

Any branch banking area defined in terms of a certain distance from the head office city would raise a number of individual problems. For example, if the area were 50 miles from the head office city, a national bank located in Baltimore might operate a branch in Washington, or vice versa. Several of the largest cities in the United States are within 100 miles of another large city, for example, New York and Philadelphia, and Chicago and Milwaukee. Problems of this character might be met by allowing branches to be operated in other cities, the population of which did not exceed 25,000 or 50,000. A branch banking area limited to a distance of 50 miles from the head office city would provide little opportunity for multiple banking facilities in the sparsely settled regions of the country. It takes no account, furthermore, of the differences in accessibility. Places 50 or 100 miles apart by airline distance but separated by a mountain range are much farther apart for all practical purposes than places in the other sections that are many more miles apart.

Conditions Under Which Individual Banks Should Be Permitted to Operate Branches. - A fourth group of problems that require consideration pertain to the conditions under which an individual bank should be permitted to operate branches. They include (1) requirements as to the capital of the banks that should be authorized to operate branches and, (2) the methods by which branches should be established.

A first requirement of banks for the establishment and operation of branches is that their capital funds should be adequate to meet their responsibilities. Provisions of the present national banking statutes recognize this requirement and stipulate the minimum capital of national banks establishing branches outside the head office city and the statutes of several States likewise specify minimum capital for State banks operating branches. As they stand, however, the statutes are defective in several respects and an analysis of them will reveal some of the problems in connection with capital requirements at the present time.

Present Capital Requirements. - The National Bank Act contains two provisions which stipulate special capital requirements for banks establishing branches outside the head office city. One of these provisions fixes a minimum capital based on the population of the State and of the largest city in the State for banks establishing branches outside their head office cities. It reads as follows:

"No such (national banking) association shall establish a branch outside of the city, town, or village in which it is situated unless it has a paid-in and unimpaired capital stock of not less than \$500,000: Provided, That in States with a population of less than one million, and which have no cities located therein with a population exceeding one hundred thousand, the capital shall be not less than \$250,000: Provided, That in States with a population of less than one-half million, and which have no cities located therein with a population exceeding fifty thousand, the capital shall not be less than \$100,000."

The second provision requires the capital to be fixed also with reference to the number of branches operated and the number of places in which they are situated. It reads as follows:

"The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated."

Both of the above provisions are applicable also to State bank members of the Federal Reserve System.

The second provision of the National Bank Act quoted above has been construed to mean that a national bank operating one or more branches outside its head office city must have one "unit" of capital (that is, the same as is required for a non-branch national bank) for the head office city and for each other city in which it has one or more branches. This interpretation is consistent with the ruling that a national bank with branches only in the head office city is not required to have any more capital than one with no branches whatever.

Capital requirements for State banks operating branches vary so widely that it is difficult to generalize about them.^{1/} A survey of the applicable State laws indicates, however, that in only 14 States is there a minimum capital requirement for branch systems, apart from a requirement based on the number of branches or the amount of deposits; in only 5 of those States (Maine, Oregon, Washington, Alabama, and Connecticut) is the requirement as high as \$500,000. In 11 States the aggregate minimum capital must be the amount required to organize banks located in the head office and branch cities.

^{1/} Appendix II contains a tabulation comparing "Minimum Capital Stock and/or Surplus Required to Establish Out-of-Town Branches in Various States under State Law and under Present Provisions of Section 5155 of Revised Statutes of United States."

In about 10 States there are no statutory provisions whatever requiring additional capital to establish branches.

Effect of Present Requirements. - The present provision of the National Bank Act, that no national bank located in a State with a population of 1,000,000 or more may establish any branches outside the head office city unless it has a capital of at least \$500,000, effectively prevents the establishment of national bank facilities in small communities, even in the same county, which are deprived of all banking facilities. It does so, furthermore, in spite of the fact that, except in 5 States, State banks are not subject to such high capital requirements. In Arkansas, Iowa, and Wisconsin, State banks may establish additional "offices" for the receipt and payment of deposits without being required to increase their capital at all. In contrast, a national bank in any of these States with a capital of \$50,000 would have to increase its capital tenfold to establish a branch office in an adjoining town.

The effect of this provision of law is not so restrictive in the case of a national bank located in a State with a population of less than 1,000,000 and no city larger than 100,000, and even less restrictive in the case of a State with a population below 500,000 and no city larger than 50,000. In the latter case a national bank located in a small city and having a capital of \$100,000 may establish a branch in another small city without increasing its capital, if State banks are allowed to establish such branches. The law as it stands not only discriminates seriously against national as compared with State banks, but as between national banks which happen to be located in different States.

Of even greater immediate importance is the fact that some State banks are precluded from joining the Federal Reserve System solely by reason of the fact that State bank members may establish branches outside their head office cities only on the same terms as national banks. Furthermore, no State bank being admitted to membership may retain any such branches established after February 25, 1927, the date of the passage of the McFadden Act, unless it meets the capital requirements above referred to. In a recent case an application for membership is reported to have been dropped as soon as the restrictive provisions of law were called to the attention of the inquiring bank. A recent survey indicates that out of something over 400 nonmember banks (other than mutual savings banks) operating one or more branches outside the head office city, over 300 are ineligible for membership by reason of the special capital requirements applicable to such branch systems. This figure includes 93 banks in Iowa, mostly with only one branch office, which would have to increase their capital stock from the present aggregate amount of \$4,570,000 to an aggregate of \$46,500,000, in spite of the fact that their deposits amounted on December 31, 1935, to only \$71,000,000. In Wisconsin there are 58 nonmember banks in the same situation, in North Carolina 26, in Indiana 21, and in Virginia 18.

Some of the nonmember branch operating banks have deposits of over \$1,000,000 and would, therefore, be automatically deprived of deposit insurance after July 1, 1942, because of being ineligible for Federal Reserve membership unless the Board waived the high capital requirements. If, for example, a State bank in Iowa with a capital of \$100,000 and deposits of \$1,000,000 and operating one branch in

an adjoining small city wished to have its deposits insured after July 1, 1942, it would have to become a member of the Federal Reserve System. In order to be eligible for membership from the standpoint of capital requirements, it would have to increase its capital from \$100,000 to \$500,000 unless the Board waived the capital requirement. If the Board did waive the capital requirement and admitted the bank with a capital of only one-fifth of the minimum prescribed by law, the bank apparently could continue to operate the branch it already had, but after becoming a member bank it could not establish even one additional branch without increasing its capital to \$500,000.

Furthermore, although the Board could, under the existing provisions of law, waive the capital requirements for a bank with deposits of \$1,000,000 or more, it could not do so in the case of a bank having lower deposits. As a consequence, another bank in Iowa with a capital of \$100,000 and deposits of, say, \$500,000 and operating an out-of-city branch could not come into membership under the waiver provision; that is to say, the smaller bank would be required to have a capital of at least \$500,000 to be admitted to membership, while the larger bank might, through the exercise of the waiver by the Board, be admitted with a capital of only \$100,000.

Not only are the special capital requirements applicable to branch systems such as to render numerous nonmember banks ineligible for membership in the Federal Reserve System but these requirements also discriminate against national banks as compared with State banks, and against a national bank in a populous State as compared with a national

bank in a State with less population. These provisions, moreover, definitely make it impossible for both national and State member banks to establish branches in locations where it might be desirable to provide such facilities either de novo or in replacement of existing small banks.

Possible Modifications in Capital Requirements of Federal Law. -

Because of the inequities with respect to the capital requirements for national and State member banks which establish branches, modifications in the law have been suggested from time to time. For example, it has been proposed that the law be amended eliminating the requirements:

(1) that a national or State member bank which establishes branches outside the head office city have a minimum capital of \$500,000, \$250,000, or \$100,000, depending on the size of the State of location; and (2) that the aggregate capital of a bank and its branches shall not be less than the aggregate minimum capital required for the establishment of an equal number of national banks in the various places where the bank and its branches are located. For the provisions eliminated, the proposal would substitute the legal requirements: (1) that a bank having branches shall have capital adequate in relation to its deposit liabilities and other corporate responsibilities; and (2) that such capital shall not be less in any case than the amount required by State law of State banks operating the same number of branches in the places where the bank's branches are located.

A provision of the latter character is appropriate if the Federal Government continues its policy of permitting each State to define the extent to which national banks may operate branches within its border. If, on the other hand, the Federal Government should determine upon a

national policy with respect to branch banking, it would not be consistent to allow individual States to specify capital requirements with respect to national banks operating branches. In such a circumstance any State could effectively prevent the establishment of branches by a national bank within its boundaries by setting unreasonably high capital requirements. If Federal authorities were required to fix different capital requirements in different States because of provisions of State laws, the capital requirements would not be determined solely on the basis of adequacy.

Methods of Establishing Branches. - As has been pointed out, methods by which branches are to be established are particularly important because of the problem that arises of safeguarding existing banks. The two methods by which branches can be established are by organization de novo and by consolidation with an existing bank by purchase of assets or otherwise. National banking statutes contain no provisions as to methods by which branches may be established, but statutes in several States specify that branches can be established in certain places where there are banks only by consolidating with an existing institution. Many States, however, have no provisions regarding the methods by which branches may be established.

It would seem that problems as to the methods by which branches should be established could best be handled by leaving a decision in each case to the supervisory authorities under general legislative instructions that branches should be established only with due regard to the needs of the community for banking facilities and according to the methods most appropriate at the time and place.

Attitudes Toward Extension of Branch Banking. - Although the problems, as thus described, that would arise in the extension of branch banking do not appear to be insurmountable, it is important to bear in mind that the extent to which legislation extending branch banking can be advanced in Congress or in State legislatures has depended more in the past on the attitudes of bankers and others toward branch banking than it has on its merits as a type of banking structure. As a practical matter, therefore, it is important to study the opinions of some of the bankers and others who have expressed themselves recently. Excerpts from statements of these in recent years indicating their opinions on branch banking are given in Appendix V.

In view of the nature of the branch banking controversy, and the circumstances under which it has developed, it is extremely difficult to attempt a brief and accurate summary of the views of those who have expressed themselves with reference to the extension of branches. Yet when the situation is viewed broadly certain things appear fairly clear.

In the first place the greatest opposition up to now has come from two extreme sources - (1) country banks in smaller places and (2) large banks in metropolitan areas of New York and Chicago. Writing in 1932 Mr. Edmund Platt commented with reference to this point as follows:

"...It is somewhat amusing to find that branch banking while vociferously opposed by some country bankers has also been strongly opposed by many of the big city bankers, including New York bankers (see the testimony of Mr. Wiggin, Mr. Davison, and Mr. Mitchell before Senator Glass' Committee). The country bankers are afraid of the city banks and the city banks are afraid of the country banks. In reality, the latter have much the more reason to be afraid. Consolidation of country banks can and would take some of their big business." 1/

1/ "Branch Banking: A Reply," Journal of the American Bankers Association, August 1932, p. 64.

At the present time it appears on the basis of the statements quoted in Appendix V that opinions with reference to an extension are somewhat as follows:

1. Metropolitan bankers in New York are more favorable to an extension of branch banking within limited areas and those in Chicago are less opposed than formerly. Recent evidence, however, in Chicago is much less adequate than in New York. Some of those in New York and Chicago who formerly strongly opposed branch banking are no longer in important positions and the views of their successors appear to be different.
2. Majority opinion among group bankers appears to favor branch banking as preferable to group banking. In the West and South the larger group bankers prefer branch banking while those in the East are less favorable to branch banking.
3. Bankers in several reserve cities seem favorable to an extension of branches under proper safeguards.
4. Opinion of country bankers is divided but the opposition appears somewhat less violent than in the past. In two of the most important anti-branch banking States - Iowa and Wisconsin - modified branch bank legislation has been adopted recently to replace facilities lost through bank suspensions. In 1936, however, the anti-branch bankers, under the protection of deposit insurance, increased their efforts to regain their recently lost ground by using the organization of independent bankers to vigorously oppose branch banking.
5. Some parts of the banking press are becoming increasingly militant against the growth of branch banking and are promoting organizations among independent bankers to oppose more vigorously the further extension of branches. In one or two instances the more militant press is influenced greatly by editors known to be very antagonistic to branch banking.

6. Numerous State bankers' associations as well as special groups of unit bankers have expressed opposition to a proposal introduced in Congress in the spring of 1937 to permit national banks to operate branches over State lines. This bill, which was introduced by Senator McAdoo on May 6, 1937, would allow a national bank to establish and operate a new branch at any place within the Federal Reserve district in which such bank has its principal office, with the exception that no branch may be operated in any State unless the laws of such State authorize State banks to operate branches. The interim committee of the American Bankers Association and the president of the State Bank Division of the American Bankers Association have also expressed their opposition to this proposal. The interim committee favors the continuation of State autonomy in the extension of branch banking.

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APPENDIX I

FEDERAL AND STATE LAWS RELATING TO BRANCH BANKING

PROVISIONS OF THE NATIONAL BANK ACT, 1927-1935, AND OF
DIFFERENT DRAFTS OF THE GLASS BILL, 1932-1933, AND
BANKING ACT OF 1933 RELATING TO BRANCH BANKING

McFadden Act, 1927

Sec. 5155. The conditions upon which a national banking association may retain or establish and operate a branch or branches are the following:

(a) A national banking association may retain and operate such branch or branches as it may have in lawful operation at the date of the approval of this Act, and any national banking association which has continuously maintained and operated not more than one branch for a period of more than twenty-five years immediately preceding the approval of this Act may continue to maintain and operate such branch.

(b) If a State bank is hereafter converted into or consolidated with a national banking association, or if two or more national banking associations are consolidated, such converted or consolidated association may, with respect to any of such banks, retain and operate any of their branches which may have been in lawful operation by any bank at the date of the approval of the Act.

(c) A national banking association may, after the date of the approval of this Act, establish and operate new branches within the limits of the city, town, or village in which said association is situated if such establishment and operation are at the time permitted to State banks by the law of the State in question.

(d) No branch shall be established after the date of the approval of this Act within the limits of any city, town, or village of which the population by the last decennial census was less than twenty-five thousand. No more than one such branch may be thus established where the population, so determined, of such municipal unit does not exceed fifty thousand; and not more than two such branches where the population does not exceed one hundred thousand. In any such municipal unit where the population exceeds one hundred thousand the determination of the number of branches shall be within the discretion of the Comptroller of the Currency.

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(e) No branch of any national banking association shall be established or moved from one location to another without first obtaining the consent and approval of the Comptroller of the Currency.

(f) The term "branch" as used in this section shall be held to include any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State or Territory of the United States or in the District of Columbia at which deposits are received, or checks paid, or money lent.

(g) This section shall not be construed to amend or repeal section 25 of the Federal Reserve Act, as amended, authorizing the establishment by national banking associations of branches in foreign countries, or dependencies, or insular possessions of the United States.

(h) The words "State bank," "State banks," "bank," or "banks," as used in this section, shall be held to include trust companies, savings banks, or other such corporations or institutions carrying on the banking business under the authority of State laws.

Drafts of the Glass Bill

S. 3215

(c) A national banking association may, after the date this paragraph as amended takes effect, establish and operate new branches within the limits of the city, town, or village, or at any point within the State in which said association is situated, if such establishment and operation are at the time permitted to State banks by the law of the State in question; except that no such association shall establish a branch outside of the city, town, or village in which it is situated unless it has a paid in and unimpaired capital stock of not less than \$1,000,000. Every such association which shall establish any such branch outside of the city, town, or village in which the association is situated shall set aside for the use of that branch a total amount of capital at least equal to the minimum capital required by law for the organization of a national banking association in the place in which such branch is situated. The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national

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banking associations situated in the various places where such association and its branches are situated.

S. 4115

(c) A national banking association may, with the approval of the Federal Reserve Board, after the date this paragraph as amended takes effect, establish and operate new branches within the limits of the city, town, or village, or at any point within the State in which said association is situated, if such establishment and operation are at the time permitted to State banks by the law of the State in question: Provided, That, if by reason of the proximity of such an association to a State boundary line, the ordinary and usual business of such association is found to extend into an adjacent State, the Federal Reserve Board may permit the establishment of a branch or branches by such association in an adjacent State but not beyond a distance of fifty miles from the seat of the parent bank. No such association shall establish a branch outside of the city, town, or village in which it is situated unless it has a paid-in and unimpaired capital stock of not less than \$500,000. The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated.

S. 4412

(c) A national banking association may, with the approval of the Federal Reserve Board, establish and operate new branches within the limits of the city, town, or village, or at any point within the State in which said association is situated: Provided, That, if by reason of the proximity of such an association to a State boundary line, the ordinary and usual business of such association is found to extend into an adjacent State, the Federal Reserve Board may permit the establishment of a branch or branches by such association in an adjacent State but not beyond a distance of fifty miles from the place where the parent bank is located. No such association shall establish a branch outside of the city, town, or village in which it is situated unless it has a paid-in and unimpaired capital stock of not less than \$500,000.

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Section 5155 Revised Statutes as amended by Banking

Act of 1933 and Banking Act of 1935.

Sec. 5155. The conditions upon which a national banking association may retain or establish and operate a branch or branches are the following:

(a) A national banking association may retain and operate such branch or branches as it may have in lawful operation at the date of the approval of this Act, and any national banking association which has continuously maintained and operated not more than one branch for a period of more than twenty-five years immediately preceding the approval of this Act may continue to maintain and operate such branch.

(b) If a State bank is hereafter converted into or consolidated with a national banking association, or if two or more national banking associations are consolidated, such converted or consolidated association may, with respect to any of such banks, retain and operate any of their branches which may have been in lawful operation by any bank at the date of the approval of the Act.

(c) A national banking association may, with the approval of the Comptroller of the Currency, establish and operate new branches: (1) Within the limits of the city, town or village in which said association is situated, if such establishment and operation are at the time expressly authorized to State banks by the law of the State in question; and (2) at any point within the State in which said association is situated, if such establishment and operation are at the time authorized to State banks by the statute law of the State in question by language specifically granting such authority affirmatively and not merely by implication or recognition, and subject to the restrictions as to location imposed by the law of the State on State banks. In any State in which State banks are permitted by statute law to maintain branches within county or greater limits, if no bank is located and doing business in the place where the proposed agency is to be located, any national banking association situated in such State may, with the approval of the Comptroller of the Currency, establish and operate, without regard to the capital requirements of this section, a seasonal agency in any resort community within the limits of the county in which the main

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office of such association is located, for the purpose of receiving and paying out deposits, issuing and cashing checks and drafts, and doing business incident thereto: Provided, That any permit issued under this sentence shall be revoked upon the opening of a State or national bank in such community. Except as provided in the immediately preceding sentence, no such association shall establish a branch outside of the city, town, or village in which it is situated unless it has a paid-in and unimpaired capital stock of not less than \$500,000: Provided, That in States with a population of less than one million, and which have no cities located therein with a population exceeding one hundred thousand, the capital shall be not less than \$250,000: Provided, That in States with a population of less than one-half million, and which have no cities located therein with a population exceeding fifty thousand, the capital shall not be less than \$100,000.

(d) The aggregate capital of every national banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banking associations situated in the various places where such association and its branches are situated.

(e) No branch of any national banking association shall be established or moved from one location to another without first obtaining the consent and approval of the Comptroller of the Currency.

(f) The term "branch" as used in this section shall be held to include any branch bank, branch office, branch agency, additional office, or any branch place of business located in any State or Territory of the United States or in the District of Columbia at which deposits are received, or checks paid, or money lent.

(g) This section shall not be construed to amend or repeal section 25 of the Federal Reserve Act, as amended, authorizing the establishment by national banking associations of branches in foreign countries, or dependencies, or insular possessions of the United States.

(h) The words "State bank," "State banks," "bank," or "banks," as used in this section, shall be held to include trust companies, savings banks, or other such corporations or institutions carrying on the banking business under the authority of State laws.

SUMMARY OF STATE LAWS REQUIRING OR NOT REQUIRING THAT BANK BRANCHES OR OFFICES BE ESTABLISHED ONLY BY CONSOLIDATION OR IN PLACES WITHOUT ANOTHER BANK

June 1, 1936

States where may not be established except by consolidation	States where may not be established except in places without another bank	States where may not be established except by consolidation or in places without another bank	States without requirements as to consolidation or existence of another bank
A	B	C	D
Montana *N.J. (out-of-town for banks and trust companies) *Ohio (outside same county and outside contiguous city) 1 *Vt. (intra-city) *Va. (out-of-town places under 50,000)	Arkansas 2 *Ind. (out-of-town) Iowa 2 *Miss. (places under 3100 for branches, under 3500 for offices) *N.C. (offices) *N.Mex. (outside same county) 2 *S.D. (offices) 3 Wis. 4	*Conn. (out-of-town) Idaho 5 *Me. (outside same or adjoining counties) 6 *Mass. (out-of-town) *N.Y. (out-of-town) *Ore. (places below 50,000) *Pa. (out-of-town) 8 *S.D. (places under 15,000) 3 *Utah (cities not of "first class") 9 *Wash. (out-of-town) 10	Ala. Arizona Calif. *Conn. (intra-city) Del. D.C. Ga. *Ind. (intra-city) La. *Me. (same or adjoining counties) 6 Md. *Mass. (intra-city) 7 Mich. *Miss. (places over 3100 for branches, over 3500 for offices) Nev. *N.J. (intra-city for bks., tr.cos. and svgs. bks.) *N.Mex. (same county) 2 *N. Y. (intra-city) *N. C. (branches) *Ohio (same county or contiguous city) 1 *Ore. (places above 50,000) *Pa. (intra-city) 7 R.I. S.C. S.D. (places over 15,000) 3 Tenn. *Utah (cities of the "first class") 9 *Vt. (out-of-town) *Va. (intra-city, out-of-town places over 50,000) *Wash. (intra-city) 10 Unduplicated 13 Also in col. A 4 Also in col. B 4 Also in col. C 8 Also in cols. B&C 1 Total 30
Unduplicated 1 Also in col. D 4 Total 5	Unduplicated 3 Also in col. D 4 Also in cols. C&D 1 Total 8	Unduplicated 1 Also in col. D 8 Also in cols. B&D 1 Total 10	Unduplicated 13 Also in col. A 4 Also in col. B 4 Also in col. C 8 Also in cols. B&C 1 Total 30

(See notes on next page)

(Limitations as to size of city or area in which branches may be established not shown except to extent necessary to explain appearance of State in more than one column. The term "consolidation" is used to include merger, purchase of assets, etc. The term "office" is used to include all additional banking offices which have limited powers. States having provisions for offices are identified in footnotes. Provisions regarding Morris Plan banks and industrial banks are not shown. Certain provisions of State law are ambiguous or susceptible of different constructions, and the classifications in this summary do not necessarily represent authoritative interpretations of the various statutes.)

- * Indicates States appearing in more than one column.
- 1 May not establish outside same county or outside contiguous city, except may "maintain and operate as a branch bank" a bank, which on Jan. 1, 1935, was "affiliate" as defined in Fed. Bkg. Act 1933.
- 2 Offices only.
- 3 May not establish branch in place under 3,000 with existing bank except by consolidating with all banks in place, or in place between 3,000 and 15,000 with 2 or more banks except by consolidating with a bank. Offices also permitted but must be discontinued if bank authorized in same place.
- 4 Offices only; in place "not having adequate banking facilities", but not permitted within 4 miles of another bank or office.
- 5 May not establish in place with another bank except by consolidating with a bank or obtaining consent of all banks in place. Bank in place with other banks may not be consolidated as branch unless in operation 5 years.
- 6 May not establish outside same or adjoining counties in place where there is State bank except by taking over a unit bank or branch.
- 7 May not establish out-of-town branches except by consolidation or in place "not having commercial banking facilities."
- 8 May not establish out-of-town branches unless community is "without banking facilities or * * without banking facilities other than an institution" taken over in establishing branch.
- 9 May not establish in place with another bank except by consolidating with a bank or obtaining consent of all banks in place; but such consent not necessary "in cities of the first class". Unit bank in place with other banks may not be consolidated as branch unless in operation 5 years.
- 10 Provisions regarding mutual savings banks not clear and not covered.

SUMMARY OF STATE LAWS REGARDING SIZE OF PLACE IN WHICH BANK
BRANCHES OR OFFICES MAY BE ESTABLISHED
June 1, 1936

(Indicates only actual prohibitions based upon size of place where branch or office is to be established. Does not show mere restrictions such as restriction that branches or offices be established in places of certain size only by consolidation or where no other bank. Limitations as to area of branch banking not shown, except to extent necessary to indicate actual prohibitions based upon size of place. The term "office" is used to include all additional banking offices which have limited powers. Certain provisions of State law are ambiguous or susceptible of different constructions, and the classifications in this summary do not necessarily represent authoritative interpretations of the various statutes.)

States restricting establishment to places of certain size	States with no legislation restricting establishment to places of certain size	
Alabama 1	Arizona	Nevada
Delaware 2	Arkansas (offices)	New Mexico (offices)
Georgia 3	California	North Carolina
Indiana 4	Connecticut	Ohio
Mississippi (offices and branches) 5	District of Columbia	Oregon
New Jersey 6	Idaho	Rhode Island
New York 7	Iowa (offices)	South Carolina
Pennsylvania 8	Louisiana	South Dakota (offices and branches)
Virginia 9	Maine	Tennessee
Wisconsin (offices) 10	Maryland	Utah
	Massachusetts	Vermont
	Michigan	Washington
	Montana	
Total - 10	Total - 25	

- 1 Intra-county branches not permitted except in counties over 250,000.
- 2 Intra-city branches not permitted except in places over 100,000.
- 3 Intra-city branches not permitted except in places between 80,000 and 125,000, and in places over 200,000.
- 4 Intra-city branches not permitted except in places over 50,000.
- 5 Not clear, but apparently intra-city offices prohibited in places under 10,000, and apparently intra-city branches prohibited in places under 3,100.
- 6 Not clear, but apparently intra-city branches of banks and trust companies prohibited in places under 20,000 and intra-city branches of savings banks prohibited in places under 25,000.
- 7 Not clear, but apparently intra-city branches of banks and trust companies not permitted except in places over 50,000; apparently branches of savings banks prohibited, except that one intra-city branch permitted in "city of first class."
- 8 Not clear, but apparently intra-city branches prohibited except in "city of the first class or the second class."
- 9 Branches outside same or adjoining county not permitted in places under 50,000.
- 10 Offices only. Not clear but apparently may not establish offices outside home office trade area which is also within 25 miles of home office, except may establish in own county and also in any adjoining county under 16,000.

- 3 -
 SUMMARY OF STATE LAWS REGARDING MINIMUM CAPITAL REQUIREMENTS
 FOR ESTABLISHING BANK BRANCHES OR OFFICES
 June 1, 1936

States with minimum capital (or capital and surplus) requirements to begin
 branches or offices irrespective of requirements based on
 individual branches or offices.

States requiring \$50,000 to \$99,999	States requiring \$100,000 to \$199,999	States requiring \$200,000 to \$249,999	States requiring \$500,000 to \$999,999	States requiring \$1,000,000 and over
*Ariz. 1 *La. 2 Mont. *Nev. 3 Va. 4	*Idaho 5 *Miss. (branches) *S.D. (branches) *Utah 6	*Wash. (same county)	*Mo. (tr. cos. outside same or adjoining counties) 7 *Ore. (tr. cos. without de- posits -- outside cer- tain area or if home county over 200,000) *Wash. (outside same county)	*Ala. 8 *Conn. (bks. and trs. cos.) *Ore. (bks. -- outside cer- tain area or if home county over 200,000)
Unduplicated 2 Duplicated 3 Total 5	Unduplicated 0 Duplicated 4 Total 4	Unduplicated 0 Duplicated 1 Total 1	Unduplicated 0 Duplicated 3 Total 3	Unduplicated 0 Duplicated 3 Total 3

States requiring ag- gregate capital (or capital and surplus) necessary to organize banks in locations of head office and branches or offices	States having miscel- laneous requirements based upon individu- al branches or of- fices	States requiring capital and/or sur- plus equal to per- centage (10% unless otherwise indicated) of deposits if bank has branches or of- fices	States without ad- ditional capital re- quirements to estab- lish branches or of- fices
*Calif. (out-of-town branches of bk.) 9 *Conn. (out-of-town branches bks. or tr. cos.) *Idaho 5 Md. *Miss. (branches) Ohio 10 *Ore. Penn. 11 S. C. *S. D. (branches) * Wash.	*Ala. 8 *Ariz. 1 *Calif. (intra-city and out-of-town brs. of tr. cos.; intra- city brs. of bks.) 9 *Ind. (intra-city brs. in places over 50,000) 12 *La. 2 *Mo. (tr. cos. -- same or adjoining coun- ties) 7 Mich. 13 *Nev. 3 *N.J. (bks., tr. cos., savings banks) 14 N.Y. 15 *N.C. (branches) 16 *Utah 6	*Conn. (savings bks.) *Mass. *N.J. (sav. bks.) 14 *N.C. (brs. and of- fices) 16 *Ore. (foreign bks. with branches in State)	Ark. (offices) Del. D.C. Ga. *Ind. (except intra-city brs. in places over 50,000) 12 Iowa (offices) *Mo. (sav. bks.) 7 *Mass. (sav. bks.) *Miss. (offices) N.M. (offices) R. I. *S. D. (offices) Tenn. Vt. Wisc. (offices)
Unduplicated 4 Duplicated 7 Total 11	Unduplicated 2 Duplicated 10 Total 12	Unduplicated 0 Duplicated 5 Total 5	Unduplicated 10 Duplicated 5 Total 15

(Notes for this table on following page)

(Limitations as to area of branch banking not shown except to extent necessary to explain appearance of State in more than one column. The term "office" is used to include all additional banking offices which have limited powers. Certain provisions of State law are ambiguous or susceptible of different constructions, and the classifications in this summary do not necessarily represent authoritative interpretations of the various statutes.)

* Indicates States appearing in more than one column.

- 1 \$50,000 capital and surplus, plus \$15,000 capital and surplus for each branch.
- 2 \$50,000 capital to establish one branch, with sliding scale for additional branches until seven branches are permitted with capital between \$250,000 and \$300,000, and one additional branch for each additional \$100,000.
- 3 \$60,000 capital and surplus to establish one branch in head-office county, \$25,000 additional capital and surplus for each additional branch in head-office county and for each branch outside head-office county.
- 4 \$50,000 capital and surplus to establish intra-city branches, not clear as to other situations.
- 5 Present national bank requirements incorporated by reference. This requires aggregate capital sufficient to establish national banks in places of the home office and branches and, with present population (445,000) of Idaho and largest city therein (21,544), \$100,000 minimum capital in any event.
- 6 \$50,000 capital and \$100,000 capital and surplus; not more than one branch for each \$50,000 capital.
- 7 Trust company to establish branches in same or adjoining counties, must have capital sufficient to organize in place with a population as great as the total populations of the places where the home office and all branches are located; to establish branches outside same or adjoining counties must have \$500,000 capital. No additional capital required for brs. savings banks.
- 8 \$1,000,000 capital and surplus, plus \$250,000 capital and surplus for each branch.
- 9 To establish intra-city branches of bank or of trust company, or out-of-town branches of trust company, must have \$50,000 capital for each branch in addition to capital required to organize in place where head office is located. To establish out-of-town branches of bank, in addition to capital required to organize in place where head office is located, must have sufficient capital to organize banks in places where branches are located.
- 10 In addition to capital required to organize in place where head office is located, must have specified amount for each branch, which amount is based upon size of place where branch is located and is same as that required to organize a bank in such place.
- 11 For each branch in place under 5,000, only 50% of capital and surplus required to establish bank in that place need be added.
- 12 Not more than 1 intra-city branch in place over 50,000 permitted for each \$225,000 capital and surplus. Apparently no requirement for other branches.
- 13 Capital and surplus sufficient for a bank "in the larger of any city in which such branches or its principal office may be established."
- 14 Although not clear, apparently in addition to capital required to organize in place where head office is located, must have \$50,000 capital for each branch if a bank, \$100,000 capital for each branch if a trust company. Savings bank establishing branch must have surplus equal to 5% of deposits and, in addition, \$50,000 surplus for each branch.
- 15 Although not clear, apparently in addition to capital required to organize in place where head office is located, must have \$100,000 capital for each branch.
- 16 With \$1,000,000 capital and 50% surplus may establish any number of branches; with less must have at least \$25,000 capital for parent bank plus specified amount for each branch based on size of place where branch located. However, no bank may establish additional branches unless it maintains one to ten ratio of capital and surplus to deposits. With one to ten ratio of capital and surplus to deposits, offices may be established in places without banking facilities.

MINIMUM CAPITAL STOCK AND/OR SURPLUS REQUIRED TO
ESTABLISH OUT-OF-TOWN BRANCHES IN VARIOUS STATES
UNDER STATE LAW AND UNDER PRESENT PROVISIONS OF
SECTION 5155 OF REVISED STATUTES OF UNITED STATES.

(Limitations as to the size or population of a city or area in which a parent institution must be located before branches may be established are not shown in the following summary. The summary also does not show limitations as to the size or population of a particular city or area in which branches may be established, restrictions as to number of branches, or restrictions that branches may be established in particular places only under certain circumstances, such as by consolidation, absence of banking facilities in proposed locations of branches, etc. The amounts of capital stock and/or surplus mentioned as being required under the State laws have been determined only upon the basis of information which is available from the present records of the Board of Governors of the Federal Reserve System, and certain provisions of the State laws are ambiguous or susceptible of different constructions. Accordingly, the information as to the situation in the various States may not be currently representative in all cases and does not necessarily represent authoritative interpretations of the State statutes.)

State	Minimum capital stock and/or surplus required of nonmember banks and trust companies to establish out-of-town branch under State law.	Minimum capital stock (no surplus necessary) required of State member banks and trust companies and national banks to establish one out-of-town branch under section 5155 of Revised Statutes. <u>1/</u>
Alabama	\$1,250,000 capital stock and surplus for banks and trust companies. <u>2/</u>	\$500,000
Arizona	\$65,000 capital stock and surplus for banks and trust companies. <u>3/</u>	\$250,000
Arkansas (Branches prohibited; but out-of-town offices with limited banking functions permitted)	\$10,000 capital stock for banks; \$50,000 capital stock for trust companies. <u>4/</u>	\$500,000
California	\$100,000 "capital" for banks not transacting trust business. <u>5/</u> \$150,000 "capital" for trust companies. <u>5/</u>	\$500,000

State	Minimum capital stock and/or surplus required of nonmember banks and trust companies to establish out-of-town branch under State law.	Minimum capital stock (no surplus necessary) required of State member banks and trust companies and national banks to establish one out-of-town branch under section 5155 of Revised Statutes. <u>1/</u>
Colorado (Branches prohibited)		
Connecticut	\$1,200,000 capital stock and surplus for banks (other than savings banks) and trust companies. <u>6/</u> Surplus not less than 1/10 of deposits for savings bank to establish "one or more branches". Apparently savings banks may be organized without capital stock.	\$500,000 \$500,000
Delaware (Out-of-town branches not authorized)		
District of Columbia (Out-of-town branches not authorized)		
Florida (Branches prohibited)		
Georgia (Establishment of out-of-town branches apparently prohibited)		
Idaho	\$100,000 capital stock for banks and trust companies. <u>7/</u>	\$100,000
Illinois (Branches prohibited)		
Indiana	\$25,000 capital stock for banks and trust companies. <u>8/</u>	\$500,000
Iowa (Branches prohibited; but out-of-town offices with limited banking functions permitted)	\$10,000 capital stock for banks and trust companies. <u>9/</u>	\$500,000

State	Minimum capital stock and/or surplus required of nonmember banks and trust companies to establish out-of-town branch under State law.	Minimum capital stock (no surplus necessary) required of State member banks and trust companies and national banks to establish one out-of-town branch under section 5155 of Revised Statutes. <u>1/</u>
Kansas (Branches prohibited)		
Kentucky (Branches not authorized by law)		
Louisiana	\$50,000 capital stock for banks and trust companies. <u>10/</u>	\$500,000
Maine	\$100,000 capital stock for trust company, including one with banking powers. <u>11/</u> No additional capital stock required of savings banks and apparently savings banks may be incorporated without any capital stock.	\$250,000
Maryland	Apparently \$50,000 capital stock and \$10,000 surplus for banks. <u>12/</u> Apparently \$125,000 capital stock and \$25,000 surplus for trust companies. <u>12/</u>	\$500,000
Massachusetts	\$50,000 for trust company to establish "one or more" branches, provided its aggregate capital & surplus is not less than 1/10 of its total deposit liability. <u>13/</u> No particular amount of capital stock specified for savings banks to establish "one or more" branches, and apparently savings banks may be incorporated without any capital stock.	\$500,000
Michigan	\$200,000 capital stock and \$4,000 surplus for one or more branches of banks. <u>14/</u> Trust companies as such apparently not authorized to establish out-of-town branches.	\$500,000
Minnesota (Branches prohibited)		
Mississippi	\$125,000 for banks and trust companies. <u>15/</u>	\$500,000

State	Minimum capital stock and/or surplus required of nonmember banks and trust companies to establish out-of-town branch under State law.	Minimum capital stock (no surplus necessary) required of State member banks and trust companies and national banks to establish one out-of-town branch under section 5155 of Revised Statutes. <u>1/</u>
Pennsylvania	Apparently banks must have \$75,000 capital stock and surplus equal to 50% of <u>common</u> capital stock. <u>23/</u> Apparently trust companies must have \$150,000 capital stock and surplus equal to 50 per cent of <u>common</u> capital stock. <u>23/</u>	\$500,000
Rhode Island	No additional amount of capital stock or surplus required of banks and trust companies. Apparently, no particular amount of capital stock or surplus specified for organization of bank or trust company.	\$500,000
South Carolina	Apparently \$50,000 capital stock for banks. <u>24/</u> Trust companies apparently not authorized to establish branch banks.	\$500,000
South Dakota	Apparently \$130,000 for banks. <u>25/</u>	\$250,000
Tennessee	\$20,000 capital stock for banks. <u>26/</u> \$100,000 capital stock and apparently \$20,000 surplus for banks executing trusts. <u>26/</u>	\$500,000
Texas (Branches prohibited)		
Utah	"Paid-in capital of not less than \$50,000 and a paid-in capital and surplus of not less than \$100,000" for banks. <u>27/</u> Establishment of out-of-town branch by "loan and trust corporation" prohibited.	\$500,000
Vermont	No particular amount of capital stock or surplus required for savings banks. <u>28/</u> \$25,000 capital stock for trust companies. <u>28/</u>	\$100,000
Virginia	\$50,000 capital stock for banks and trust companies. <u>29/</u>	\$500,000
Washington	\$200,000 capital stock for banks and trust companies. <u>30/</u>	\$500,000
West Virginia (Branches prohibited)		

State	Minimum capital stock and/or surplus required of nonmember banks and trust companies to establish out-of-town branch under State law.	Minimum capital stock (no surplus necessary) required of State member banks and trust companies and national banks to establish one out-of-town branch under section 5155 of Revised Statutes. <u>1/</u>
Missouri (Branches prohibited)		
Montana	\$75,000 capital stock for banks and trust companies.	\$250,000
Nebraska (Branches prohibited)		
Nevada	\$60,000 capital stock and surplus for bank and trust company. <u>16/</u>	\$100,000
New Hampshire (Branches not authorized)		
New Jersey	\$100,000 capital stock for banks; \$200,000 capital stock for trust companies. <u>17/</u>	\$500,000
New Mexico (Branches prohibited; but agencies with limited banking functions permitted)	\$25,000 for bank, and \$100,000 for trust company. <u>18/</u>	\$100,000
New York	\$125,000 capital stock for bank; \$200,000 capital stock for trust company. <u>19/</u>	\$500,000
North Carolina	Apparently \$50,000 capital stock for banks and trust companies. <u>20/</u>	\$500,000
North Dakota (Branches not authorized)		
Ohio	\$70,000 "capital" for banks. Apparently \$135,000 "capital" for trust companies transacting only "a trust business" <u>21/</u>	\$500,000
Oklahoma (Branches not authorized)		
Oregon	Apparently \$25,000 capital stock plus \$25,000 capital stock and/or surplus for "bank or trust company." <u>22/</u>	\$500,000

State	Minimum capital stock and/or surplus required of nonmember banks and trust companies to establish out-of-town branch under State law.	Minimum capital stock (no surplus necessary) required of State member banks and trust companies and national banks to establish one out-of-town branch under section 5155 of Revised Statutes. <u>1/</u>
Wisconsin (Branches prohibited; but "receiving and paying station" with limited banking functions permitted)	\$30,000 capital stock for banks. <u>31/</u> \$50,000 capital stock for "trust company banks". <u>31/</u>	\$500,000
Wyoming (Branches not authorized)		

1/SECTION 5155 OF REVISED STATUTES. - The aggregate capital of every member bank (State and national) and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of national banks situated in the various places where such member bank and its branches are situated.

2/ALABAMA. - \$250,000 additional capital stock and surplus for each additional branch.

3/ARIZONA. - \$15,000 additional capital stock and surplus for each additional branch.

4/ARKANSAS. - No additional capital stock or surplus is required to establish out-of-town office with limited banking functions. Bank may be organized in "towns" of less than 1,500 population with capital stock of \$10,000. Trust company in "county" of less than 40,000 people may be organized with capital stock of \$50,000. A higher proportion of capital stock is required for organization if the population exceeds these figures, until a maximum of \$200,000 is required for banks in cities with 50,000 or more inhabitants, and \$100,000 for trust companies in "county" of over 50,000 population.

5/CALIFORNIA. - Bank not transacting a trust business, in addition to "capital" required to organize in place where head office is located, must have "capital" required for organization of banks in locations of branches. Trust company must have \$50,000 "capital" for each branch, in addition to "capital" required for organization in place where head office is located. Bank may be organized with capital of \$50,000 in "city or locality" in which population does not exceed 25,000 persons. Trust company may be organized with capital of \$100,000 in "city", the population of which does not exceed 100,000 persons. In larger places, a higher proportion of capital is required for organization, until a maximum of \$300,000 is required for banks in a city of over 200,000 people, and \$200,000 for trust companies in a city which has in excess of 100,000 persons.

6/CONNECTICUT. - For each branch, bank (other than savings bank) and trust company must have capital stock and surplus sufficient to operate bank or trust company in place of establishment of branch, in addition to combined capital and surplus of \$1,000,000. Bank and trust company may be organized with common capital stock of \$100,000 and surplus of \$100,000 in "towns or cities" of less than 50,000 inhabitants; for places in excess of 50,000 population a common capital of \$200,000 and a surplus of \$200,000 is required for the organization of a bank and trust company.

7/IDAHO. - State law incorporates by reference requirements of section 5155 of Revised Statutes.

8/INDIANA. - Apparently no additional capital stock or surplus is required to establish out-of-town branch. Banks and trust companies may be organized with capital stock of \$25,000 in places not exceeding 3,000 inhabitants. In larger places, a higher proportion of capital stock is required for organization, until a maximum of \$200,000 is reached for "a city or town" of more than 75,000 inhabitants.

9/IOWA. - No additional capital stock or surplus is required to establish out-of-town office with limited banking functions. Banks and trust companies may be organized with capital stock of \$10,000 in places not exceeding 3,000 population. A higher proportion of capital stock is required for organization in places with a larger population, until a maximum of \$100,000 is necessary for "cities and towns" having over 15,000 people.

10/LOUISIANA. - \$50,000 of capital stock to establish one branch, with larger sliding scale of capital stock required for additional branches, until seven branches are permitted with capital stock between \$250,000 and \$300,000. For each additional branch, \$100,000 more capital stock is necessary.

11/MAINE. - A trust company must have capital stock required for organization in place with a population as great as the total populations of the places where the home office and all branches are located. A trust company may be organized with a capital of \$50,000 in a town or city of not more than 5,000 inhabitants. Higher percentages of capital stock are required to organize a trust company in larger places, until a maximum of \$200,000 is necessary for a "town or city" of more than 30,000 inhabitants.

12/MARYLAND. - In case a bank establishes "a branch or branches" outside of the city in which it is located, the capital stock and surplus requirements for the organization of a bank "shall be complied with, by adding to the capital and surplus of the parent institution, the amount that would be required" under such requirements "if such branch or branches were separately incorporated". A bank may be organized with a capital stock of \$25,000 and a surplus of \$5,000 in places of less than 15,000 inhabitants. A higher capital stock and surplus is required for organization as the population increases, until a maximum of \$500,000 capital stock and \$100,000 surplus is necessary for a city or town of more than 150,000 population.

"In the event that any trust company hereafter establishes a branch or branches outside of the city, town or village in which it is now located, it shall add for each branch established, to its paid-in-capital the following sums and twenty per cent (20%) thereof as additional surplus"; \$25,000 in towns or villages having less than 15,000 inhabitants; \$75,000 in towns or villages having less than 15,000 and up to 50,000 inhabitants; \$100,000 in towns or cities having more than 50,000 and less than 150,000 inhabitants; and \$500,000 in cities having more than 150,000 population; "unless the surplus and paid-in-capital of such trust company is already sufficient under the present conditions of the law to provide the surplus and capital required by a trust company hereunder doing business in the city, town or village in which it may be located, and for branches in cities, towns or villages in which it proposes to establish branches".

A trust company may be organized with a capital of \$100,000 and a surplus of \$20,000 in a city or town the population of which does not exceed 25,000 inhabitants. A higher proportion of capital stock and surplus is required to incorporate in larger cities or towns, until a maximum of \$750,000 capital stock and \$150,000 surplus is necessary for a city of 250,000 or more population.

13/MASSACHUSETTS. - Trust company may be organized with capital stock of \$50,000 in "town" not exceeding 6,000 population. A higher proportion of capital stock is required in larger "city or town", until a maximum of \$200,000 is required for city or town over 50,000 people.

14/MICHIGAN. - To establish out-of-town branches, bank must have "capital and surplus of an amount sufficient *** to transact its business and maintain offices in the larger of any city in which such branches or its principal office may be established". Bank may be organized with capital stock of \$20,000 and surplus of \$4,000 in place of 1,500 or less population. A higher proportion of capital stock and surplus is required for larger places, until a maximum of \$500,000 capital and \$100,000 surplus is necessary for places over 300,000 people.

15/MISSISSIPPI. - For each branch, bank and trust company must have \$100,000 of capital stock, plus capital stock equal in "an amount not less than the minimum required capital for a unit bank in the municipality in which the branch bank shall be established". A bank or trust company may be organized with a capital of \$25,000 in a place of 6,000 or less population; a capital of \$35,000 in a place of more than 6,000 but not more than 10,000 people; and a capital of \$50,000 in places exceeding 10,000 population. Banks and trust companies may also establish out-of-town "offices" under certain circumstances "and no additional capital shall be required therefor".

16/NEVADA. - \$25,000 additional "capital and surplus" for each additional branch.

17/NEW JERSEY. - Although not clear, apparently in addition to capital stock required to incorporate, bank must have \$50,000 capital stock, and trust company \$100,000 capital stock, for each branch. Bank apparently required to have \$50,000, and trust company \$100,000, of capital stock to incorporate, regardless of location.

18/NEW MEXICO. - No additional capital stock is required for bank and trust company to establish "an Agency or Agencies" with limited banking functions. Bank and trust company, wherever located, may be organized with capital stock of \$25,000 and \$100,000, respectively.

19/NEW YORK. - Although not clear, apparently in addition to capital stock required to organize in place where head office is located, bank and trust company must have \$100,000 capital stock for each branch. Bank may be organized with capital stock of \$25,000, if located in place of 2,000 or less population. Trust company may be organized with capital stock of \$100,000, if place of its location has a population not exceeding 25,000 inhabitants. A higher proportion of capital stock is required for larger places, until the maximum requirement for banks is \$100,000, if located in place exceeding 30,000 people, and for trust companies \$500,000, if located in place with population in excess of 250,000.

20/NORTH CAROLINA. - Although not clear, apparently bank and trust company must have at least \$25,000 capital stock, plus (1) \$25,000 capital stock for each branch established in place of 3,000 or less population; (2) \$30,000 for each branch established in place of more than 3,000 but less than 10,000 population; (3) \$50,000 for each branch established in place of more than 10,000 but less than 25,000 population; (4) \$100,000 for each branch established in place with population exceeding 25,000.

21/OHIO. - In addition to "capital" required to organize in city or village where head office is located, bank must have specified amount of "capital" for each branch, which amount is based upon size of place where branch is located and is same as that required to organize a bank in such place. A bank may be organized with a "capital" of \$35,000 in a village of 5,000 or less population. A higher proportion of organization capital is required of banks in larger "towns and cities", until a maximum of \$100,000 is necessary for cities having over 25,000 inhabitants.

Although not entirely clear, apparently a trust company transacting only "a trust business", in addition to the capital required for organization (\$100,000 wherever located), must have for each branch the same additional capital specified for a bank to establish a branch in the particular location.

22/OREGON. - "Any bank or trust company" may "establish one or more" branches within the designated areas, "provided, that the unpaired capital and surplus of such bank or trust company is equal to the aggregate amount which would be required by law to organize banks in those places where the main office and branches are to be located". Apparently, no surplus is required for the organization of "banks"; but a "bank or trust company" may be organized with a "cash capital stock" of \$25,000 in cities and communities having a population of 3,000 inhabitants or less. Higher percentages of "cash capital stock" are required to organize a "bank or trust company" in larger places, until a maximum of \$200,000 of "cash capital stock" is necessary in cities and communities having a population which exceeds 50,000 inhabitants.

23/PENNSYLVANIA. - "Unimpaired capital and unimpaired surplus, respectively", of bank or trust company must not be "less than the aggregate capital and surplus, respectively, required *** for the incorporation of such number of similar institutions, as is equal to the total number of its places of business, including such branch bank". However, "if any place of business included in such total number is located or is to be located in a borough or township" of 5,000 or less population, not more than 50 per cent of "the capital and surplus, respectively, required *** need be included for such particular place of business in the aggregate capital and surplus respectively required".

A bank or a trust company may be organized in a "borough or township" of 6,000 or less persons with a capital stock of \$50,000 and \$100,000, respectively, and "a surplus equal to at least fifty per centum of its common capital". The requirements for organization are higher in larger places, until a maximum capital of \$200,000 for banks, and \$300,000 for trust companies, together with a surplus of 50 per cent of common capital, is necessary for a "city, borough or township" which has a population of more than 50,000.

24/SOUTH CAROLINA. - Although not clear, apparently bank, in addition to its then existing capital stock, must have, "for each branch established", capital stock required to organize bank in places where branches are located. A bank may be organized with a "capital" of \$25,000 in places of 3,000 or less inhabitants. Higher proportions of capital are required in larger places, until a maximum of \$100,000 is necessary for cities with more than 10,000 inhabitants.

25/SOUTH DAKOTA. - A bank must have a "capital stock of not less than the aggregate minimum capital required by law for the establishment of an equal number of banks situated in the various places where such bank and its branches are situated and not less than one hundred thousand dollars". A bank may be organized with a capital of \$15,000 in cities or towns of 1,500 or less inhabitants. In larger places, higher percentages of capital are required for the organization of a bank, until a maximum of \$50,000 is necessary for cities over 5,000 inhabitants. It is not clear whether trust companies may establish branches, but "any bank or trust company" may "establish an office" with limited banking functions, apparently without any additional capital stock or surplus.

26/TENNESSEE. - No additional capital stock or surplus is required to establish out-of-town branches. A bank as such may be organized with a capital stock of \$20,000 in towns or villages of less than 1,000 inhabitants. Higher percentages of capital stock are required in larger places for the organization of a bank as such, until a maximum of \$200,000 is necessary in towns or cities having 50,000 or more population. A bank executing trusts apparently must have a capital of at least \$100,000 "and a surplus equal to twenty per cent. of its capital stock" to organize, regardless of its location.

27/UTAH. - "No bank shall establish more than one branch for each \$50,000 of its paid in capital."

28/VERMONT. - No additional capital stock or surplus is required to establish out-of-town branches. Apparently, savings banks may be incorporated without any capital stock. Trust companies, regardless of location, may be organized with a capital stock of not less than \$25,000.

29/VIRGINIA. - No additional capital stock or surplus is required to establish out-of-town branches. A bank may be organized with a capital stock of \$50,000 in a place of 25,000 or less inhabitants. To organize a bank "in any place, the population of which exceeds twenty-five thousand inhabitants, the minimum capital stock required to issue a charter shall be increased above fifty thousand dollars in the ratio of five thousand dollars additional capital stock for each ten thousand inhabitants by which the population of such place may exceed twenty-five thousand inhabitants". A trust company, regardless of location, may be incorporated with a capital stock of at least \$50,000.

30/WASHINGTON. - The aggregate capital stock of "every bank or trust company operating branches shall at no time be less than the aggregate of the minimum capital required by law for the establishment of an equal number of banks or trust companies in the cities or towns where- in the principal office or place of business of such bank or trust company and its branches are located".

A bank may be incorporated with a capital of \$25,000 in cities of less than 5,000 population. A trust company may be incorporated with a capital of \$50,000 in cities or communities of less than 25,000 persons. Higher percentages of capital are required for the incorporation of banks and trust companies in larger places, until a maximum of \$150,000, in the case of a bank, and \$200,000, in the case of a trust company, is necessary for cities having a population of 100,000 or more.

31/WISCONSIN. - No additional capital stock or surplus is required to establish receiving and paying stations with limited banking functions. A bank may be organized with a capital of \$30,000 in towns or villages having 5,000 or less inhabitants. Higher percentages of capital stock are required for the organization of a bank in larger places, until a maximum of \$200,000 is necessary for a city having a population of 200,000 or more inhabitants. A trust company, in order to organize, must have a capital stock of not less than \$50,000 in cities of less than 100,000 inhabitants, and a capital of at least \$100,000 but not exceeding \$5,000,000 in cities of 100,000 or more inhabitants.

APPENDIX II

TABLE 1. NUMBER OF BANKS (1) AND BRANCHES OR ADDITIONAL OFFICES BY STATES

December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Total number of all banks	Number of banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
				Total	Confined to head office county	Beyond head office county in contiguous counties	Beyond head office county in noncontiguous counties
<u>I. States authorizing State-wide branch banking</u>							
Arizona	15	5	-	5	2	1	2
California	249	38	9	29	18	4	7
Connecticut	121	4	3	1	-	1	-
District of Columbia	21	11	11	-	-	-	-
Idaho	60	5	-	5	1	-	4
Maine	71	19	2	17	8	9	-
Maryland	186	23	8	15	10	4	1
Michigan	473	36	20	16	12	2	2
Nevada	10	2	-	2	1	-	1
North Carolina	214	36	3	33	11	14	8
Oregon	94	3	-	3	1	-	2
Rhode Island	23	11	3	8	6	1	1
South Carolina	104	5	1	4	1	1	2
South Dakota (3)	199	5	-	5	-	2	3
Utah	59	4	-	4	1	2	1
Vermont	76	8	-	8	5	3	-
Virginia	320	37	7	30	20	8	2
Washington	180	8	1	7	2	2	3
Total - 18	2,475	260	68	192	99	54	39

(Notes for this table on page xix.)

APPENDIX II

TABLE 1. NUMBER OF BANKS (1) AND BRANCHES OR ADDITIONAL OFFICES BY STATES (continued)
December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Total number of all banks	Number of banks operating branches or additional offices					
		Total	Confined in head office city	Outside head office city			
				Total	Confined to head office county	Beyond head office county in contiguous counties	Beyond head office county in noncontiguous counties
<u>II. States authorizing branches within limited areas</u>							
<u>States permitting branches beyond county of head office but not State-wide</u>							
Arkansas(2)	221	6	-	6	4	1	1
Iowa (2)	658	93	-	93	70	23	-
Mississippi (3)	209	21	-	21	13	6	2
Montana	120	-	-	-	-	-	-
New Mexico (2)	41	4	-	4	2	1	1
New York	762	76	64	12	7	5	-
Ohio	688	34	13	21	20	1	-
Pennsylvania	1,091	37	32	5	4	1	-
Wisconsin (2)	608	67	6	61	44	17	-
Total - 9	4,398	338	115	223	164	55	4
<u>States limiting branches to county of head office</u>							
Alabama	216	3	-	3	2	-	1
Indiana	511	30	8	22	21	1	-
Louisiana	150	26	6	20	19	-	1
Massachusetts	204	42	35	7	6	1	-
New Jersey	395	48	36	12	10	1	1
Tennessee	322	20	4	16	13	1	2
Total - 6	1,798	169	89	80	71	4	5
<u>States limiting branches to city of head office</u>							
Delaware	45	6	2	4	1	3	-
Georgia	280	9	2	7	4	2	1
Total - 2	325	15	4	11	5	5	1
Total - 17	6,521	522	208	314	240	64	10

(Notes for this table on page xix.)

APPENDIX II

TABLE 1. NUMBER OF BANKS⁽¹⁾ AND BRANCHES OR ADDITIONAL OFFICES BY STATES (continued)
December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Total number of all banks	Number of banks operating branches or additional offices					
		Total	Confined in head office city	Outside head office city			
				Total	Confined to head office county	Beyond head office county in contiguous counties	Beyond head office county in noncontiguous counties
<u>III. States prohibiting branch banking by statute</u>							
Colorado	156						
Florida	149						
Illinois	882						
Kansas	724						
Minnesota	685	2	2	-	-	-	-
Missouri	694						
Nebraska	437	2	2	-	-	-	-
Texas	884						
West Virginia	180	2	1	1	1	-	-
Total - 9	4,791	6	5	1	1	-	-
<u>IV. States with no legislation regarding branch banking</u>							
Kentucky (4)	433	14	4	10	7	3	-
New Hampshire	65	1	-	1	-	1	-
North Dakota	203	1	-	1	-	-	1
Oklahoma	405						
Wyoming	59						
Total - 5	1,165	16	4	12	7	4	1
Total - All States	14,952	804	285	519	347	122	50

(Notes for this table on page xix.)

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APPENDIX II
 TABLE 1. NUMBER OF BANKS ⁽¹⁾ AND BRANCHES OR ADDITIONAL OFFICES BY STATES (continued)
 December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Total number of all banks	Number of banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
				Total	Confined to head office county	Beyond head office county in contiguous counties	Beyond head office county in noncontiguous counties
<u>Geographic divisions of United States (Census)</u>							
New England	560	85	43	42	25	16	1
Middle Atlantic	2,248	161	132	29	21	7	1
East North Central	3,162	167	47	120	97	21	2
West North Central	3,600	103	4	99	70	25	4
South Atlantic	1,499	129	35	94	48	32	14
East South Central	1,180	58	8	50	35	10	5
West South Central	1,660	32	6	26	23	1	2
Mountain	520	20	-	20	7	4	9
Pacific	523	49	10	39	21	6	12
Total-United States	14,952	804	285	519	347	122	50
<u>Types of banks</u>							
National	5,386	181	116	65	31	12	22
State member	1,001	143	102	41	23	12	6
Nonmember	8,565	480	67	413	293	98	22
Total - State	14,952	804	285	519	347	122	50
Mutual savings	567	80	66	14	11	3	-
Private	138	4	-	4	4	-	-
All banks - United States totals	15,657	888	351	537	362	125	50

(Notes for this table on page xix.)

APPENDIX II

TABLE 1. NUMBER OF BANKS (1) AND BRANCHES OR ADDITIONAL OFFICES BY STATES (continued)
December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Number of branches or additional offices					
	Total	Head office city	Outside head office city			
			Total	Head office county	Contiguous counties	Noncontiguous counties
<u>I. States authorizing State-wide branch banking</u>						
Arizona	21	-	21	6	11	4
California	794	241	553	78	108	367
Connecticut	9	4	5	1	4	-
District of Columbia	30	30	-	-	-	-
Idaho	26	-	26	2	8	16
Maine	58	3	55	30	25	-
Maryland	76	35	41	21	14	6
Michigan	141	120	21	17	2	2
Nevada	7	1	6	2	3	1
North Carolina	89	7	82	24	34	24
Oregon	42	11	31	2	3	26
Rhode Island	38	17	21	14	4	3
South Carolina	21	3	18	1	1	16
South Dakota (3)	15	-	15	4	5	6
Utah	10	1	9	1	4	4
Vermont	12	-	12	9	3	-
Virginia	64	21	43	31	10	2
Washington	44	14	30	4	9	17
Total - 18	1,497	508	989	247	248	494

(Notes for this table on page xix.)

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APPENDIX II
 TABLE 1. NUMBER OF BANKS⁽¹⁾ AND BRANCHES OR ADDITIONAL OFFICES BY STATES (continued)
 December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Number of branches or additional offices					
	Total	Head office city	Outside head office city			
			Total	Head office county	Contiguous counties	Noncontiguous counties

II. States authorizing branches within limited areas

<u>States permitting branches beyond county of head office but not State-wide</u>						
Arkansas (2)	6	-	6	4	1	1
Iowa (2)	125	-	125	98	27	-
Mississippi (3)	40	-	40	19	13	8
Montana	-	-	-	-	-	-
New Mexico (2)	5	-	5	3	1	1
New York	606	591	15	9	6	-
Ohio	169	130	39	36	3	-
Pennsylvania	91	85	6	4	2	-
Wisconsin (2)	105	18	87	69	18	-
Total - 9	1,147	824	323	242	71	10
<u>States limiting branches to county of head office</u>						
Alabama	22	3	19	5	5	9
Indiana	47	19	28	27	1	-
Louisiana	51	23	28	25	2	1
Massachusetts	110	91	19	18	1	-
New Jersey	114	91	23	21	1	1
Tennessee	48	18	30	14	7	9
Total - 6	392	245	147	110	17	20
<u>States limiting branches to city of head office</u>						
Delaware	12	2	10	4	6	-
Georgia	24	10	14	5	2	7
Total - 2	36	12	24	9	8	7
Total - 17	1,575	1,081	494	361	96	37

(Notes for this table on page xix.)

TABLE 1

APPENDIX II
TABLE 1. NUMBER OF BANKS⁽¹⁾ AND BRANCHES OR ADDITIONAL OFFICES BY STATES (continued)
December 31, 1935

States classified according to law (June 1, 1936) regarding branch banking	Total	Number of branches or additional offices				
		Head office city	Outside head office city			
			Total	Head office county	Contiguous counties	Noncontiguous counties
<u>Geographic divisions of United States (Census)</u>						
New England	228	115	113	72	38	3
Middle Atlantic	811	767	44	34	9	1
East North Central	462	287	175	149	24	2
West North Central	149	8	141	102	32	7
South Atlantic	318	109	209	87	67	55
East South Central	140	40	100	46	28	26
West South Central	57	23	34	29	3	2
Mountain	69	2	67	14	27	26
Pacific	880	266	614	84	120	410
Total-United States	3,114	1,617	1,497	617	348	532
<u>Types of banks</u>						
National	1,329	686	643	96	115	432
State member	952	770	182	84	66	32
Nonmember	833	161	672	437	167	68
Total - State	3,114	1,617	1,497	617	348	532
Mutual savings	129	111	18	14	4	-
Private	4	-	4	4	-	-
All banks - United States totals	3,247	1,728	1,519	635	352	532

- (1) Mutual savings and private banks are excluded in State totals.
- (2) States authorizing by statute only the operation of "offices," "agencies," or "stations" for limited purposes, as distinguished from "branches."
- (3) States authorizing by statute the operation of "offices," "agencies" or "stations" for limited purposes and branches with full power.
- (4) States permitting by judicial decision the operation of "offices," "agencies," or "stations" for limited purposes.

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APPENDIX II

TABLE 1a. - NUMBER OF BANKS OPERATING BRANCHES AND NUMBER AND LOCATION OF BRANCHES BY CLASSES AND STATES, DECEMBER 31, 1935

State	Number of Banks				Number of Branches				Location of Branches											
	To- tal	Na- tion- al	State mem- ber	Non- mem- ber	To- tal	Na- tion- al	State mem- ber	Non- mem- ber	National				State member				Nonmember			
									Head of- fice	Head of- fice coun- ty	Con- tig- uous coun- ties	Non- con- tig- uous coun- ties	Head of- fice	Head of- fice coun- ty	Con- tig- uous coun- ties	Non- con- tig- uous coun- ties	Head of- fice	Head of- fice coun- ty	Con- tig- uous coun- ties	Non- con- tig- uous coun- ties
Alabama	3	1	1	1	22	6	1	15	3	3				1				1	5	9
Arizona	5	2		3	21	15		6		3	9	3						3	2	1
Arkansas	6			6	6			6										4	1	1
California	38	11	8	19	794	615	136	43	163	36	71	345	72	18	33	13	6	24	4	9
Connecticut	4	2		2	9	3		6	3								1	1	4	
Delaware	6		2	4	12		2	10					2					4	6	
Dist. of Col.	11	5	2	4	30	17	5	8	17				5				8			
Georgia	9	3	3	3	24	15	6	3	6	2		7	4	1	1			2	1	
Idaho	5	3	1	1	26	10	14	2		2	4	4			3	11			1	1
Indiana	30	5	1	24	47	5	12	30	5				12				2	27	1	
Iowa	93			93	125			125										98	27	
Kentucky	14	3	1	10	30	17	1	12	17				1				1	8	3	
Louisiana	26	5	1	20	51	27	1	23	21	3	2	1	1				1	22		
Maine	19	3	5	11	58	4	27	27	1	3				12	15		2	15	10	
Maryland	23	2	4	17	76	5	25	46	5				23		2		7	21	12	6
Massachusetts	42	18	14	10	110	60	35	15	57	3			24	11			10	4	1	
Michigan	36	11	9	16	141	53	52	36	44	7	1	1	51	1			25	9	1	1
Minnesota	2	2			6	6			6											
Mississippi	21	1		20	40	1		39		1								18	13	8
Nebraska	2	2			2	2			2											
Nevada	2	2			7	7			1	2	3	1								
New Hampshire	1	1			1	1					1									
New Jersey	48	14	22	12	114	32	58	24	24	7	1		48	9		1	19	5		
New Mexico	4			4	5			5										3	1	1
New York	76	27	35	14	606	182	379	45	176	3	3		374	4	1		41	2	2	

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APPENDIX II
**TABLE 2. LOANS AND INVESTMENTS AND DEPOSITS OF ALL BANKS AND OF BANKS OPERATING
 BRANCHES OR ADDITIONAL OFFICES BY STATES 1/
 December 31, 1935**
 (Dollar amounts in thousands of dollars)

	Loans and Investments						
	All banks	Banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
			Total	Confined to head office county	Beyond head office county in contigu- ous counties	Beyond head office county in noncon- tiguous counties	
<u>States authorizing State-wide branch banking</u>							
Arizona	42,608	28,668	-	28,668	3,980	2,069	22,619
California	3,117,079	2,630,576	406,867	2,223,709	189,983	16,235	2,017,491
Connecticut	415,136	106,161	76,560	29,601	-	29,601	-
District of Columbia	207,010	158,623	158,623	-	-	-	-
Idaho	56,044	32,103	-	32,103	749	-	31,354
Maine	171,472	67,857	7,016	60,841	19,140	41,701	-
Maryland	449,561	265,151	223,591	41,560	10,364	24,697	6,499
Michigan	858,946	564,316	455,656	108,660	97,582	3,948	7,130
Nevada	18,024	11,436	-	11,436	1,325	-	10,111
North Carolina	255,648	120,458	11,317	109,141	4,034	12,302	92,805
Oregon	185,212	135,084	-	135,084	720	-	134,364
Rhode Island	263,750	223,140	10,010	213,130	99,636	19,751	93,743
South Carolina	76,765	33,925	4,427	29,498	1,584	705	27,209
South Dakota (3)	64,734	15,210	-	15,210	-	1,876	13,334
Utah	94,354	32,562	-	32,562	7,156	12,129	13,277
Vermont	101,374	18,666	-	18,666	9,968	8,698	-
Virginia	375,422	135,440	55,211	80,229	19,130	28,960	32,139
Washington	293,517	185,103	2,721	182,382	10,367	13,237	158,778
Total - 18	7,046,656	4,764,479	1,411,999	3,352,480	475,718	215,909	2,660,853

(Notes for this table on page xxvii.)

APPENDIX II
**TABLE 2. LOANS AND INVESTMENTS AND DEPOSITS OF ALL BANKS AND OF BANKS OPERATING
 BRANCHES OR ADDITIONAL OFFICES BY STATES 1/(continued)**
 December 31, 1935
 (Dollar amounts in thousands of dollars)

	Loans and Investments						
	All banks	Banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
				Total	Confined to head office county	Beyond head office county in contigu- ous counties	Beyond head office county in noncon- tiguous counties
<u>II. States authorizing branches within limited areas</u>							
<u>States permitting branches beyond county of head office but not State-wide</u>							
Arkansas (2)	94,184	1,862	-	1,862	1,290	159	413
Iowa (2)	406,282	54,787	-	54,787	39,517	15,270	-
Mississippi (3)	113,127	15,387	-	15,387	5,386	5,529	4,472
Montana	83,864	-	-	-	-	-	-
New Mexico (2)	27,082	1,899	-	1,899	547	288	1,064
New York	10,562,224	8,725,640	8,373,026	352,614	184,778	167,836	-
Ohio	1,491,120	808,990	305,844	503,146	280,909	222,237	-
Pennsylvania	3,732,479	1,420,599	1,238,644	181,955	21,359	160,596	-
Wisconsin (2)	600,214	214,278	178,127	36,151	27,130	9,021	-
Total - 9	17,110,576	11,243,442	10,095,641	1,147,801	560,916	580,936	5,949
<u>States limiting branches to county of head office</u>							
Alabama	173,290	39,704	-	39,704	38,752	-	952
Indiana	503,969	115,430	100,352	15,078	14,471	607	-
Louisiana	255,973	162,241	146,518	15,723	13,136	-	2,587
Massachusetts	1,345,284	883,975	823,063	60,912	57,005	3,907	-
New Jersey	1,339,455	676,064	349,586	326,478	287,240	19,101	20,137
Tennessee	309,879	131,679	72,696	58,983	40,077	7,124	11,782
Total - 6	3,927,850	2,009,093	1,492,215	516,878	450,681	30,739	35,458
<u>States limiting branches to city of head office</u>							
Delaware	122,811	85,612	55,242	30,370	2,510	27,860	-
Georgia	268,898	161,336	10,521	150,815	101,345	1,605	47,865
Total - 2	391,709	246,948	65,763	181,185	103,855	29,465	47,865
Total - 17	21,430,135	13,499,483	11,653,619	1,845,864	1,115,452	641,140	89,272

(Notes for this table on page xviii.)

APPENDIX II

TABLE 2. LOANS AND INVESTMENTS AND DEPOSITS OF ALL BANKS AND OF BANKS OPERATING BRANCHES OR ADDITIONAL OFFICES BY STATES 1 (continued)

December 31, 1935

(Dollar amounts in thousands of dollars)

	Loans and Investments						
	All banks	Banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
				Total	Confined to head office county	Beyond head office county in contiguous counties	Beyond head office county in noncontiguous counties
<u>III. States prohibiting branch banking by statute</u>							
Colorado	189,313						
Florida	186,422						
Illinois	2,595,420						
Kansas	247,481						
Minnesota	630,916	191,221	191,221	-	-	-	-
Missouri	889,355						
Nebraska	220,485	10,597	10,597	-	-	-	-
Texas	779,659						
West Virginia	199,622	1,520	916	604	604	-	-
Total - 9	5,938,733	203,338	202,734	604	604	-	-
<u>IV. States with no legislation regarding branch banking</u>							
Kentucky (4)	343,287	105,865	93,838	12,027	8,309	3,718	-
New Hampshire	72,341	521	-	521	-	521	-
North Dakota	54,670	68	-	68	-	-	68
Oklahoma	253,075						
Wyoming	34,454						
Total - 5	757,827	106,454	93,838	12,616	8,309	4,239	68
Total - All States	35,173,351	18,573,754	13,362,190	5,211,564	1,600,083	861,288	2,750,193

(Notes for this table on page xxvii.)

APPENDIX II

TABLE 2. LOANS AND INVESTMENTS AND DEPOSITS OF ALL BANKS AND OF BANKS OPERATING
BRANCHES OR ADDITIONAL OFFICES BY STATES 1/(continued)

December 31, 1935

(Dollar amounts in thousands of dollars)

	Loans and Investments						
	All banks	Banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
Total	Confined to head office county			Beyond head office county in contiguous counties	Beyond head office county in noncontiguous counties		
<u>Geographic divisions</u>							
<u>of United States (Census)</u>							
New England	2,369,357	1,300,320	916,649	383,671	185,749	104,179	93,743
Middle Atlantic	15,634,158	10,822,303	9,961,256	861,047	493,377	347,533	20,13
East North Central	6,049,729	1,703,014	1,039,979	663,035	420,092	235,813	7,130
West North Central	2,513,923	271,883	201,818	70,065	39,517	17,146	13,402
South Atlantic	2,142,159	962,065	519,848	442,217	139,571	96,129	206,517
East South Central	939,583	292,635	166,534	126,101	92,524	16,371	17,206
West South Central	1,382,891	164,103	146,518	17,585	14,426	159	3,000
Mountain	545,743	106,668	-	106,668	13,757	14,486	78,425
Pacific	3,595,808	2,950,763	409,588	2,541,175	201,070	29,472	2,310,633
Total-United States	35,173,351	18,573,754	13,362,190	5,211,564	1,600,083	861,288	2,750,193
<u>Types of banks</u>							
National	18,949,650	8,602,368	5,582,354	3,020,014	659,451	151,002	2,209,561
State member	10,985,110	8,662,449	7,140,526	1,521,923	573,329	513,209	435,385
Nonmember	5,238,591	1,308,937	639,310	669,627	367,303	197,077	105,247
Total - State	35,173,351	18,573,754	13,362,190	5,211,564	1,600,083	861,288	2,750,193
Mutual savings	9,833,434	4,511,935	4,395,725	116,210	90,859	25,351	-
Private	528,331	2,684	-	2,684	2,684	-	-
All banks - United States totals	45,535,116	23,088,373	17,757,915	5,330,458	1,693,626	886,639	2,750,193

(Notes for this table on page xxvii.)

APPENDIX II
**TABLE 2. LOANS AND INVESTMENTS AND DEPOSITS OF ALL BANKS AND OF BANKS OPERATING
 BRANCHES OR ADDITIONAL OFFICES BY STATES 1/(continued)**
 December 31, 1935
 (Dollar amounts in thousands of dollars)

	Deposits						
	All banks	Banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
			Total	Confined to head office county	Beyond head office county in contigu- ous counties	Beyond head office county in noncon- tiguous counties	
I. States authorizing State-wide branch banking							
Arizona	63,758	42,346	-	42,346	9,522	3,370	29,454
California	3,537,312	2,967,261	457,651	2,509,630	240,065	18,177	2,248,388
Connecticut	508,722	142,256	103,220	39,036	-	39,036	-
District of Columbia	292,354	218,557	218,557	-	-	-	-
Idaho	80,826	42,054	-	42,054	1,038	-	41,016
Maine	187,006	71,971	7,028	64,943	19,133	45,810	-
Maryland	538,443	321,523	271,316	50,207	10,934	33,097	6,176
Michigan	1,198,510	828,833	650,615	178,218	164,499	6,016	7,703
Nevada	25,813	16,677	-	16,677	1,426	-	15,251
North Carolina	359,417	161,150	14,847	146,303	5,913	17,527	122,863
Oregon	241,694	172,397	-	172,397	1,099	-	171,298
Rhode Island	289,122	251,050	10,353	240,697	105,331	21,252	114,114
South Carolina	128,239	58,039	4,909	53,130	1,941	1,033	50,156
South Dakota (3)	83,829	22,072	-	22,072	-	2,752	19,320
Utah	136,270	45,696	-	45,696	12,172	15,860	17,664
Vermont	100,170	18,060	-	18,060	9,118	8,942	-
Virginia	489,845	200,162	91,346	108,816	21,399	42,532	44,885
Washington	382,684	239,346	3,792	235,554	15,262	19,609	200,683
Total - 18	8,644,014	5,819,470	1,833,634	3,985,836	621,852	275,013	3,088,971

(Notes for this table on page xviii.)

APPENDIX II

TABLE 2. LOANS AND INVESTMENTS AND DEPOSITS OF ALL BANKS AND OF BANKS OPERATING
BRANCHES OR ADDITIONAL OFFICES BY STATES (continued)

December 31, 1935

(Dollar amounts in thousands of dollars)

	Deposits						
	All banks	Banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
			Total	Confined to head office county	Beyond head office county in contiguous counties	Beyond head office county in noncontiguous counties	
<u>II. States authorizing branches within limited areas</u>							
<u>States permitting branches beyond county of head office but not State-wide</u>							
Arkansas (2)	144,959	3,374	-	3,374	2,642	194	538
Iowa (2)	526,879	70,846	-	70,846	51,515	19,331	-
Mississippi (3)	156,977	20,653	-	20,653	6,397	7,648	6,608
Montana	133,170	-	-	-	-	-	-
New Mexico (2)	43,967	2,808	-	2,808	1,165	366	1,277
New York	13,286,533	11,232,324	10,833,633	398,691	207,270	191,421	-
Ohio	1,898,012	1,050,119	413,287	636,832	333,656	303,176	-
Pennsylvania	4,187,856	1,717,147	1,461,772	255,375	25,022	230,353	-
Wisconsin (2)	744,172	287,124	245,431	41,693	31,641	10,052	-
Total - 9	21,122,525	14,384,395	12,954,123	1,430,272	659,308	762,541	8,423
<u>States limiting branches to county of head office</u>							
Alabama	244,240	52,893	-	52,893	50,862	-	2,031
Indiana	674,673	160,362	140,889	19,473	18,788	685	-
Louisiana	374,517	240,144	216,609	23,535	18,387	-	5,148
Massachusetts	1,761,533	1,221,932	1,143,704	78,228	74,059	4,169	-
New Jersey	1,594,346	845,347	439,831	405,516	360,245	23,046	22,225
Tennessee	432,098	177,355	96,510	80,845	55,690	9,346	15,809
Total - 6	5,081,407	2,698,033	2,037,543	660,490	578,031	37,246	45,213
<u>States limiting branches to city of head office</u>							
Delaware	131,927	95,265	63,642	31,623	2,358	29,265	-
Georgia	382,951	229,408	15,555	213,853	132,372	1,862	79,619
Total - 2	514,878	324,673	79,197	245,476	134,730	31,127	79,619
Total - 17	26,718,810	17,407,101	15,070,863	2,336,238	1,372,069	830,914	133,255

(Notes for this table on page 2014)

APPENDIX II
**TABLE 2. LOANS AND INVESTMENTS AND DEPOSITS OF ALL BANKS AND OF BANKS OPERATING
 BRANCHES OR ADDITIONAL OFFICES BY STATES 1/ (continued)**
 December 31, 1935
 (Dollar amounts in thousands of dollars)

	Deposits						
		Banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
			Total	Confined to head office county	Beyond head office county in contigu- ous counties	Beyond head office county in noncon- tiguous counties	
<u>III. States prohibiting branch banking by statute</u>							
Colorado	291,535						
Florida	269,630						
Illinois	3,541,033						
Kansas	357,624						
Minnesota	509,503	248,642	248,642	-	-	-	-
Missouri	1,296,163						
Nebraska	310,978	13,017	13,017	-	-	-	-
Texas	1,171,969						
West Virginia	246,483	1,753	1,064	689	689	-	-
Total - 9	8,325,218	263,412	262,723	689	689	-	-
<u>IV. States with no legislation regarding branch banking</u>							
Kentucky (4)	407,366	138,335	121,466	16,869	9,421	7,448	-
New Hampshire	76,124	521	-	521	-	521	-
North Dakota	71,665	131	-	131	-	-	131
Oklahoma	386,093						
Wyoming	57,679						
Total - 5	998,927	138,987	121,466	17,521	9,421	7,969	131
Total - All States	44,686,969	23,628,970	17,288,686	6,340,284	2,004,031	1,113,896	3,222,357

(Notes for this table on page xxvii.)

APPENDIX II
 TABLE 2. LOANS AND INVESTMENTS AND DEPOSITS OF ALL BANKS AND OF BANKS OPERATING
 BRANCHES OR ADDITIONAL OFFICES BY STATES 1 (continued)
 December 31, 1935
 (Dollar amounts in thousands of dollars)

	Deposits						
	All banks	Banks operating branches or additional offices					
		Total	Confined to head office city	Outside head office city			
Total	Confined to head office county			Beyond head office county in contiguous counties	Beyond head office county in noncontiguous counties		
<u>Geographic divisions of United States (Census)</u>							
New England	2,922,677	1,705,790	1,264,305	441,485	207,641	119,730	114,114
Middle Atlantic	19,068,735	13,794,818	12,735,236	1,059,582	592,537	444,820	22,225
East North Central	8,056,400	2,326,438	1,450,222	876,216	548,584	319,929	7,703
West North Central	3,486,941	354,708	261,659	93,049	51,515	22,083	19,451
South Atlantic	2,839,289	1,285,857	681,236	604,621	175,606	125,316	303,699
East South Central	1,240,681	389,236	217,976	171,260	122,370	24,442	24,448
West South Central	2,077,536	243,518	216,609	26,909	21,029	194	5,686
Mountain	833,018	149,581	-	149,581	25,323	19,596	104,662
Pacific	4,161,690	3,379,024	461,443	2,917,581	259,426	37,766	2,620,369
Total-United States	44,686,969	23,628,970	17,288,686	6,340,284	2,004,031	1,113,896	3,222,357
<u>Types of banks</u>							
National	24,801,793	11,370,521	7,716,428	3,654,093	902,932	184,533	2,566,628
State member	13,651,456	10,744,476	8,265,069	1,879,407	669,718	692,600	517,089
Nonmember	6,233,720	1,513,973	707,189	806,784	431,381	236,763	138,640
Total- State	44,686,969	23,628,970	17,288,686	6,340,284	2,004,031	1,113,896	3,222,357
Mutual savings	9,955,382	4,549,148	4,425,659	123,489	96,809	26,680	-
Private	468,213	2,748	-	2,748	2,748	-	-
All banks-United States totals	55,110,564	28,180,866	21,714,345	6,466,521	2,103,588	1,140,576	3,222,357

- (1) Mutual savings and private banks are excluded in State totals.
- (2) States authorizing by statute only the operations of "offices," "agencies," or "stations" for limited purposes, as distinguished from "branches."
- (3) States authorizing by statute the operation of "offices," "agencies" or "stations" for limited purposes and branches with full power.
- (4) States permitting by judicial decision the operation of "offices," "agencies," or "stations" for limited purposes.

APPENDIX II

TABLE 2a. - LOANS AND INVESTMENTS AND DEPOSITS OF BANKS OPERATING BRANCHES
BY CLASSES AND STATES, DECEMBER 31, 1935

(In thousands of dollars)

State	Loans and Investments				Deposits			
	Total	National	State member	Non-member	Total	National	State member	Non-member
Alabama	39,704	38,578	174	952	52,893	50,555	307	2,031
Arizona	28,668	22,250	-	6,418	42,346	32,548	-	9,798
Arkansas	1,862	-	-	1,862	3,374	-	-	3,374
California	2,630,576	1,883,470	529,587	217,519	2,967,281	2,116,869	621,348	229,064
Connecticut	106,161	59,240	-	46,921	142,256	81,274	-	60,982
Delaware	85,612	-	55,242	30,370	95,265	-	63,642	31,623
Dist. of Columbia	158,623	92,442	51,230	14,951	218,557	132,020	67,862	18,675
Georgia	161,336	148,713	11,823	800	229,408	211,330	17,016	1,062
Idaho	32,103	12,682	17,433	1,988	42,054	16,323	23,060	2,671
Indiana	115,430	57,092	25,456	32,882	160,362	84,320	30,828	45,214
Iowa	54,787	-	-	54,787	70,846	-	-	70,846
Kentucky	105,865	80,308	13,530	12,027	138,335	109,267	12,199	16,869
Louisiana	162,241	143,953	3,857	14,431	240,144	213,395	6,713	20,036
Maine	67,857	12,064	26,580	29,213	71,971	13,081	27,715	31,175
Maryland	265,151	160,604	56,311	48,236	321,523	195,311	75,734	50,478
Massachusetts	883,975	652,888	197,791	33,296	1,221,932	938,431	241,955	41,546
Michigan	564,316	353,644	148,878	61,794	828,833	558,178	189,818	80,837
Minnesota	191,221	191,221	-	-	248,642	248,642	-	-
Mississippi	15,387	1,234	-	14,153	20,653	1,340	-	19,313
Nebraska	10,597	10,597	-	-	13,017	13,017	-	-
Nevada	11,436	11,436	-	-	16,677	16,677	-	-
New Hampshire	521	521	-	-	521	521	-	-
New Jersey	676,064	209,764	348,576	117,724	845,347	280,592	421,716	143,039
New Mexico	1,899	-	-	1,899	2,808	-	-	2,808
New York	8,725,640	2,798,985	5,736,506	190,149	11,232,324	3,826,990	7,195,252	210,082
North Carolina	120,458	6,857	55,380	58,221	161,150	10,232	71,551	79,367
North Dakota	68	-	-	68	131	-	-	131

APPENDIX II

TABLE 2a. (Continued) LOANS AND INVESTMENTS AND DEPOSITS OF BANKS OPERATING BRANCHES
BY CLASSES AND STATES, DECEMBER 31, 1935

(In thousands of dollars)

State	Loans and Investments				Deposits			
	Total	National	State member	Non-member	Total	National	State member	Non-member
Ohio	808,990	307,590	452,708	48,692	1,050,119	385,598	613,740	50,781
Oregon	135,084	134,364	-	720	172,397	171,298	-	1,099
Pennsylvania	1,420,599	604,325	723,086	93,188	1,717,147	823,733	800,926	92,488
Rhode Island	223,140	43,030	113,494	66,616	251,050	50,539	135,366	65,145
South Carolina	33,925	19,841	4,427	9,657	58,039	34,946	4,909	18,184
South Dakota	15,210	15,084	-	126	22,072	21,915	-	157
Tennessee	131,679	106,367	-	25,312	177,355	143,658	-	33,697
Utah	32,562	31,558	-	1,004	45,696	44,636	-	1,060
Vermont	18,666	1,615	-	17,051	18,060	1,788	-	16,272
Virginia	135,440	75,338	38,511	21,591	200,162	122,528	53,249	24,385
Washington	185,103	171,351	11,153	2,599	239,346	218,974	17,199	3,173
West Virginia	1,520	-	-	1,520	1,753	-	-	1,753
Wisconsin	214,278	143,362	40,716	30,200	287,124	199,995	52,371	34,758
TOTAL ALL STATES	18,573,754	8,602,368	8,662,449	1,308,937	23,628,970	11,370,521	10,744,476	1,513,973

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APPENDIX II

TABLE 3. FIFTY LARGEST BANKS IN THE UNITED STATES AND THE NUMBER OF THEIR BRANCHES
DECEMBER 31, 1935

Name of bank	Location	Loans and investments	Deposits	Number of branches	Head office city	Outside head office city		
						Head office county	Outside head office county	
							Con-tiguous counties	Non-con-tiguous counties
1. Chase National Bank	New York City	\$1,350,205,404	\$2,006,550,722	38	38			
2. National City Bank of New York	New York City	1,112,111,976	1,417,709,698	73	73			
3. Guaranty Trust Company	New York City	1,112,156,000	1,435,228,000	2	2			
4. Bank of America N.T. & S.A.	San Francisco	1,068,558,650	1,148,751,997	420	43		60	317
5. Continental Ill. Nat'l Bk. & Tr. Co.	Chicago	782,115,348	1,007,332,458	--	--			
6. Bankers Trust Company	New York City	694,635,000	877,536,000	2	2			
7. First National Bank	Chicago	555,857,201	860,409,743	--	--			
8. Central Hanover Bk. & Tr. Co.	New York City	641,361,000	821,020,000	13	13			
9. First National Bank	Boston	379,437,565	575,305,299	24	24			
10. Irving Trust Company	New York City	433,667,000	591,307,000	8	8			
11. Manufacturers Trust Company	New York City	502,189,000	558,305,000	55	55			
12. Chemical Bank & Trust Company	New York City	435,747,000	525,609,000	13	13			
13. Security-First National Bank	Los Angeles	466,824,668	525,127,111	119	64	29	8	18
14. Bank of the Manhattan Company	New York City	346,282,000	483,173,000	63	63			
15. First National Bank of the City of New York	New York City	404,067,739	479,351,272	--	--			
16. J.P. Morgan and Company	New York City	*407,845,000	472,757,000	--	--			
17. Philadelphia National Bank	Philadelphia	267,241,687	403,523,696	2	2			
18. The National Bank of Detroit	Detroit	241,246,493	368,059,814	27	27			
19. New York Trust Company	New York City	314,418,000	365,458,000	2	2			
20. Cleveland Trust Company	Cleveland	223,755,000	303,176,000	54	42	9	3	
21. Northern Trust Company	Chicago	250,029,000	294,692,000	--	--			
22. Mellon National Bank	Pittsburgh	268,579,258	300,293,147	--	--			
23. Corn Exchange Bank Trust Company	New York City	203,366,000	284,443,000	73	73			
24. Union Trust Company	Pittsburgh	281,210,000	246,198,000	1	1			
25. American Trust Company	San Francisco	217,783,000	242,652,000	70	25		32	13

* Bankers Directory.

APPENDIX II (Continued)

TABLE 3. FIFTY LARGEST BANKS IN THE UNITED STATES AND THE NUMBER OF THEIR BRANCHES
DECEMBER 31, 1935

Name of bank	Location	Loans and investments	Deposits	Number of branches	Head office city	Outside head office city		
						Head office county	Outside head office county	
							Con-tiguous counties	Non-con-tiguous counties
26. Pennsylvania Co. for Insurances, etc.	Philadelphia	\$160,596,000	\$230,353,000	10	8		2	
27. Wells Fargo Bk. & Union Tr. Co.	San Francisco	190,445,000	224,531,000	1	1			
28. First National Bank	St. Louis	147,072,914	217,460,073	--	--			
29. Anglo California National Bank	San Francisco	151,075,940	185,170,764	17	9		1	7
30. Bank of New York & Trust Co.	New York City	139,918,000	180,600,000	1	1			
31. First Wisconsin National Bank	Milwaukee	131,195,879	179,982,057	13	13			
32. Harris Trust & Savings Bank	Chicago	146,397,000	188,236,000	--	--			
33. First National Bank	Baltimore	140,998,999	169,289,633	2	2			
34. National Shawmut Bank	Boston	121,228,491	169,139,134	16	16			
35. Commerce Trust Company	Kansas City	77,729,000	156,244,000	--	--			
36. San Francisco Bank	San Francisco	* 153,183,000	155,920,000	5	5			
37. Marine Trust Company	Buffalo	138,321,000	155,468,000	33	31	2		
38. Mercantile-Commerce Bk. & Tr. Co.	St. Louis	105,783,000	148,042,000	--	--			
39. Public National Bank & Trust Co.	New York City	110,073,301	134,784,150	30	30			
40. First National Bank & Trust Co.	Minneapolis	107,100,350	133,318,082	3	3			
41. Fidelity Union Trust Company	Newark	116,284,000	133,584,000	10	8	2		
42. First National Bank	St. Paul	96,252,273	132,343,061	--	--			
43. Central United National Bank	Cleveland	116,279,912	131,385,066	10	8	2		
44. Crocker First National Bank	San Francisco	112,272,730	125,760,102	--	--			
45. Seattle-First National Bank	Seattle	103,303,327	123,490,467	16	7	1	1	7
46. National City Bk. of Cleveland	Cleveland	94,921,655	122,311,674	1	1			
47. City National Bank & Trust Co.	Chicago	59,683,583	121,480,511	--	--			
48. Farmers & Merchants Nat'l Bk.	Los Angeles	107,473,147	117,112,536	--	--			
49. First National Bank	Kansas City, Mo.	69,546,894	117,041,013	--	--			
50. Northwestern Nat'l Bk. & Tr. Co.	Minneapolis	84,166,250	115,323,775	3	3			
Total 50 banks		15,941,990,634	20,462,339,055	1,230	716	45	107	362
Total banks operating branches		18,573,754,000	23,628,970,000	3,114	1,617	617	348	532
Total all banks in United States		45,477,697,000	55,170,781,000	3,247	1,728	635	352	532

* Bankers Directory.

APPENDIX III

RATIO OF LOANS TO DEPOSITS OF UNIT BANKS AND BRANCH BANKS
BY COUNTIES IN CALIFORNIA
December 31

County	Unit banks			Branch banks		
	1933	1934	1935	1933	1934	1935
Alameda	71.7	59.8	60.0	59.8	47.6	41.7
Amador	--	--	--	34.1	26.2	24.3
Butte	42.1	35.8	38.5	70.7	46.3	40.2
Calaveras	77.9	58.3	45.1	24.3	21.7	20.9
Colusa	217.1	70.7	49.1	41.2	23.7	29.6
Contra Costa	69.0	55.6	52.2	59.4	46.8	46.7
Del Norte	--	--	--	54.8	32.9	28.7
El Dorado	--	--	--	39.8	18.7	27.6
Fresno	50.2	32.8	38.7	32.0	25.6	24.8
Glenn	69.3	46.0	46.9	59.4	36.1	39.8
Humboldt	51.2	42.6	36.9	48.5	33.1	32.9
Imperial	61.9	41.9	34.5	103.0	70.4	69.4
Inyo	--	--	--	7.8	5.4	6.7
Kern	54.6	34.7	37.2	60.7	43.5	39.2
Kings	59.6	44.4	38.6	33.9	19.8	29.1
Lake	69.7	43.2	34.2	60.8	44.6	45.0
Lassen	11.3	7.1	13.6	78.7	40.2	37.2
Los Angeles	65.5	40.0	36.9	64.2	52.4	46.6
Madera	--	28.6	63.6	52.2	32.9	41.5
Marin	72.7	67.0	66.1	68.7	55.5	49.5
Mendocino	47.6	27.2	29.0	55.9	34.8	35.5
Merced	69.5	61.8	67.8	65.1	37.6	32.4
Modoc	--	--	--	103.4	35.3	40.9
Monterey	77.6	58.1	56.9	72.0	48.9	48.1
Napa	50.2	42.9	35.9	56.8	43.8	43.8
Nevada	--	--	--	16.7	13.5	14.6
Orange	94.2	54.9	51.8	69.6	31.5	32.0
Placer	47.5	35.2	30.8	63.2	36.5	38.5
Plumas	137.4	88.3	53.9	--	51.1	52.6
Riverside	69.8	45.7	44.4	69.7	51.5	48.7
Sacramento	49.3	46.2	48.2	29.4	17.5	21.7
San Benito	67.6	49.4	59.4	104.1	62.2	60.2
San Bernardino	54.3	37.6	42.5	75.1	49.6	40.6
San Diego	77.1	64.6	58.4	58.7	42.6	39.0
San Francisco	43.2	40.6	41.1	69.9	71.3	65.4
San Joaquin	72.1	53.4	53.1	67.6	42.0	43.6
San Mateo	73.2	60.5	55.0	89.9	69.6	64.3
San Luis Obispo	69.6	52.9	50.4	56.2	41.5	36.3
Santa Barbara	47.3	37.6	33.5	58.8	48.3	41.7

APPENDIX III (Continued)

RATIO OF LOANS TO DEPOSITS OF UNIT BANKS AND BRANCH BANKS
BY COUNTIES IN CALIFORNIA
December 31

County	Unit banks			Branch banks		
	1933	1934	1935	1933	1934	1935
Santa Clara	61.5	47.2	43.9	80.2	59.3	54.9
Santa Cruz	73.1	56.6	54.4	51.6	38.9	35.6
Shasta	52.9	--	--	31.9	26.6	25.6
Sierra	123.1	70.8	50.6	--	--	--
Siskiyou	25.5	19.4	30.0	64.2	41.9	33.8
Solano	28.0	53.1	48.1	31.1	30.6	29.8
Sonoma	67.8	65.0	76.4	59.1	48.3	44.6
Stanislaus	72.8	52.5	52.8	60.9	30.5	29.8
Sutter	--	--	--	80.5	52.8	49.4
Tehama	83.1	52.8	48.5	36.2	32.8	30.6
Tulare	79.8	49.3	51.9	51.9	25.4	32.9
Tuolumne	--	--	--	75.3	47.7	34.2
Ventura	71.6	51.7	44.6	78.1	59.8	52.6
Yola	79.2	50.4	46.8	54.3	32.3	31.6
Yuba	28.9	19.3	22.0	81.7	49.7	44.5
California	61.5	44.0	42.1	65.3	56.6	51.3

APPENDIX IV

TABLE 1. BRANCHES OR ADDITIONAL OFFICES OF BANKS OPERATING BRANCHES
SUSPENDED 1921-1936, BY THE SIZE OF TOWN OR CITY
IN WHICH BRANCHES WERE OPERATED

Branches or offices located in cities and towns having a population of -	Number of branches or additional offices				
	Total	Head office city	Outside head office city		
			Head office county	Contiguous counties	Non- contiguous counties
Under 250	61	-	45	12	4
250 - 499	86	-	63	9	14
500 - 999	113	-	68	21	24
1,000 - 2,499	110	1	49	36	24
2,500 - 2,999	20	1	7	7	5
3,000 - 4,999	38	2	14	8	14
5,000 - 5,999	6	1	1	1	3
6,000 - 9,999	21	3	4	8	6
10,000 - 24,999	33	13	5	2	13
25,000 - 49,999	39	31	3	-	5
50,000 - 99,999	85	79	3	-	3
100,000 - 499,999	219	217	2	-	-
500,000 and over	456	454	1	1	-
Total	1,287	802	265	105	115

NOTE: Mutual savings and private banks not included in this tabulation.

APPENDIX IV

TABLE 2. BRANCH-OPERATING BANKS, SUSPENDED 1921-1936, BY NUMBER OF TOWNS OR CITIES, AND COUNTIES IN WHICH BRANCHES OR ADDITIONAL OFFICES WERE OPERATED AT DATE OF SUSPENSION

Number of cities or towns	Total banks operating branches	Total number of branches or offices	Number of counties	Total banks operating branches	Total number of branches or offices
1	300	854	1	345	1,009
2	37	78	2	17	57
3	20	79	3	9	48
4	9	36	4	4	29
5	4	49	5	2	17
6	1	6	9	1	15
7	2	18	10	2	33
8	1	8	12	1	15
9	1	9	20	1	20
11	1	11	26	1	44
12	1	12			
13	1	13			
15	2	30			
20	2	40			
42	1	44			
	<u>383</u>	<u>1,287</u>		<u>383</u>	<u>1,287</u>

NOTE: Mutual savings and private banks not included in this tabulation.

APPENDIX IV

TABLE 3 BANKS OPERATING BRANCHES, ACTIVE DECEMBER 31, 1935, AND SUSPENDED 1921-1936,
BY SIZE OF LOANS AND INVESTMENTS

(Dollar amounts in thousands)

Size of banks (Banks classified according to amount of loans and investments) (000 omitted)	Banks operating branches December 31, 1935				Suspensions of banks operating branches 1921-1936				Ratio of suspended banks operating branches to all banks with branches					
	Number of banks	Number of branches	Amount of loans and investments	Amount of deposits	Number of banks	Number of branches	Amount of loans and investments	Amount of deposits	Number of banks	Number of branches	Amount of loans and investments	Amount of deposits	(Percent)	
Under 100	6	6	\$507	\$887	9	9	\$666	\$837	150.0	150.0	131.4	94.4		
100 - 149	13	13	1,644	2,454	9	9	1,202	886	69.2	69.2	73.1	36.1		
150 - 249	65	72	12,474	18,073	14	15	2,758	2,276	21.5	20.8	22.1	12.6		
250 - 499	122	148	43,832	57,827	47	56	17,522	15,552	38.5	37.8	39.9	26.9		
500 - 999	116	189	83,831	105,273	62	85	46,537	38,402	53.4	45.0	55.5	36.5		
1,000 - 1,999	75	108	103,949	125,121	50	85	74,004	63,609	66.7	78.7	71.2	50.8		
2,000 - 4,999	125	224	406,388	498,149	68	180	217,920	182,714	54.4	80.4	53.6	36.7		
5,000 - 9,999	84	203	664,819	807,241	54	143	378,294	328,576	64.3	70.4	56.9	40.7		
10,000 - 49,999	137	596	3,071,174	3,900,148	62	373	1,218,621	980,587	45.3	63.4	39.7	25.1		
50,000 and over	61	1,555	14,185,086	18,113,797	8	327	1,192,995	1,077,620	13.1	21.0	8.4	5.9		
Total	804	3,114	18,573,754	23,628,970	383	1,287	3,150,519	2,691,059	47.6	41.3	17.0	11.4		

Note:--Mutual savings and private banks not included in this tabulation.

APPENDIX IV

TABLE 4. SUSPENSIONS OF BANKS OPERATING BRANCHES OR ADDITIONAL OFFICES
1921-1936, ACCORDING TO NUMBER OF BRANCHES OPERATED

Number of branches per bank	(Dollar amounts in thousands)			
	Number of banks	Number of branches	Amount of loans and investments	Amount of deposits
1	209	209	\$ 574,204	\$ 471,896
2	65	130	255,680	199,597
3	36	108	214,729	184,646
4	27	108	271,238	192,430
5	8	40	95,228	76,850
6	4	24	64,972	51,096
7	4	28	91,914	67,529
8	3	24	34,814	28,194
9	5	45	106,100	91,586
10	1	10	23,553	20,156
11	3	33	54,691	54,203
12	1	12	14,971	12,896
13	1	13	3,509	3,676
15	2	30	23,042	22,483
16	2	32	58,210	49,167
17	1	17	57,832	30,642
18	2	36	170,186	155,007
19	1	19	47,932	44,497
20	3	60	78,104	74,000
21	1	21	189,563	194,906
39	1	39	109,856	106,103
44	1	44	17,000	23,139
58	1	58	213,403	161,000
147	1	147	379,788	373,360
Total	383	1,287	3,150,519	2,691,059

NOTE: Mutual savings and private banks not included in this tabulation.

APPENDIX IV

TABLE 5. SUSPENSIONS OF BANKS OPERATING BRANCHES OR ADDITIONAL OFFICES 1921-1936, BY SIZE OF TOWN OF LOCATION OF HEAD OFFICE

Size of town Towns classified according to popula- tion 1930 census	(Dollar amounts in thousands of dollars)			
	Number of banks	Number of branches	Amount of loans and investments	Amount of deposits
Under 250	9	11	\$ 2,067	\$ 1,987
250 - 499	7	9	2,633	2,020
500 - 999	30	33	14,683	10,634
1,000 - 2,499	42	63	31,426	27,491
2,500 - 2,999	8	11	7,031	5,343
3,000 - 4,999	34	52	30,353	26,216
5,000 - 5,999	15	21	24,850	20,226
6,000 - 9,999	16	52	35,841	31,354
10,000 - 24,999	35	104	117,048	101,398
25,000 - 49,999	22	43	100,271	77,718
50,000 - 99,999	52	171	423,429	349,158
100,000 - 499,999	51	246	809,128	670,035
500,000 and over	62	466	1,551,759	1,367,479
Total	383	1,287	3,150,519	2,691,059

NOTE: Mutual savings and private banks not included in this tabulation.

APPENDIX IV

TABLE 6. SUSPENSIONS OF BANKS OPERATING BRANCHES OR ADDITIONAL OFFICES
1921-1936, BY STATES

States classified according to law (June 1, 1936) regarding branch banking	Number of banks	Number of branches
<u>I States authorizing State-wide branch banking</u>		
Arizona	10	21
California	19	38
Connecticut	--	--
District of Columbia	3	7
Idaho	--	--
Maine	11	46
Maryland	18	97
Michigan	31	265
Nevada	--	--
North Carolina	30	76
Oregon	1	1
Rhode Island	1	3
South Carolina	16	79
South Dakota <u>1/</u>	--	--
Utah	--	--
Vermont	--	--
Virginia	12	23
Washington	<u>2</u>	<u>2</u>
Total (18)	154	658
<u>II States authorizing branches within limited areas</u>		
<u>States permitting branches beyond county of head office but not State-wide</u>		
Arkansas <u>2/</u>	3	5
Iowa <u>2/</u>	23	32
Mississippi <u>1/</u>	5	6
Montana	--	--
New Mexico <u>2/</u>	--	--
New York	20	107
Ohio	31	149
Pennsylvania	37	95
Wisconsin <u>2/</u>	<u>5</u>	<u>6</u>
Total (9)	124	400

APPENDIX IV

TABLE 6. SUSPENSIONS OF BANKS OPERATING BRANCHES OR ADDITIONAL OFFICES
1921-1936, BY STATES (Continued)

States classified according to law (June 1, 1936) regarding branch banking		Number of banks	Number of branches
<u>States limiting branches to county of head office</u>			
Alabama		4	18
Indiana		6	8
Louisiana		33	86
Massachusetts		17	33
New Jersey		17	29
Tennessee		<u>7</u>	<u>8</u>
Total (6)		84	182
<u>States limiting branches to city of head office</u>			
Delaware		--	--
Georgia		<u>17</u>	<u>38</u>
Total (2)		<u>17</u>	<u>38</u>
Total (17)		225	620
III <u>States prohibiting branch banking by statute</u>			
Colorado		--	--
Florida		--	--
Illinois		--	--
Kansas		--	--
Minnesota		--	--
Missouri		--	--
Nebraska		--	--
Texas		--	--
West Virginia		<u>--</u>	<u>--</u>
Total (9)		--	--
IV <u>States with no legislation regarding branch banking</u>			
Kentucky ^{3/}		4	9
New Hampshire		--	--
North Dakota		--	--
Oklahoma		--	--
Wyoming		<u>--</u>	<u>--</u>
Total (5)		<u>4</u>	<u>9</u>
United States	Total (49)	383	1,287

^{1/} See note 3, Appendix II, Table 1.

^{2/} See note 2, Appendix II, Table 1.

^{3/} See note 4, Appendix II, Table 1.

NOTE: Mutual savings and private banks not included in this tabulation.

APPENDIX V

Opinions of Bankers and Others Regarding Extension of
Branch Banking

Central Reserve City Bankers

New York City

George L. Harrison, President, Federal Reserve Bank of New York.

"This...implies the necessity of improving the general character of bank management through the development of some more liberal system of branch banking within appropriate areas."

Address, Meeting of American Academy of Political Science, April, 1936.

James H. Perkins, Chairman, National City Bank.

"In my own mind, I don't believe that our country ever will be prepared to spread branch banking over a large area, but I do think that an unprejudiced study brings one to the opinion that it should be permitted within restricted areas.

"It seems to me that development along these lines would be beneficial in various ways. It would provide greater diversification of risks, and, by reducing the number of independent units, facilitate cooperative action in emergencies. Economies would be accomplished in small localities where a bank is needed for accommodation, but where the business is not great enough to support an independent bank. Also, the larger units that result from branch banking would be in a better position to give bank officers broad training and to reward ability than in the case with the average bank today, thus tending to improve the general standard of bank management."

Address before the Texas Bankers Association's Convention, 1936,
Published in American Banker, June 2, 1936.

Pierre Jay, Chairman, Fidelity Trust Company.

"Like many other supporters of unit banking, I have been forced by recent events to change my views, and I now regard branch banking as the only fundamental remedy for the demonstrated weaknesses of unit banking, particularly in the smaller places. But to become an effective instrument of

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national policy branch banking should be permitted to develop under conditions most favorable to its success. These conditions involve questions of (1) area; (2) supervision; (3) competition with unit banks."

Paper presented at the meeting of the Academy of Political Science, January, 1933.

S. Sloan Colt, President, Bankers Trust Co.

"Legislation (in New York) which has already been enacted permits the development of regional systems of branches that might serve the public effectively. If more banking offices are required in the State they should be established not through the chartering of new banks, but rather by existing banks taking advantage of laws which permit branch banking within specified districts of the State."

Address, New York State Bankers Convention, June, 1936.

Francis H. Sisson, Vice President, Guaranty Trust Co.

"...I thoroughly believe in a reasonable extension of branch banking and I believe that many places with sub-standard banks would be bettered by giving those places the benefit of larger city banking through branch facilities...."

Address, American Bankers Association Convention, September 23, 1933.

George V. McLoughlin, President, Brooklyn Trust Co.

"On the controversial subject of branch banking, I think that the answer lies in a gradual extension of branch privileges. In my opinion, it would be a mistake to legalize, with one stroke of the pen, nation-wide or even state-wide branch banking where it does not now exist, since that might create

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chaotic conditions. Yet, the urgent need for new banking facilities in many communities, coupled with the fact that present banking conditions are not attractive to new capital, suggests the necessity for extension of branch banking in certain localities."

Address, American Bankers Association Convention, September 23, 1933.

Thomas W. Lamont, J. P. Morgan & Company.

"Almost all the failures early this year of small suburban banks around Chicago, and almost all the resultant threats to the general banking situation, could have been avoided if it had not been for the fact that the Illinois statutes permit no branch banking of any kind within the limits of the State. It was quite impossible under the law for the large Chicago banks to attempt to serve, through branches, the important suburbs around the city. The lessons of such a situation must be glaringly obvious to the whole country...there is no present effective method under the law by which the strong institutions in our leading financial centers can extend the benefit of their ample reserves, their experience and ordinarily careful management to weather banks in the outlying districts."

Address, Meeting of the Academy of Political Science, January, 1933.

Albert H. Wiggin, Former Chairman, The Chase National Bank.

"Every community in this country that will support a bank is well cared for already. The communities that are not provided with banking facilities are communities that cannot support a bank. We have had a very long experience in acting as correspondent of banks throughout the country, and we do not know of a case where a solvent bank has been permitted to fail from lack of accommodation from its correspondent.

"Our own preference would be not to see any extension of branch banking. If branch banking were limited to trade areas or to Federal reserve districts, it would cause, in the New York district, a competition in the buying of other

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banks in other cities, which we would dislike to see.

"...We act as the correspondent of banks from all over the country and we lend those banks from all over the country and if there was any suggestion of branch banking to the extent of the whole country we would consider it exceedingly inadvisable, because of the difficulty and impossibility of serving branches at such a distance, in a satisfactory way...."

Testimony--Hearings, S. Res. 71, January, 1931.

Benjamin M. Anderson, Jr., Economist of the Chase National Bank.

"The Glass Bill, with its deposit guaranty provisions, has undoubtedly necessitated a great modification of views with respect to the desirability and even the necessity of a very widespread extension of branch banking in the United States. It can be urged with great force that, if the banks in the financial centers are to be responsible for the deposits of banks all over the country, they should also be responsible for management and policies, and this consideration would involve a very widespread application of branch banking indeed. On the other hand, the desirability of preserving local financial independence in a country as great as ours is very real. Moreover, it is certain that a sudden, sweeping transformation of our system would involve a great many difficulties and undesirable consequences."

As a type of branch banking for New York, he expressed his opinions as follows:

"We should permit banks of certain minimum capital to establish branches in any part of the State, in cities of a certain maximum population, the maximum being set low enough to prevent a competition of New York City banks for control of other important financial centers in the State.

"I think it would be desirable to permit banks of a smaller, but still substantial, capitalization to take over, as branches, other banks within their own county or within two adjoining counties...."

Address, 40th Annual Convention, New York State Bankers Association, June, 1933.

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George W. Davison, President, Central Hanover Bank and Trust Co.

"Mr. Davison: No; I am not opposed to branch banking within definite limits. I think I am opposed to chain banking of any kind."

"The Chairman: And group banking?"

"Mr. Davison: I think it is bad and irresponsible. Branch banking within definite limits, where your head office can know the needs of a community and where the branch is in close touch with the head office, has proven to be a satisfactory form of banking."

"The Chairman: Would State-wide branch banking appeal to your judgment?"

"Mr. Davison: It would not. It would be very unfortunate. I think it would mean a remote control, which is entirely foreign to all our ideas and the theory and practice upon which this country has been built up...."

Testimony - Hearings S. Res. 71, January, 1931, p. 263.

Chicago

Melvin W. Traylor, Former Chairman, First National Bank.

"I believe in the independent unit system of banking which this country has always enjoyed. ... My conviction is that if we were to nationalize...our banking structure, that the extension of branch banking would be inevitable and that the inevitable development of that system would be...a very small number of large units which would control completely the credit facilities of this country, which I think would be extremely unfortunate."

Testimony, Hearings, S. Res. 71, February, 1931, p. 397.

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Walter Lichtenstein, Vice President, First National Bank.

"...There is no suggestion in any of this that unit banks should be forbidden and branch banking systems imposed from above, nor would I propose that we should go from one extreme to another and permit immediately nation-wide branch banking. Such developments should be gradual and in a country as large and as diversified as ours, it may be that we ought never to have a nation-wide branch banking system. Possibly branch banks should be confined to the Federal reserve districts in which the parent bank is located; possibly even confined to a single state. Unit banks where such are economically justified will always be able to meet the competition of a branch bank."

Address before National Association of Bank Auditors and Comptrollers, Louisville, Kentucky, May 8, 1936, p. 22.

Reserve City Bankers

St. Louis

W. F. Gophart, Vice President, First National Bank.

"Another thing that would help the commercial banking situation in the United States is a properly delimited system of branch banking which would, on the one hand, supply adequate banking facilities for each community and, on the other hand, reduce the present rather high expense of commercial bank operation.

"We probably still have too many individual banks in the United States, but in reducing them we should not adopt a nation-wide system of branch banking, but limit it to the industrial areas...."

Address, 40th Annual Convention, Indiana Bankers Association, May, 1936.

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Philadelphia

O. Howard Wolfe, Cashier, Philadelphia National Bank and President, Pennsylvania Bankers Association, 1933.

"My own feeling is that neither unit banking nor branch banking should be set up as a golden calf for us to worship. Personally...I am against even State-wide branch banking, let alone branch banking that would extend over the entire country. ...modified branch banking such as was proposed and stricken out of the Pennsylvania Banking Code, will, given good management, solve many of our problems."

Speech - Annual Convention of Pennsylvania Bankers Association, May, 1933.
Published in Financial Age, May, 1933.

Baltimore

Howard Bruce, Chairman, Baltimore Trust Co.

"Senator Glass: The Comptroller of the Currency, for example, thinks the adoption of branch banking would do something."

"Mr. Bruce: That is all right. I have no objection to that."

Testimony, Hearings, S. 4115, March, 1932, p. 477.

Charles E. Reiman, President, Western National Bank.

"If it is desirable that national banks can have state-wide branch banking in one State, it applies to all States, and if there ever was a need for branch banking it is now, which should be developed under Federal laws and not under State laws...."

Letter submitted as testimony, Hearings, S. 4115, March 22, 1932, p. 440.

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New Orleans

Rudolf S. Hecht, Chairman, Hibernia National Bank.

His position is described as follows:

"We also advocated an extension of branch banking in both state and national systems to enable strong local financial center banks to extend support to communities now lacking adequate banking facilities, but vigorously (opposed granting) national banks, regardless of state bank laws, state-wide branch powers in all states and limited inter-state branches in certain localities...."

Article, The Mississippi Banker, June, 1932.

Birmingham

Oscar Wells, Chairman, First National Bank.

"...I am rather in favor of the development of independent banks rather than the development of branch banks, but I recognize that that is not an answer to present conditions. ...I realize the conflict of interest that has arisen by the development of branch banking in some States, and by the development of group banking in others.

"...I think that most group bankers will admit that they think branch banking is desirable as against group banking."

Testimony, Hearings, S. Res. 71, February, 1931, pp. 421-422.

Jacksonville

Edward Ball, Atlantic National Bank.

"...We believe branch banking would be a good thing, either within the State or throughout the United States."

Hearings, S. 4115, March, 1932, p. 298.

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Gordon L. Groover, Vice President, Citizens Southern National Bank, Savannah.

"I do not mind telling you that I am in favor of branch banking, under certain restrictions. I think it ought to be worked out very carefully, however."

Testimony, Hearings, H. R. (10241) 11362, March and April, 1932.

Group bankers

John K. Ottley, President, First National Bank, Atlanta.

"As between group banking and branch banking under proper regulations, I have no hesitation in saying that I advocate the latter."

Testimony, Hearing, S. 4115, March, 1932, p. 317.

Robert O. Lord, President, Guardian Detroit Union Group.

"Senator Couzens: Would you be willing to abandon group banking if branch banking was permitted throughout the State?"

"Mr. Lord: Yes, sir, and we would put our banks into one institution, a national bank."

Testimony, Hearings, S. 4115, March, 1932, p. 131.

W. R. McQuaid, President, Barnett National Bank, Jacksonville.

"Holding companies were created because Federal law did not, and many states do not, permit state-wide branch banking.

"As a bank having affiliated banks in our State we would welcome the opportunity to convert these separate affiliated banks into branches and feel that other banks having affiliated banks would do likewise.

"...My preference...would be to confine it (branch banking) to State limits."

Testimony, Hearings S. 4115, March, 1932, p. 290.

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Thomas R. Preston, President, Hamilton National Bank, Chattanooga,
expressed the opinion that it will be

"all right to abolish group banking" altogether if
it were possible to turn to branch banking.

Testimony, Hearings S. 4115, March, 1932, p. 327.

George F. Rand, President, Marine Trust Company, Buffalo.

expressed the opinion that the record made by group
banks throughout the country has demonstrated the
economic soundness of the principle upon which they
have been organized and that it is doubtful if branch
banking would be a satisfactory alternative.

Hearings, S. 4115, March, 1932, pp. 480-484.

L. E. Wakefield, President, First National Bank of Minneapolis.

"I recognize that in advocating state-wide branch
banking at this time, I am departing from opinions I
expressed in my testimony before the subcommittee a year
ago. I admit that frankly. We have learned by our
experience of the last three years how much more effective
branch banking would be than group banking. I do not
think that a year ago the people in the country districts
were ready to accept branch banking, but this sentiment
has undergone a great change, and I am certain that the
majority of these people are not only no longer opposed
to branch banking but anxiously hope that it will be
accomplished with the least possible delay."

Mr. Wakefield also implied at the same time that he
made this statement that the group banking organization
with which he is connected would be willing to convert
the banks of its group into branches if permitted by law.

Testimony, Hearings, S. 4115, March, 1932, p. 341.

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B. W. Trafford, Vice Chairman, First National Bank of Boston.

"Mr. Trafford: ...I do not think it is opportune to open the country to branch banking on a large scale, at the present time.... I do not see any need for branch banking in New England."

"The Acting Chairman: He (Comptroller of the Currency) speaks of trade areas which...is a pretty indefinite term. It might be a radius of 100 miles in the East and a thousand miles in the West. But whatever that might mean, branch banking somewhat along the English line, perhaps."

"Mr. Trafford: We would like that.... Yes, in trade areas...."

"I, personally would prefer the branch-banking method (of banking). It seems to me the responsibility is more centralized (than in group or chain banking)."

Testimony, Hearings, S. Res. 71, January, 1931, pp. 243, 245, 246.

J. Cameron Thomson, Vice President, Northwest Bancorporation, Minneapolis.

"Mr. Thomson: I think that group banking, owned by the public and operated by the local people, is very much preferable to a branch...system owned by an individual or controlled by one interest, without that local interest and management."

"Senator Norbeck: You feel that the branch-bank system would have too much of a tendency to centralize?"

"Mr. Thomson: There again it depends upon management..."

"In our section of the country...we think that group banking is preferable to general branch banking in that territory."

Testimony, Hearings, S. Res. 71, p. 582.

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Chain bankers

Otto Bremer, Chairman, American National Bank of St. Paul.

"I do not think it would be a good thing for our country at large if we had branch banking all over. In a few localities it may be preferable, but as a whole I think it is un-American."

Testimony, Hearings, S. Res. 71, March, 1931, p. 627.

Country bankers

California

Richard K. Gandy, American National Bank, Santa Monica.

"The independent banker occupies a place in the community that can not successfully be replaced by the local manager of a branch or chain organization. No other business comes so close to the vital needs of every community; no one has better understanding of the people in a community or their particular problems than the local independent banker, who has his own funds invested in the bank and whose prosperity must be keyed to the community's prosperity...."

"We trust you will...take an active part...toward safeguarding the welfare of the independent bank."

Letter to Senator Hiram Johnson and included in testimony, Hearings S. Res. 71, January-March, 1931, p. 641.

Indiana

Felix M. McWhirter, President, Peoples State Bank, Indianapolis.

Should it (Section 19 of the third draft of the Glass Bill S. 4412) "become effective through legislation national banks would be permitted to establish state-wide branches in every state, regardless of the branch powers granted state banks - even, in fact, in states

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where it has been specifically declared as the public policy of the sovereign state that branch banking shall be absolutely prohibited.

"This would be as flagrant an invasion of state rights in the financial field by Federal political power as has ever been attempted.

"It would face almost unrestricted branch banking on the states regardless of local sentiment.

"It would give such competitive advantages to national over state banks as to lead definitely in the direction of a single banking system in the country in place of the present system of state and national banks."

Minority report on Referendum No. 63 on the report of the Special Committee on Banking, Part II, Chamber of Commerce of the United States, December 9, 1932.

Iowa

L. L. Andrew, Vice President, First Bank and Trust Co., Ottumwa.

"...Branch banking within metropolitan areas or within adjoining counties may have some foundation, but branch banking cannot extend safely beyond the intimate credit information that the officers of banks may enjoy. It is a well demonstrated fact that the loaning of a bank's money cannot be safely delegated outside the executive officers of the institution. It has also been quite fully demonstrated during the past few years that any institution with too many paying-tellers windows is seriously handicapped in time of stress."

Address, Missouri Bankers Association Meeting, May, 1934, published in the Proceedings of the Association, p. 99.

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Kansas

H. A. Bryant, President, Kansas Bankers Association, Address delivered at the annual meeting held in Kansas City, Mo., May 5-6, 1936.

"...Along this same line there is another matter that bankers should be studying and thinking about. In other states and possibly in this state, the county-seat banks, or larger banks in the other towns, have been sending an employee to neighboring towns two or three times a week to make change, cash checks and accept deposits. While this may be quite an accommodation to the small community without banking facilities, at the same time this practice involves many dangerous features. To me the first danger would be that such action might be the opening wedge for branch banking in Kansas. This is an expensive operation, and, first of all, if practiced, should be only on a profitable basis. Then the robbery hazard is involved; the question as to which banks should operate in certain localities would enter into the plan. It is not my intention to endorse or oppose this issue at this time, but it is one of those things that will be coming up in the near future and should receive careful study from all sides."

Mississippi

G. M. Williams, President, Mississippi Bankers Convention.

"I advocate branch banking limited to trade areas between fifty to one hundred miles as a means of making safe and adequate banking facilities available to communities unable to profitably support an independent bank. If such a system had been authorized in Mississippi four years ago, much of our banking difficulties since 1929 could have been avoided."

President's Annual Address, May 28, 1933, Published in the Mississippi Banker, June, 1933, pp. 3-5.

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Missouri

Charles B. Mudd, President, Missouri Bankers Association, 1932.

"The question at issue is simply whether banking... (is) to be left to state autonomy or (is) to be concentrated in one large national organization of standardized units. I favor a state regulation but would not be opposed to placing national banks on a par with state banks by giving national banks such branch privileges as state banks enjoy in any given commonwealth. In this way branch banking would remain a controllable factor within each state."

President's Annual Address, May, 1932, Published in proceedings Missouri Bankers Association.

President-elect Holderness, Missouri Bankers Association, 1933.

"Perhaps you expect me to say something on a moot question, and I have the courage to say it. I have never been in favor of group or chain banking. I have never been in favor of state-wide branch banking. I should be very regretful if anything ever happened in this state to stifle personal initiative or hamper independent banking...."

Remarks by incoming President, May, 1932, Published in proceedings of Missouri Bankers Association.

Willis W. Alexander, President, Missouri Bankers Association.

"I want to go on record here and now as being unequivocally opposed to...branch banking."

"Most American banks are community-owned institutions. The men who made the policies and operate the banks are permanent citizens. For this reason the welfare of the community is their paramount interest. As a result of this local ownership and local management of the banks, our country has developed industrially far beyond other countries which do not have this type of banking."

"The independent unit bank is threatened by attempts to extend branch banking. Shall we permit the system which has and is now contributing so largely to this development of our country

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to be strangled and smothered out of existence? Personally, my answer is no. And I am ready to wage incessant warfare for the preservation of our independent unit banking system."

President's Annual Address, Published in proceedings, Missouri Bankers Association. May 1935.

Pennsylvania

Charles F. Zimmerman, President, First National Bank of Huntingdon.

"With regard to this question of State's rights, I am simply astounded to think that Congress would seriously consider the proposal to grant the right for a national bank to cross State lines in so-called trade areas.... I have a wide acquaintanceship with many bankers, not only throughout the State of Pennsylvania but...throughout the nation, and I am at a loss to discover where any economic need exists for the Federal Government to grant any branch banking privilege which controvenes the autonomy of our State banking laws....

"The branch-banking privilege accorded a national bank should be on a parity with that accorded to the State bank without a single exception or deviation of any kind....

"I feel that the mere mention of state-wide branch banking in that clause (S. 4115) is a threat more or less to the future of unit banking. I do not feel that state-wide branch banking has proved its case in America."

Testimony, Hearings, S. 4115, March, 1932, pp. 305, 308, 309.

South Dakota

Arndt E. Dahl, Vice President, Citizens State Bank, Castlewood.

"Personally I am not opposed to all branch banking. I believe that limited branch banking within a large city is desirable. I believe that limited branch banking within the county would not be so bad, as it would probably be better than the cut-throat competition we had a few years ago in South Dakota. The only bad feature is that if branch banking is given a start that the areas will gradually increase."

Letter to Senator Norbeck and included in testimony, Hearings, S. Res. 71, February 1931, p. 638.

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Don W. De Vey, Farmers State Bank, Westport.

"The provision in the Glass bill restricting branch banking to those States that permit State branch banking should be sustained...."

"States rights should be held inviolate; the people in each State should have the power to say whether they want branch banking...."

Letter to Senator Norbeck and included in testimony, Hearings, S. 4115, March 1932, p. 356.

Banking press

Examples of the Journals and editors that have been particularly vocal on the question of branch banking recently are the American Banker and its Editor, Clinton B. Axford, the "Hoosier Banker" of the Indiana Bankers Association and the Northwestern Banker. Mr. Axford and the American Banker are suggesting a more effective organization of the independent bankers "on a national scale in the defense of and for the preservation of independent banking". In an address at the recent convention of Independent Bankers at St. Paul, September 5, 1936, Mr. Axford stressed the need for such an organization and said,

"an Independent Bank Division of the American Bankers Association would be a good idea."

Continuing, he pointed out that,

"When it appeared before the public, the Independent Banking Division could make it plain that it was speaking for 15,000 local banks, and local communities." 1/

1/ American Banker, September 8, 1936.

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At the same convention W. J. Bryan, Assistant Cashier of the Third National Bank of Nashville, Tennessee, urged the same thing, saying

"that a national organization of independent bankers is needed to combat the spread of branch banking in the national field."

He also pointed out

"that Tennessee bankers realized that the winning of their local fight might be fruitless if the branch bankers won on the issue of State-wide branch banking for national banks. He urged that the way to meet the issue is to adopt the methods of Nathan Bedford Forrest of the Confederate Cavalry, 'Get there fustest with the mostest men.'"

Similar ideas are reported to have been considered at other Western conventions earlier in the Summer and Spring and they were discussed at the annual convention of American Bankers in San Francisco in September.

In addition to discussing the plans as thus described for expanding its organization to oppose the extension of branch banking, the Independent Bankers Association at its meeting in St. Paul adopted the following resolution:

"WHEREAS, The Independent Bankers Association upon organization declared its aims and purposes to be, among other things, to promote the general welfare and usefulness of the unit banks, to vigorously oppose the enactment of any laws, State or national, permitting the establishment of branch banking in rural communities and to foster legislation for supervision of group banks, and whereas the members of this Association and its officers and directors have consistently since organization worked to carry out such aims and purposes,

"NOW THEREFORE, BE IT RESOLVED, That the Executive Council to be elected at this meeting is hereby instructed to continue the efforts and work along such lines by all honorable means during the coming year in such manner as they may decide is for the best interests of this Association and its members."

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In its July, 1936, issue the "Hoosier Banker" carried a long editorial under the title "Branch Banking as a Monopoly" and

"urged every unit and independent banker and business man to make a sincere and earnest appeal to every candidate for Congress on all tickets."

The "Northwestern Banker", July, 1936, also devoted considerable attention to recent developments with reference the branch banking controversy, describing and commending particularly the efforts of Frank Warner, Secretary of the Iowa Bankers Association, for his anti-branch banking work at the Convention of the American Bankers Association at New Orleans, in 1935, and implying that the controversy over the vice-presidential election at that time resulted in a victory for the independent bankers.