

Confidential

GROUP BANKING IN THE UNITED STATES

1st edition - January 25, 1937
2nd edition - September 30, 1937

CONTENTS

	<u>Page</u>
<u>Summary</u>	1
Definition	1
Development and Status	2
Recent Changes in Banking Groups	3
Regulation of Group Banking	4
Advantages and Disadvantages	4
<u>Chapter I</u> <u>Introduction</u>	7
Characteristics of Group Banking	7
Scope and Limitations of Study	10
<u>Chapter II</u> <u>Origin and Development of Group Banking</u>	12
Reasons for Formation of Groups	14
Federal Regulation of Group Banking	17
Procedure on Voting Permit Applications	22
State Laws with Regard to Bank Holding Companies	25
Ownership of Bank Stock by Banks and Trust Companies	27
<u>Chapter III</u> <u>Principal Groups - Organization and Operations</u>	30
Organization of Groups	30
Relation of Holding Company to Subsidiary Banks	33
Selected Principal Groups	36
Transamerica Corporation, San Francisco	36
Anglo National Corporation, San Francisco	45
First Security Corporation of Ogden	47
Northwest Bancorporation, Minneapolis	50
First Bank Stock Corporation, Minneapolis	54
Wisconsin Bank Shares Corporation, Milwaukee	58
BancOhio Corporation, Columbus, Ohio	62
Marine Midland Corporation, Buffalo	65
First National - Old Colony, Boston	68
Shawmut Association, Boston	71
Citizens and Southern National Bank, Savannah	73
Atlantic National Bank, Jacksonville	76

	<u>Page</u>
<u>Chapter IV</u> <u>Extent and Distribution of Group Banking</u>	79
Size of Banks in Groups	80
Size of Groups	83
Principal Banking Groups	83
Geographic Distribution of Group Banking	85
States in Which Branch Banking Is Prohibited	89
States Whose Banking Laws Contain No Provision with Respect to Branch Banking	90
States in Which Branch Banking Is Restricted to the Head Office City or County	91
States in Which Branches May Be Established Beyond the Head Office County But Not Through- out the State	92
States in Which State-wide Branch Banking Is Permitted	94
Extent of Areas of Operation	95
Intrastate Group Systems - Number of Towns and Counties Served	97
Interstate Group Systems - Number of Towns and Counties Served	97
Size of Towns in Which Banking Groups Operate	98
Branch Banking Among Groups	101
 <u>Chapter V</u> <u>Changes and Suspensions in Banking Groups</u>	 103
Decrease in Groups, 1931-1936	104
Changes in Banks in Active Groups	105
Disposition of Banking Groups	107
Disposition of Banks in Dissolved Groups	108
Suspension of Group Banks and Dissolution of Banking Groups	110
Disposition of Groups in Which Suspension Occurred	111
Suspensions of Banks in Groups, 1930-1936	112
By Geographic Area	112
By States	113
By Years	115
By Class of Bank	116
By Size of Bank	117
Disposition of Suspended Banks	119
Suspension of Individual Bank Groups	120
Banco Kentucky - Caldwell - A. B. Banks Group System	120
The Detroit Bankers Company	121
The Guardian Detroit Group, Inc.	124

	<u>Page</u>
<u>Chapter VI</u> <u>Evaluation of Group Banking As a Type of Banking Organization</u>	127
Group Banking and Branch Banking Compared	127
Group Banking and Unit Banking Compared	132
Establishment of Multiple Office Systems	133
Management and Personnel	134
Improved Credit Facilities	134
Economies in Operation	136
Assistance to Banks in Emergencies	137
Disadvantages and Dangers of Group Banking	138
Difficulties of Supervision	139
Control Through Small Amount of Investment	141
Non-banking Affiliates of Bank Holding Companies	142
Inferior to Branch Banking	143
<u>Appendix I</u> <u>Statistics of Group Banking</u>	147
Number of Group Banks by Classes, Number of Group Banks Operating Branches, Number of Branches by Location, Number of States and Cities in Which Operating, December 31, 1936	148
Loans and Investments, and Deposits of Group Banks by Class of Banks, December 31, 1936	154
Number of Banks and Branches, and Amount of Loans and Investments, and Deposits in Groups by States, December 31, 1936	159
Number, Loans and Investments, and Deposits of Group Banks Suspended 1930-1936, by Class of Bank, and by States	162
<u>Appendix II</u> <u>National and State Banks Members of the Federal Reserve System Which, According to Reports Received by the Comptroller of the Currency and the Board of Governors of the Federal Reserve System, were Controlled on March 31, 1937, by "Holding Company Affiliates" as Defined in Section 2 (c) of the Banking Act of 1933, As Amended</u>	164
<u>Appendix III</u> <u>Compilation of Federal and State Banking Laws Relating to the Acquisition of Bank or Trust Company Stock by Banks and Trust Companies and Relating to Bank Stock Holding Companies and Chain or Group Banking</u>	173

SUMMARY

Definition

Three methods may be distinguished by which the same interests operate a banking business at several different offices--branch, group, and chain systems. The term group banking designates that type of multiple office banking in which two or more independently incorporated banks are 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 a majority of the stock of two or more banks. Both of these types of multiple office banking are to be contrasted with branch banking, in which the various banking offices are part of the same legal entity. This study deals with group banking.

The structure and organization of banking groups in the United States are exceedingly diverse. The clearest cut type centers in a holding company which controls banks as well as a variety of other financial and business corporations through stock ownership. The degree of control exercised by the holding company over the subsidiary banks varies widely and most of the groups, though not all, have been organized around a key bank. Systems which are included in the statistics are those with three or more banks controlled by (1) a "holding company affiliate" as defined in section 2(c) of the Banking Act of 1933 as amended 1/; (2) by a holding company which would be a "holding company affiliate" if the Reconstruction Finance Corporation did not own preferred stock in the subsidiary banks; and (3) what is re-

1/ This definition is quoted on p. 21.

garded generally as a bank group even though there is technically no "holding company affiliate" as defined in section 2(c) of the Banking Act of 1933.

Development and Status

A few examples of group banking existed prior to 1920 but its major development occurred between 1927 and 1930, an important proportion of the principal holding companies having been incorporated during this period. The development was associated with the general business optimism and the amalgamation movement which characterized the period. An important element was the desire to obtain the advantages of multiple office operation which could not be developed in the branch form because of legal restrictions.

On December 31, 1936 there were 52 groups with 3 or more banks controlling 479 banks and 1,326 banking offices with \$5,450,000,000 of loans and investments and \$6,840,000,000 of deposits. This represents 3.2 percent of all commercial banks, 7 percent of banking offices and 14 percent of both loans and investments, and deposits of such banks. Most of the group banks are of medium or large size. The proportion of banks in groups which are small is much less than that for all commercial banks. Group banks do not serve small towns to the same relative extent as do unit banks.

Eighteen of the principal groups control 333 banks with \$3,820,000,000 of loans and investments and \$4,830,000,000 of deposits, or about 70 percent of the financial strength of the 52 groups.

Most of the banking groups operate within a single State or, at

most, within the limits of the Federal Reserve district, but there are 4 groups which operate in 2 Federal Reserve districts and 2 groups which operate in 3 Federal Reserve districts. One group operates in a total of 7 States and another group in 5 States.

The 52 bank groups controlled 69 branch operating banks with 847 branches on December 31, 1936. A large proportion of these branches is accounted for by the Bank of America N. T. & S. A., belonging to the Transamerica Corporation.

Recent Changes in Banking Groups

The short period since 1927 when the modern bank holding company emerged has been characterized by widespread difficulties for banks in the United States, and the banking groups were seriously affected by these difficulties. Many changes took place during the period in the number of active groups and in the number of banks in such groups. There were also a number of suspensions of group banks.

Official statistics for groups separate from chains were first compiled for December 31, 1931, when 97 groups controlling 978 banks were reported. From December 31, 1931 to December 31, 1936 changes in the number of active groups resulted from the addition of 9 groups and the dissolution of 55 group systems because of suspension of constituent banks, because of conversion of banks into branches of other banks in the groups, or for other reasons. Important changes within the active groups which are still in operation were due to conversions of some banks into branches, mergers between and among banks within groups, sales and disposition of group banks to outsiders, and by suspensions of individual banks. Total

suspensions of all banks in groups during 1930-1934, inclusive, amounted to 201. There were no suspensions of group banks in 1935 or 1936.

Regulation of Group Banking

Federal regulation of group banking was first attempted by the Banking Act of 1933. Holding company affiliates are required to obtain voting permits from the Board of Governors of the Federal Reserve System in order to vote the stock of member banks which they control. The Board may grant or withhold voting permits as the public interest may require and may revoke such permits in certain circumstances. No permit may be granted except upon certain conditions prescribed by the law and it is the Board's policy to prescribe additional conditions. Experience has shown that such legislation is not wholly satisfactory.

The development of group banking has presented administrative problems to State authorities also and a few States in recent years have adopted statutes attempting varying degrees of regulation of group banking and holding company affiliates. Thus far, however, the efforts of most of the States to deal directly with group banking in this way have not been extensive.

Advantages and Disadvantages

Although the modern bank holding company has existed as a recognized form of banking in the United States for only a decade, experience with it thus far has brought out some advantages over unit banking but relatively few advantages as compared with branch banking. Some general disadvantages and dangers are associated with the group form of operation. Evidence as to the disadvantages of group banking, as compared

with branch banking is found in the opinions of the majority of group bankers themselves who have expressed themselves in recent years. It appears from their statements that most of the group bankers in the West and South would distinctly favor branch banking, if it were permitted by law, while some of those in the East seem more favorable to group banking.

The proponents of group banking point out the following advantages over unit banking:

1. Through group banking some of the benefits of branch banking are provided in areas where branches are prohibited or limited by law and the establishment of branches is facilitated in States where they are permitted.
2. Better trained, more efficient, and abler management of the constituent banks is made possible through the organization of groups.
3. Better credit facilities to the business community and more satisfactory diversification of loans and investments are possible through group organizations.
4. Group banking provides more adequate facilities for formulating investment policies and for handling the investments of the banks.
5. More adequate facilities for developing and handling fiduciary banking services are made possible through groups than are possible for the banks operating individually.
6. Many operating economies to the member banks are possible through the group organizations that could not be accomplished by the units individually.
7. Through their affiliation with groups, many of the constituents obtained assistance during the banking crisis and were aided and strengthened after the crisis, and losses to their depositors were prevented.

The principal disadvantages and dangers that are felt to be inherent in group banking may be summarized as follows:

1. It is difficult to supervise and control the banks in groups and the holding companies around which groups are organized.
2. The great amount of banking funds which may be controlled by a comparatively modest amount of investment in a bank holding company is dangerous.
3. Opportunities for promotional profits to the organizers of bank stock holding companies may lead to unwholesome developments.
4. Tendency of banking groups to acquire and operate existing banks rather than to supply communities that are without banking facilities with them by the establishment of banks de novo, is an important shortcoming of the group organizations.
5. The potential dangers that characterize the extensive operations of holding companies in other fields of business enterprise are likewise present in bank holding companies.
6. A group system has an unfair advantage in expanding multiple office operations because of capital requirements in contrast with a national bank not affiliated with a group.
7. In branch banking the liabilities of every office are legal liabilities of the entire organization, so that legally the capital of the entire organization affords protection to all creditors; whereas in group banking creditors of unit banks in the group legally have recourse only to the capital of such banks. Moreover, the amount which may legally be loaned to single borrowers is smaller than would be the case in a branch banking organization supported by a single capital structure.

CHAPTER I

INTRODUCTION

Characteristics of Group Banking

Group banking and chain banking are terms used to describe types of multiple bank organizations that have been developed in the United States whereby two or more corporately independent banks are jointly owned or controlled. In general, the term group banking designates that type of multiple office banking in which two or more independently incorporated banks are owned or controlled by a corporation, business trust, association, or other similar organization. The term chain banking, on the other hand, designates that type of arrangement by which an individual or an unincorporated group of individuals owns and controls a majority of the stock of two or more banks. Branch banking as a method of multiple office banking is in contrast with group and chain banking since in a branch system there is but one legal person of which the several offices are a part.

A detailed description of some of the characteristics and features of group banking was given by Lyman E. Wakefield in the following statement filed with the Banking and Currency Committee of the House of Representatives in April 1930, regarding the operation of the First Bank Stock Corporation of Minneapolis, of which he was vice president.

"Group banking is the name that has come into common usage for this step in the evolution of the American banking system, which has developed extensively in the Northwest, prompted by a need to meet a definite change in economic conditions. Group banking is not simply chain banking under another name. Chains of banks under common ownership or common control, usually of a single individual, have existed for generations, the majority stockholder or stockholders simply exercising that natural right to supervise the operations of all the corporations in which their holdings represented controlling interests. Chain management generally reflected a single dominant individual. Group banking, on the other hand, is the association of a number of corporately independent institutions within a single holding company for mutual advantages, the group being built around one or more large banks of a territorial nature and its management resting in the hands of the banking interests of the territory served."

The banking groups which have developed in the United States have followed no standard pattern. Their structure and organization are exceedingly diverse. Certain features, more or less common to all of the groups although not necessarily found in each of them, are: (1) a holding company affiliate which owns the stock of a number of individual banks; (2) some centralized control or direction of the loans, investments, trust functions, and operating methods and policies of the banks in the group; (3) supervision through reports and examinations of the banks in the group by the holding company or its subsidiary service organization, or by interlocking officers or directors; and (4) an exchange or sale of stock, whereby the shareholders of the banks in the group surrender their bank stock for shares in the holding company or for cash payment by the holding company.

The holding company affiliate is usually operated in connection with a key bank. In many groups the holding company was organized originally by a majority of the stockholders of the key bank who ex-

changed their stock of the key bank for stock of the holding company. In several groups the holding company was owned by the same stockholders as those of the key bank, each certificate of stock of the bank bearing an endorsement representing pro rata ownership of the holding company. In other groups the holding company was organized by the stockholders of the key bank through the medium of trustees who held the stock of the holding company for the benefit of the stockholders of the key bank. In a few cases the key bank, usually a trust company, owned the stock control of the subsidiary banks, either directly or through a subsidiary company. In some instances the holding company itself is the dominant force in the group. In others the key bank is the dominating institution, the holding company being largely a corporate entity through which the key bank or its management controls the other banks in the group.

The groups vary as to the degree of control that is exercised by the holding company over the subsidiary banks and as to the range of operations over which control is exercised. Group organizations control both national and State banks, members of the Federal Reserve System and nonmembers, insured and noninsured banks, banks with branches and banks without branches, city banks and country banks, banks with millions of dollars of resources and banks with less than a hundred thousand dollars.

Business units other than commercial banks and trust companies are included in or affiliated with group banking organizations in many instances. They include investment trusts, insurance companies, realty firms, safe deposit companies, building and loan associations, joint stock land banks, and several other types of business enterprises.

Scope and Limitations of Study

This study attempts primarily to analyze group banking as a part of the banking structure of the United States at the present time. It attempts to point out some of the principal features of the organization and operation of the groups; to show the extent, distribution, and development of group banking; to review the changes and suspensions in banking groups through 1936; and to point out the principal advantages and weaknesses of group banking as compared with unit banking and with branch banking in the United States.

Systems which are included in the statistics are those with three or more banks as of December 31, 1936, controlled by (1) a "holding company affiliate" as defined in section 2(c) of the Banking Act of 1933 as amended; (2) by a holding company which would be a "holding company affiliate" if the Reconstruction Finance Corporation did not own preferred stock in the subsidiary banks; and (3) what is regarded generally as a bank group even though there is technically no "holding company affiliate" as defined in section 2(c) of the Banking Act of 1933. The term "principal groups" is used to designate the larger and more important groups in the various sections of the United States, as measured by the number of banks and banking offices (banks and branches) and the amount of loans and investments controlled by the group, that have been developed for the primary purpose of providing banking services through the coordinated operation of a number of banks.

Banking chains are not included in the tabulations since satisfactory data relating to them are not available. A large amount of the data relating to bank groups has been obtained from voting permit files of hold-

ing company affiliate groups. Similar data relating to bank chains are not available, since there are no provisions in the statutes giving the Board any powers or responsibilities in connection with chain banks comparable to those in connection with group banks. Information or data relating to bank chains could be obtained only through questionnaires, a careful survey of reports of examinations, and information obtained through the Federal Reserve banks. In view of the nature and purposes of this study and the time element involved, no attempt has been made to assemble data on chain banks.

The distinction between a chain and a group is not always clear and in specific instances the decision as to whether a number of banks operating under joint ownership or control should be classified as a group rather than a chain was a close one.

CHAPTER II

ORIGIN AND DEVELOPMENT OF GROUP BANKING

The early development of group banking is obscured because of the failure of early records to distinguish between group and chain banking. Banking literature indicates that group banking was discussed to some extent as early as 1892-1902 as a form of banking but that bankers at that time felt that it would be opposed by the anti-trust spirit of the day. Chain banking, however, developed considerably in the two decades prior to 1920 and in some respects may be considered as the antecedent of group banking. A few examples of group banking appear to have existed prior to 1920 but extensive development was a product of the late 1920's (1927 to 1930). In this period financial companies were developed on a broad scale in the field of banking to acquire control through stock ownership of corporately independent banking institutions. Many of the principal groups now in existence were established during this period, as will be seen from Table 1, which gives the dates of the organization of the bank holding companies around which many of the principal groups have been organized.

Table 1 - Principal Bank Holding Companies and the
Dates of Their Incorporation

<u>Name</u>	<u>Date of incorporation</u>	
Trust Company of Georgia Associates, Atlanta	July	24, 1922
Atlantic Trust Company, Jacksonville <u>1/</u>		1924
First National Trustees, Louisville	July	1, 1925
Marine Bancorporation, Seattle	September	10, 1927
Citizens and Southern Holding Co., Savannah	April	9, 1928
Old Colony Trust Associates, Boston	May	14, 1928
Shawmut Association, Boston	May	21, 1928
First Security Corporation, Ogden	June	15, 1928
Transamerica Corporation, San Francisco	October	11, 1928
Anglo National Corporation, San Francisco	December	4, 1928
Northwest Bancorporation, Minneapolis	January	24, 1929
First Bank Stock Corporation, Minneapolis	April	1, 1929
First Securities Corporation of Syracuse	May	8, 1929
BancOhio Corporation, Columbus	September	19, 1929
Marine Midland Corporation, Buffalo	September	23, 1929
Wisconsin Bankshares Corporation, Milwaukee	December	10, 1929
Hamilton National Associates, Chattanooga	January	20, 1930
Florida National Group, Inc., Jacksonville <u>2/</u>	June	16, 1932

1/ Incorporated September 15, 1908; began to function as holding company in 1924.

2/ Organized to take over bank stock holdings of Almours Securities, Inc., which started acquisition of bank stocks in 1930.

An analysis as of December 31, 1931 was the first made by the Federal Reserve System that distinguished between group banking and chain banking. At that time there were 97 groups of 3 or more banks operating a total of 978 banks with \$17,400,000,000 of loans and investments. Of those 97 groups 34 were described as leading examples of the group movement, each having 6 or more banks and \$25,000,000 or more of loans and investments. A total of 674 banks with \$6,301,000,000 of loans and investments was included in these 34 groups. 3/

3/ As of December 31, 1931 there were 176 chain banking systems with 3 or more banks operating a total of 908 banks with total loans and investments of \$926,733,000.

Reasons for Formation of Groups

Various reasons have been suggested for the rapid development of banking groups. The reasons vary, however, among the different groups and among the different men responsible for promoting and organizing the groups. Some groups may have been organized for one reason and others may have been developed for a combination of several reasons. In general, the reasons that appear to have been most important may be summarized as follows: (1) group banking was a substitute for branch banking where the latter was prohibited or limited; (2) the organization of groups was in anticipation of and preparation for branch banking, since it was believed at the time many of the groups were organized that branches would be permitted later and that units brought into groups could be converted into branches; (3) the organization of larger units in banking comparable to the large units in business and industry was necessary and group banking was thought to be a method by which such larger banking units could be developed; and (4) there existed a desire for promotional and speculative profits that characterized the period 1927-1929.

Group banking as a means of accomplishing some of the objectives of branch banking and as preparation for the establishment of branches seems to have been the most fundamental of these reasons. Concentration of banking resources into larger units in the United States by the fusion of separate banking organizations under one corporate charter as in other countries, particularly in Canada and England, generally had been checked by the restrictions against branch banking. In the cities

it had been possible to combine banks through the process of merger and consolidation to meet the need for larger banking units demanded by growing industrial units. In the smaller centers this was more difficult; and in the country districts, especially where branch banking was prohibited, it was not possible to merge banks located in different towns and operate banking offices in each town. The group method was found to be a way open for the development of large scale banking operations where branches were restricted, and the statistical record of the development of banking groups through holding companies shows that the greatest growth in the early years was in those States where restrictions on branch offices were more rigid. Statistical data available for banking groups as of December 31, 1931, as shown in Table 2, indicate that 834 of the 978 banks in groups were in States where the establishment of branches was prohibited entirely or restricted as to location.

Table 2 - Number of Banks in Groups
December 31, 1931

States classified according to law regarding branch banking-	Number of banks
State-wide branch banking permitted	46
Establishment of branches restricted as to location	389
Establishment of branches prohibited	445
No provision in State law	<u>98</u>
Total	978

Development of group banking, however, was not confined to States where branch banking was restricted. In some States groups were organized side by side with branch systems and in some instances banks operat-

ing branches were included in the groups. Nevertheless, the group movement appears to have been most pronounced in areas where branches were restricted.

In States permitting branch banking and where groups also operate it appears that the holding companies did not always desire to convert their banks into branches immediately upon acquisition of control for various reasons, among which were:

1. The necessity for more than 50 percent of the stock to be voted before taking such action.
2. The desire by the holding company affiliate not to antagonize a large minority group of shareholders by forcing the establishment of a branch bank.
3. Approval by the supervisory authorities is required and in many cases examinations had to be made and reports thereof studied both in the district and Washington offices in the case of a national bank before such conversion was legally possible.
4. In many cases the establishment of branches has been held up because of technicalities, inadequate capital, failure to make all desired eliminations, and many other reasons.
5. The value of a long established charter or a highly esteemed name was a principal factor in delaying conversion of banks into branches in a great number of cases.
6. In many sections of the country unit bankers have waged relentless war upon branch banking and in order to avoid this opposition, as well as any chance of loss of business or prestige, many holding companies deferred organizing subsidiaries into branches until such anti-branch bank agitation subsided.

Developments with reference to group banking from December 31, 1931 through December 31, 1936 are discussed more fully in a later chapter in this study, but it is of interest to comment at this point that the period

of growth and expansion reached a peak about 1930 and thereafter the group banking movement declined. During the banking crisis many of the groups were seriously affected and in many cases there were widespread losses. The period since that time has been characterized by the task of rebuilding and reconstructing the banks included in the group movement as has been the case for banks in general.

Federal Regulation of Group Banking

The growth of group banking in the 1920's, as thus described, presented important administrative problems to Federal banking authorities and an active interest in its regulation was evident by the end of 1930. As early as 1926, the Federal Reserve Board was concerned as to the extent of the development of chain and group banking, and "addressed a letter to Congressman McFadden recommending that there be incorporated in the pending McFadden bill certain provisions designed to secure adequate information regarding national and State member banks which are closely related in management, operations, or interests to other banking institutions and, in particular, to afford some check upon the abuses frequently occurring from chain banking."^{1/} These suggestions, however, were not adopted by Congress.

Prior to 1930, the Comptroller of the Currency made but little comment concerning group banking in his annual reports. In his report for 1930, however, he pointed out that it was his view "That group banking should be brought under the visitorial powers of the Federal Government in those cases where membership in the group is composed in whole or in part of national or State member banks of the Federal Reserve System" and

^{1/} Statement of Governor Roy A. Young of the Federal Reserve Board before the Banking and Currency Committee of the House of Representatives, U. S. Congress, 71st, 2nd Session, Hearings under H. Res. 141, March 18, 1930, Vol. 1, Part 4, pp. 442-43.

said that legislation to this effect was necessary.

Members of Congress likewise began to express concern about the development of bank holding companies toward the end of 1929 and four bills were introduced in the House in January 1930 dealing with group banking. Two of these bills 1/ looked toward the control of groups and two 2/ proposed to dissolve the movement by one legislative device or another. On February 10, 1930, the Committee on Banking and Currency of the House of Representatives was empowered "to make a study and investigate group, chain, and branch banking during the present session of Congress." 3/ Hearings were held by the House Committee from February to June 1930. In the latter month Senator Glass introduced in the Senate the first of a long series of bills which led up to the Banking Act of 1933 and which included provisions relating to bank holding companies. Like some of the House bills, the early versions of the Glass bill looked in the direction of dissolving bank holding companies. Later editions of the Glass bill, however, proposed regulation rather than dissolution, and that introduced early in 1932 contained provisions similar in their general nature to the enactment of June 16, 1933, known as the Banking Act of 1933.

The Banking Act of 1933 recognized group banking and provided for its partial regulation. The Banking Act of 1935 contained certain minor amendments but made no fundamental change in the legislation on this subject.

1/ U. S. Congress, 71st, 2nd Session, H. R. 7966 and H. R. 8005.
2/ U. S. Congress, 71st, 2nd Session, H. R. 8367 and H. R. 8366.
3/ U. S. Congress, 71st, 2nd Session, Hearings under H. Res. 141,
Vol 1, Part 1, p. 1.

To provide a means to regulate group banking, section 5144 of the Revised Statutes was amended to provide that stock of a national bank controlled by a holding company affiliate shall not be voted unless such organization first obtains a voting permit from the Board of Governors of the Federal Reserve System. ^{1/} Section 9 of the Federal Reserve Act was amended to require a State member bank affiliated with a holding company affiliate to obtain and file with the Board an agreement that such organization shall be subject to the same conditions and limitations as are applicable in the case of holding company affiliates of national banks under section 5144.

Section 5144 provides that the Board may grant or withhold a voting permit as the public interest may require. It further provides that in acting upon an application for a permit -

"...the Board shall consider the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of such bank, but no such permit shall be granted except upon the following conditions:"

The conditions prescribed by the law are designed (1) to authorize the examination of the holding company affiliate, simultaneously with banks affiliated with it, by examiners authorized to examine such banks; (2) to authorize the examination of any bank controlled by the holding company affiliate, both individually and in conjunction with other such banks; (3) to authorize a requirement that individual or consolidated statements of condition of such banks be published; (4) to require that after June 16, 1938, the holding company affiliate possess and/or acquire out of earnings a "reserve" of readily marketable assets and maintain such "reserve";

^{1/} Under an amendment contained in the Banking Act of 1935, no voting permit is necessary to vote in favor of placing a bank in liquidation or action pertaining to liquidation.

(5) to make officers, directors, agents and employees of the holding company affiliate subject to the same criminal penalties for false entries as officers, directors, agents and employees of member banks; (6) to require the complete divorcement of the holding company affiliate from "securities companies" within five years from the date of its application; and (7) to require the holding company affiliate to declare dividends only out of actual net earnings. As to most of these matters, the law requires that the holding company affiliate execute agreements when it applies for a voting permit.

The law further provides that, after affording the holding company affiliate an opportunity to be heard, the Board may revoke a voting permit if it shall appear that the holding company affiliate has violated any of the provisions of the Banking Act of 1933 or of any agreement pursuant to section 5144. Revocation of its voting permit subjects the holding company affiliate to certain penalties.

Entirely apart from the provisions relating to voting permits, section 23A of the Federal Reserve Act places certain restrictions upon extensions of credit by a member bank to its holding company affiliate and upon the bank's investments in, or advances against, stock or obligations of the holding company affiliate. Also, other provisions of law 1/ require national banks and State member banks to obtain and file with the Comptroller of the Currency and the Board, respectively, reports of their holding company affiliates as of the same call dates as condition reports are rendered by the banks. Such reports must be

1/ Section 5211, Revised Statutes; section 9, Federal Reserve Act.

published by the banks in the same manner as their condition reports.

It will be noted that the law deals only with "holding company affiliates." That term is defined 1/ as including

"....any corporation, business trust, association, or other similar organization -

"(1) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election, or controls in any manner the election of a majority of the directors of any one bank; or

"(2) For the benefit of whose shareholders or members all or substantially all the capital stock of a member bank is held by trustees.

"Notwithstanding the foregoing, the term 'holding company affiliate' shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) any corporation all of the stock of which is owned by the United States, or any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies."

The last paragraph of the definition was added by section 301 of the Banking Act of 1935, in the light of experience in administering the law. It made it clear that an organization such as the Reconstruction Finance Corporation need not obtain a voting permit. However, its principal purpose was to provide a means by which the voting permit requirements might be made inapplicable to "accidental" holding company affiliates, organizations which came within the terms of the definition but not within its intent and purposes. As of December 31, 1936, the Board had made the prescribed determination with respect to 91 organizations, most of which had previously applied for voting permits. While the facts have varied greatly,

1/ Section 2(c), Banking Act of 1933.

it may be said that the basic consideration throughout has been whether the organizations were engaged in group banking such as the law was intended to regulate. Thus, in the great majority of the cases the organization in question has controlled only one bank.

On July 6, 1937, in response to a request from Senator McAdoo, the Comptroller of the Currency with the assistance of the Board of Governors compiled a list of the national and State member banks which on March 31, 1937 were controlled by "holding company affiliates" as defined in section 2(c) of the Banking Act of 1933, as amended. This list is reproduced in Appendix II. It shows that there were 33 different holding company affiliates, which controlled in the aggregate 173 national banks and 22 State member banks. The deposits of these banks on December 31, 1936 were respectively \$2,581,835,000 and \$419,875,000. The list in the appendix shows that some of these holding company affiliates controlled no more than one member bank each.

Procedure on Voting Permit Applications

Following the enactment of the Banking Act of 1933, the Board received applications for voting permits from a large number of holding company affiliates. In handling such applications the Board found it necessary to adopt the practice of issuing limited voting permits from time to time in many cases, deferring action concerning general voting permits pending the development and analysis of information, the completion of reorganization plans or the correction of unsatisfactory conditions. 1/ A large per-

1/ A limited voting permit authorizes the voting of stock of a bank only at a designated meeting or at a meeting or meetings held within a designated period of time and only for purposes stated in the permit, whereas a general voting permit authorizes the voting of stock of a bank at all meetings and for all purposes.

centage of the applications was eventually disposed of without the granting of general voting permits. While some general voting permits were granted earlier, it was not until December 1935 that the issuance of such permits to a substantial number of major holding company affiliates was authorized. Since the initial rush in 1933 and 1934, relatively few applications have been received.

It has been a common practice for the Board to authorize the issuance of voting permits, both limited and general, subject to conditions. It is now the Board's policy to require, as a condition to the issuance of any general voting permit, that the holding company affiliate execute a comprehensive standard agreement designed to require the maintenance of a sound financial condition and proper policies and practices by the holding company affiliate and its affiliated banks during the life of the permit. The agreement was prescribed in substantially its present form in December 1935, prior to the issuance of general voting permits to the major holding company affiliates.

By December 31, 1936, the Board had received 199 applications for voting permits. Table 3 summarizes the disposition which has been made of such applications.

Table 3 - Disposition of 199 Applications for Voting Permits Received, June 16, 1933 to December 31, 1936

1. General voting permits authorized		37
a. General voting permits issued	32	
b. General voting permits authorized but not accepted by holding companies	<u>5</u>	
2. Issuance of general voting permits deferred because of expected termination or unsatisfactory management or condition		7
3. Holding company affiliates judged by Board of Governors not to be primarily in the business of owning bank stocks or controlling banks under authority of section 301, Banking Act of 1935		73
4. Holding company affiliate status terminated by liquidation, consolidation, merger, etc.		36
5. Holding company affiliate terminated by sale of preferred stock		19
6. Holding company affiliate terminated by sale or distribution of subsidiary bank stock previously owned by holding company affiliate		17
7. Holding company affiliate terminated because applicant's minority holdings of subsidiary banks ceased to be majority of stock voted at elections		2
8. Company deemed not to be holding company affiliate by Board and/or application withdrawn		<u>8</u>
Total		199

Experience has shown that the present legislation is not wholly satisfactory. The Board has the responsibility for granting voting permits, but does not have sufficient authority to require the maintenance of satisfactory conditions in holding company affiliate groups after general voting permits are issued, except as it retains control through the implied authority to require the execution of agreements as a condition to the issuance of such permits. Holding company affiliates are not required to apply for voting permits or to accept such permits subject to conditions prescribed

by the Board. While originally too broad in some respects, the definition of "holding company affiliate" is too restricted in others. It and other provisions of the law relating to holding company affiliates are ambiguous and difficult to interpret and apply. The voting permit procedure is cumbersome and its administration tends to bog down in a maze of necessary procedural detail and technical questions.

State Laws with Regard to Bank Holding Companies 1/

The development of group banking has presented administrative problems to State authorities also and a few States in recent years have adopted statutes attempting varying degrees of regulation of group banking and holding company affiliates. Thus far, however, most of the States have made no effort to deal directly with group banking in this way and the effects of those that have adopted statutes have not been extensive.

Only in the following 5 cases do State laws appear to be designed to prevent or restrict the control of banks by holding companies:

Mississippi	Prohibits formation of any corporation, or the admission of any foreign corporation to do business in the State, for the purpose of operating banks in groups.
West Virginia	Prohibits holding of bank stock by a corporation to perfect control of a bank. (The ownership of bank stock for investment purposes is not prohibited.)
New Jersey	Prohibits holding by a corporation of more than 10% of the stock of more than 1 bank or trust company.

1/ Discussion based on provisions of State banking laws without regard to other provisions of State law. (See provisions in Appendix III compiled as of June 1, 1936; a subsequent review indicated no alterations through December 31, 1936.)

Washington	Prohibits acquisition by a corporation organized or licensed to transact business in the State of more than one-fourth of the stock of any bank or trust company.
Kentucky	Prohibits holding by any person of more than one-half of the stock of any bank or trust company.

In spite of the apparent intent of the law, there are some group banks in each of the above States except Mississippi and West Virginia. In the latter State there are several banks subject to what might be interpreted as group control. It may be that control over the banks in such States is held by a method not specifically prohibited by law.

The laws of the following 5 other States contain miscellaneous provisions designed to afford some measure of supervision of the operations of bank holding companies or to control somewhat the relations between the holding company and the controlled banks:

Indiana	Requires a holding company to obtain a voting permit, as the Federal statute does, before it may vote the stock of controlled banks.
Kansas	Authorizes the banking authorities to examine any corporation holding as much as one-fourth of the stock of any bank or trust company.
Arkansas	A person owning 50 percent of the capital stock of three or more banks or trust companies may not obtain loans from such institutions.
Oregon	Restricts dealing between bank holding companies and their banking affiliates.
Wisconsin	Prohibits the holding of more than 10 percent of the stock of any bank or trust company by any corporation unless 75 percent of the stock of both the corporation and the bank or trust company is voted in favor of such relationship.

A corporation controlling a majority of the stock of any bank or trust company is subject to supervision and examination, must file reports, is subject to double liability, and may be required to correct unsound practices.

Wisconsin (Cont.) When more than 10 percent of the stock of a bank is controlled by another corporation, the bank may not establish a receiving and paying station, the substantial equivalent of a branch office.

Minnesota law recognizes the existence of group banking by prohibiting any bank from advertising in any way that it derives any financial strength from association with any other bank or banks by way of a holding company or other similar structure. Pennsylvania recognizes the existence of group banking by providing that any corporation owning bank stock may vote the stock by its president. No provision, however, for supervision of holding companies exists in either of these States. There appears to be nothing in the laws of the other 36 States relating to the acquisition of bank stock by holding companies or relating to chain or group banking.

Ownership of Bank Stock by Banks and Trust Companies 1/

The laws of some States also contain provisions with respect to the acquisition of bank or trust company stock by banks and trust companies. These provisions vary widely from State to State and are difficult to summarize.

In general, it appears that commercial banks in approximately half the States are prohibited from acquiring any bank or trust company stock or are limited as to the amount that may be acquired; the laws of 19 other States contain no provisions with respect to the acquisition of such stock by commercial banks; and the laws of Arizona, New Jersey, Pennsylvania, and South Carolina permit commercial banks to acquire such stock, apparently without limitation, although Arizona requires the approval of the Superintendent of Banks.

1/ Discussion based on provisions of State banking laws without regard to other provisions of State law. (See provisions in Appendix III compiled as of June 1, 1936; a subsequent review indicated no alterations through December 31, 1936.)

The laws of about half the States (though not always the same States that impose similar restrictions on commercial banks) prohibit trust companies from acquiring bank or trust company stock or limit the amount that may be acquired; the laws of 12 States apparently contain no provision with respect to the acquisition of such stock by trust companies; and the laws of Arizona, Arkansas, Colorado, Louisiana, Maryland, Michigan, Montana, Nebraska, New Jersey, Ohio, Oklahoma, Pennsylvania, and Utah permit trust companies to acquire such stock apparently without limitation, although Arizona and Utah require the approval of the State banking department.

Insofar as State law is concerned, therefore, there is no reason why trust companies in a number of States may not acquire control of banks and operate group banking systems. There are, in fact, a number of bank groups that are headed by trust companies which own the controlling interest in the stock of other banks. There are also some groups which are headed either by a national bank or by a State bank, which controls other banks through trustees, subsidiaries or otherwise.

Table 4 classifies the States according to the type of provision in their statutes with respect to the acquisition of bank or trust company stock by commercial banks and by trust companies. It does not show, however, the detailed provisions of the law in each State, such as the limitations on the acquisition of bank and trust company stock by commercial banks or trust companies, etc. For such detailed provisions reference should be had to the compilation of the laws of the individual States and the District of Columbia, given in Appendix III, p. 173.

Table 4 - Summary of State Banking Laws Relating to Acquisition of Bank or Trust Company Stock by Banks and Trust Companies
As of June 1, 1936

States which by statute prohibit or limit acquisition of bank or trust company stock by -		States which by statute permit acquisition of bank or trust company stock without limitation by -		States which do not have statutes as to the acquisition of bank or trust company stock by -	
Commercial banks	Trust companies	Commercial banks	Trust companies	Commercial banks	Trust companies
Alabama	Alabama	Arizona	Arizona	Arkansas	Connecticut
California	California	New Jersey	Arkansas	Connecticut	Illinois
Colorado	Delaware	Pennsylvania	Colorado	Illinois	Iowa
Delaware	Florida	South Carolina	Louisiana	Iowa	Kentucky
Florida	Georgia		Maryland	Kentucky	Maine
Georgia	Idaho		Michigan	Louisiana	Minnesota
Idaho	Indiana		Montana	Maine	New Mexico
Indiana	Kansas		Nebraska	Maryland	North Dakota
Kansas	Massachusetts		New Jersey	Massachusetts	Rhode Island
Mississippi	Mississippi		Ohio	Michigan	Tennessee
Montana	Missouri		Oklahoma	Minnesota	Wisconsin
Nebraska	Nevada		Pennsylvania	Missouri	Wyoming
Nevada	New Hampshire		Utah	New Hampshire	
New York	New York			New Mexico	
North Carolina	North Carolina			Ohio	
North Dakota	Oregon			Rhode Island	
Oklahoma	South Carolina			Tennessee	
Oregon	South Dakota			Vermont	
South Dakota	Texas			Wisconsin	
Texas	Vermont				
Utah	Virginia				
Virginia	Washington				
Washington	West Virginia				
West Virginia					
Wyoming					
Total - 25	Total - 23	Total - 4	Total - 13	Total - 19	Total - 12

CHAPTER III

PRINCIPAL GROUPS - ORGANIZATION AND OPERATIONS

Banking groups have been organized in different ways and exist today in a variety of forms. Their operations and policies also vary widely. The purpose of this chapter is to present some of the general features of the organization and operation of the principal groups, as well as a brief case study of each of 12 selected principal groups.

Organization of Groups

In general, the principal groups now in existence were organized by interests closely identified with one or more important or key banks in the region where the group was established. The groups were organized through one or more holding companies affiliated with the sponsoring bank, such companies being necessary because of the legal restrictions against the holding of bank stocks by other banks. They were established in various ways. In some cases they were trust companies and in others they were companies organized under the general corporation laws directly for the purpose of acquiring and owning bank stocks.

An illustration of a group that was established by a bank through a trust company is the Atlantic National Bank group of Jacksonville, and examples of groups that were developed through a holding company organized directly for the purpose of acquiring bank stocks by interests identified with an important bank or banks are Marine Midland Corporation of Buffalo, the First Bank Stock Corporation and the Northwest Bancorporation, both of Minneapolis, the First Security Corporation of Ogden and the BancOhio Corporation of Columbus.

Several of the principal holding companies are organized under a State of Delaware charter, while others are organized under a charter of the State in which is located the head office of the group. The articles of incorporation of the holding companies generally enumerate broad powers in addition to the powers to acquire and hold stocks of banks. Most of the holding companies have issued only one class of stock and this usually has been stock with a small or no par value. Several have issued two types of common stock and a few have issued both common and preferred stock.

Ownership and control of banks have been brought about by holding companies in various ways. Many of the companies followed the policy of acquiring stock in the banks by exchanging their stock for that of the bank, and others purchased it directly for cash. Some companies acquired stock by a combination of these two methods. Policies followed by the holding companies have varied widely as to the proportion of stock of the subsidiary banks which is acquired. In some cases, as illustrated by Marine Midland Corporation, BancOhio Corporation, First Bank Stock Corporation, and Transamerica Corporation, the policy has been to hold substantially all of the stock, whereas the policies of other companies have not been so consistent.

Table 5 shows the percentage of shares of subsidiary banks which was controlled by the holding company in the case of 10 of the principal groups for which information was available as of December 31, 1935. It shows that the proportion of the total common stock of all banks held by the holding company ranged from 64 percent for the Florida National Group, Inc. to over 99 percent for the Transamerica Corporation. For 5 of these groups the proportion held by the holding company was over 92 percent, for 1 it was 88 percent, and for 4 it varied between 64 and 72 percent.

Table 5 - Percentage of Total Shares of Common Stock
of Subsidiary Banks Controlled by Holding
Companies of 10 Principal Groups,
December 31, 1935

<u>Name of group</u>	<u>Percentage of total shares of common stock of all banks controlled by holding company</u>
First National - Old Colony, Boston	69.8
Shawmut Association, Boston	64.4
Marine Midland Corporation, Buffalo	98.0
BancOhio Corporation, Columbus	98.2
Citizens and Southern National Bank, Savannah	88.3
Trust Company of Georgia, Atlanta	71.6
Florida National Group, Inc., Jacksonville	63.9
First Bank Stock Corporation, Minneapolis	96.9
Northwest Bancorporation, Minneapolis <u>1/</u>	93.6
Transamerica Corporation, San Francisco	99.4

1/ Statistics for the Northwest Bancorporation are as of September 30, 1936.

The group banking systems have been established almost entirely by acquiring control of existing and not by organizing banks. In many instances, however, the groups have converted their existing banks into branches and in some instances have established branches de novo. In fact, as is pointed out in detail in a later section of this memorandum, one of the principal developments within certain groups since 1931 has been the conversion of some of their banks into branches of key banks of the region where the group is operating.

The principal groups vary widely as to the number of banks included in them and as to the extent of the area in which they operate. The groups with the largest number of banks are the Northwest Bancorporation and the First Bank Stock Corporation of Minneapolis, with 92 and 78 banks respectively as of December 31, 1936, and the group with the largest number of banking offices is the Transamerica Corporation of San Francisco which had 11 banks and 511 branches as of December 31, 1936. The extent of the geographic area in which groups operate ranges from that included within the immediate environs of the city of the head office of the group to that embraced by 7 States and 3 Federal Reserve districts. An example of group banking confined to the immediate environs of the city where the head office is located is the Shawmut Association group of Boston. Most of the banking offices operated by the First National - Old Colony group of Boston are also within a short distance of the head office of the group. Examples of regional group banking embracing several States are the Northwest Bancorporation, operating in 3 Federal Reserve districts, the First Bank Stock Corporation of Minneapolis and the Transamerica Corporation. Other groups operating in 2 Federal Reserve districts at the end of 1936 include Wisconsin Bankshares Corporation, Citizens and Southern National Bank of Savannah, First National Trustees of Louisville, First Security Corporation of Ogden, and Rawlins Securities Company of Salt Lake City.

Relation of Holding Company to Subsidiary Banks

Although banks in groups retain their identity and operate under separate charters, most of the holding companies have developed definite policies with reference to the administration and management of the sub-

subsidiary banks. When the groups were first organized, some of the holding companies followed policies of leaving the administration and management of the subsidiary banks largely in the hands of local directors and officers, but in more recent years more of them have become active in the administration and management of their constituent banks. In general, the policies of the groups at the present time vary from those where the management of the subsidiary banks is directed to a large degree by the holding company or its subsidiary company to those where the holding company is similar to an investment trust, exercising very little active control over the operations of the banks. In most of the principal groups the holding company participates actively in the management of the subsidiary banks. In some of the smaller groups the holding company does not take an active part in the management of the subsidiary banks.

In cases where the holding company participates actively in the management of its subsidiary banks it does so in several different ways. In some instances the holding company participates by appointing representatives to serve as directors or officers of the subsidiary banks; in some participation is through interlocking officers or directors, the president or a director, for example, of each bank being a director of the holding company; in some it is done by having officers of the holding company attend the meetings of the board of directors of a subsidiary bank or by having an official representative of the holding company act in an advisory capacity to the board of directors of a subsidiary bank.

In addition to the policies with reference to management through administrative personnel as thus described, close supervision of the operations of subsidiary banks is exercised by some of the holding com-

panies. Some companies, however, attempt no supervision other than that which is accomplished through administrative personnel selected or appointed by the holding company. In cases where supervision of operations is exercised by the holding company the extent of such supervision and the method by which it is accomplished vary among the different groups. Supervision appears to be limited in general to lending and investing operations, although in a few instances it includes accounting and other internal routine. Through supervision of the subsidiary banks, operating procedures are coordinated and standardized in some of the groups. Supervision is accomplished by such companies as the Marine Midland Corporation, the First Bank Stock Corporation, and the First Security Corporation through subsidiary companies organized within the group to audit, examine and otherwise serve the different units; by other groups, such as the Atlantic National Bank group of Jacksonville, internal committees and officers of the holding company are relied on to examine and audit the different units; and by still others, such as the Citizens and Southern National Bank of Savannah, independent accountants are used to some extent.

Services rendered by the holding companies for members of the groups other than those in connection with their supervisory activities often include the purchase and sale of securities, the holding companies acting as agents for the banks, and the provision of legal counsel. The key bank of the group serves as correspondent for the affiliated banks.

Under the emergency conditions that prevailed generally at the time of the banking holiday in 1933 and after, some of the holding companies rendered important additional services. They strengthened subsidiary banks in several instances by contributing additional capital and assisted the banks in obtaining additional funds from the Reconstruction Finance Corporation. They also

often aided members of the group to restore their portfolios to a sounder basis and to improve their position in other respects.

Selected Principal Groups

In the following pages some of the general features of the organization and operation of each of 12 of the principal groups are described in order to illustrate in greater detail the nature and characteristics of the groups that typify the group banking movement in the United States. It has been pointed out that the principal groups are the larger and more important groups that have been developed for the primary purpose of providing banking services through the coordinated operation of a number of banks. The principal groups were determined in general by the number of banks and banking offices (banks and branches) and the amount of loans and investments controlled by the group.

Transamerica Corporation, San Francisco

The Transamerica group was started earlier than most of the other principal bank holding company groups and differs from them in several respects. It was sponsored and developed by A. P. Giannini and others identified with the Bank of Italy (now Bank of America National Trust and Savings Association).

The Bank of Italy was incorporated in 1904 and beginning in 1909 for many years established its own branches throughout the State of California. Until about 1921 or 1922 the principal method employed by the Bank of Italy in building up its branch organization was that of buying up individual unit banks and merging them into the Bank of Italy as branches. Under California law the bank was not permitted to purchase the stock of another bank. In the beginning the purchase of unit banks was effected

through the principal officers of the Bank of Italy and later an affiliated company, the Stockholders Auxiliary Corporation, was organized for this purpose. This company was incorporated under the laws of the State of California on June 20, 1917, and subsequent to that date it became the purchaser of the banks intended to be converted into branches of the Bank of Italy. The name of the corporation was changed to National Bank of Italy Company early in 1927 and in 1930 it was absorbed by the newly organized Corporation of America. Since the Bank of Italy was a member bank, the permission of the Federal Reserve Board was required when a branch was added by the bank. This procedure, a relatively slow one, was in course of time largely superseded in the program of expansion carried out by Mr. Giannini and his associates by the method of using closely allied nonmember banks to build up supplementary branch organizations and later merging them into the Bank of Italy. By the beginning of 1927 the Bank of Italy interests had built up a large branch organization operated by the Bank of Italy and by several nonmember State banks, the principal one being the Liberty Bank. During the interval between January 1, 1927, and the coming into force of the McFadden Act on February 25, 1927, a series of mergers was carried out whereby the Bank of Italy increased its number of branches from 98 to 276. It then had branches located in about 150 cities, towns and villages. A few days later, on March 1, 1927, the merged institution was converted into a national bank under the name of Bank of Italy National Trust and Savings Association.

The bank's program of expansion did not stop here, however, but was actively continued and through numerous mergers another controlled non-member institution, Bank of America of California, was built up until at the end of October 1930 it was operating 161 banking offices. On Novem-

ber 3, 1930 this institution was merged into the Bank of Italy N. T. and S. A. under the name of Bank of America National Trust and Savings Association. Under the existing law, however, only 80 of its branches could be taken over by the national bank. Some of the remaining 81 branches were merged with existing branches of the former Bank of Italy N. T. and S. A., and the Bank of America, a nonmember State bank, was organized to take over the other branches of the Bank of America of California, which could not, under the terms of the McFadden Act, be brought into the Bank of America N. T. and S. A. by the merger of November 3, 1930. By the latter part of 1934 this nonmember State bank was operating 70 branches. In December 1934, probably as a result of the passing of the Banking Act of 1933, 61 of its branches were merged into Bank of America N. T. and S. A. and became branches of that institution.

In 1919 the Bancitaly Corporation was organized in New York by the Giannini interests for the purpose of acquiring certain banks there and bringing them under the same general control as the Bank of Italy in California. This company acquired controlling stock interest in Bank of America N. A. in New York City and through its subsidiary, Americommercial Corporation, which was organized in California in 1923, it acquired certain banks in California and later merged them into the Bank of Italy.

Transamerica Corporation was organized on October 11, 1928, under Delaware laws, and served to bring together for the first time the varied and scattered Giannini interests into a single holding company. In 1930, the corporation was organized along functional lines and one of its direct subsidiaries, Transamerica Bank Holding Company (later Inter-America Corporation) became the holding company of the stock of Bank of Italy (now

Bank of America N. T. and S. A.) and other banks and for certain of the auxiliary organizations of the banks. In 1931 the Bank of America N. A. in New York was sold to the National City Bank of New York and Transamerica Corporation acquired in exchange a substantial minority interest in the latter institution. At that time Transamerica Corporation apparently abandoned, at least temporarily, its plans for a branch banking system in New York.

In 1934 the Transamerica group entered the branch banking field in Nevada through the purchase of the stock of the First National Bank in Reno. During 1936 it purchased 24 banks in California, which were merged into the Bank of America National Trust and Savings Association, 3 in Oregon, which were merged into The First National Bank of Portland, and one in Nevada, merged into the First National Bank in Reno, and acquired substantial interests in Central Bank of Oakland, California, the National Bank of Tacoma, Washington, and several banks in Oregon which early in 1937 were merged into The First National Bank of Portland.

By the end of 1936 the group operated 4 banks with branch systems extending over 3 States. In California, the Bank of America N. T. and S. A. and the Bank of America (California) operated 465 and 10 branches, respectively; in Oregon, The First National Bank of Portland operated 28 branches; and in Nevada, the First National Bank in Reno operated 8 branches. In addition to banks with branches, Transamerica Corporation controlled 2 small nonmember State banks in California without branches, a joint stock land bank, the Banca d'America e d'Italia in Italy, and numerous nonbanking organizations, the more important ones being as follows:

Inter-America Corporation which, in addition to serving as the holding company for the principal banks in the group, owned controlling stock interest in The First National Corporation of Portland, through which it controlled The First National Bank of Portland and its wholly owned subsidiary, the First Securities Company, engaged in the liquidation of charged off assets of the bank; the Corporation of America, engaged solely in liquidating certain notes receivable and acting as trustee under deeds of trust; and the General Metals Corporation, a manufacturer of steel, iron and malleable castings;

Transamerica General Corporation, which acts as holding company for insurance and other companies and owns controlling interest in the 2 small nonmember State banks; the Banca d'America e d'Italia, which controlled 6 foreign corporations acting in the capacity of real estate holding and service organizations; the Capital Company and California Lands, Inc., formed for the purpose of holding and managing real estate acquired from banks in the group; the California Joint Stock Land Bank; the Occidental Life Insurance Company, licensed to do business in 26 States; the Pacific National Fire Insurance Company; the America & Security Insurance Corporation, an insurance broker; the Bankamerica Agricultural Credit Corporation, engaged in making loans on live stock; and the Coast Service Company, which acts as insurance manager and counsellor for the group;

Inter-Continental Corporation, which is engaged in the purchasing, selling and holding of securities for its own account and owns all of the stock of 2 brokerage companies and the Coast Company (inactive);

Transamerica Service Corporation, which acts as the cash disbursing and accounting agent for Transamerica Corporation and certain other companies in the group;

Bankamerica Company, which is an investment banker and securities dealer;

Bancamerica-Blair Corporation (N. Y.), investment banking and securities company, which owned 5 other securities companies, 2 of which were inactive.

At the end of 1936 a total of 6 banks--3 national and 3 nonmember State banks--with 511 branches--was controlled by the group. The area of operations of the group covered 3 States. The group is also reported to have practical control of the Central Bank of Oakland, California, the National Bank of Tacoma, Washington, and 3 small national banks in Oregon. During 1937 the

group extended its operations into Arizona by the purchase of control of the First National Bank of Arizona at Phoenix, The Phoenix National Bank and the Phoenix Savings Bank and Trust Company. It also purchased "an interest" in The First State Bank at Bremerton, Washington. The group thus appears to be operating in 5 of the 7 States of the Twelfth Federal Reserve District. The corporation also owned 10 percent of the stock of the National City Bank of New York and about 12.5 percent of the stock of the Commerce Trust Company of Kansas City, Missouri.

In July 1937 Transamerica Corporation distributed to its shareholders approximately 58 percent of the stock of Bank of America N. T. and S. A. This distribution, made apparently for the purpose of divesting itself of technical control of the bank, leaves about 42 percent of the stock of the bank in the control of the group. It has been reported that if plans under consideration by officials of the group are carried out Transamerica Corporation will divest itself of control of all banking institutions which are members of the Federal Reserve System.

In partial compliance with the Banking Act of 1933, under the provisions of which it must divest itself of ownership, control and interest in securities companies, Transamerica Corporation during January 1937 distributed to its shareholders the majority of its holdings of stock of Bancamerica-Blair Corporation, leaving only 14.2 percent of the stock still owned by the corporation. Inter-America Corporation was dissolved on June 28, 1937, and on July 1, 1937, its assets were turned over to Transamerica Corporation.

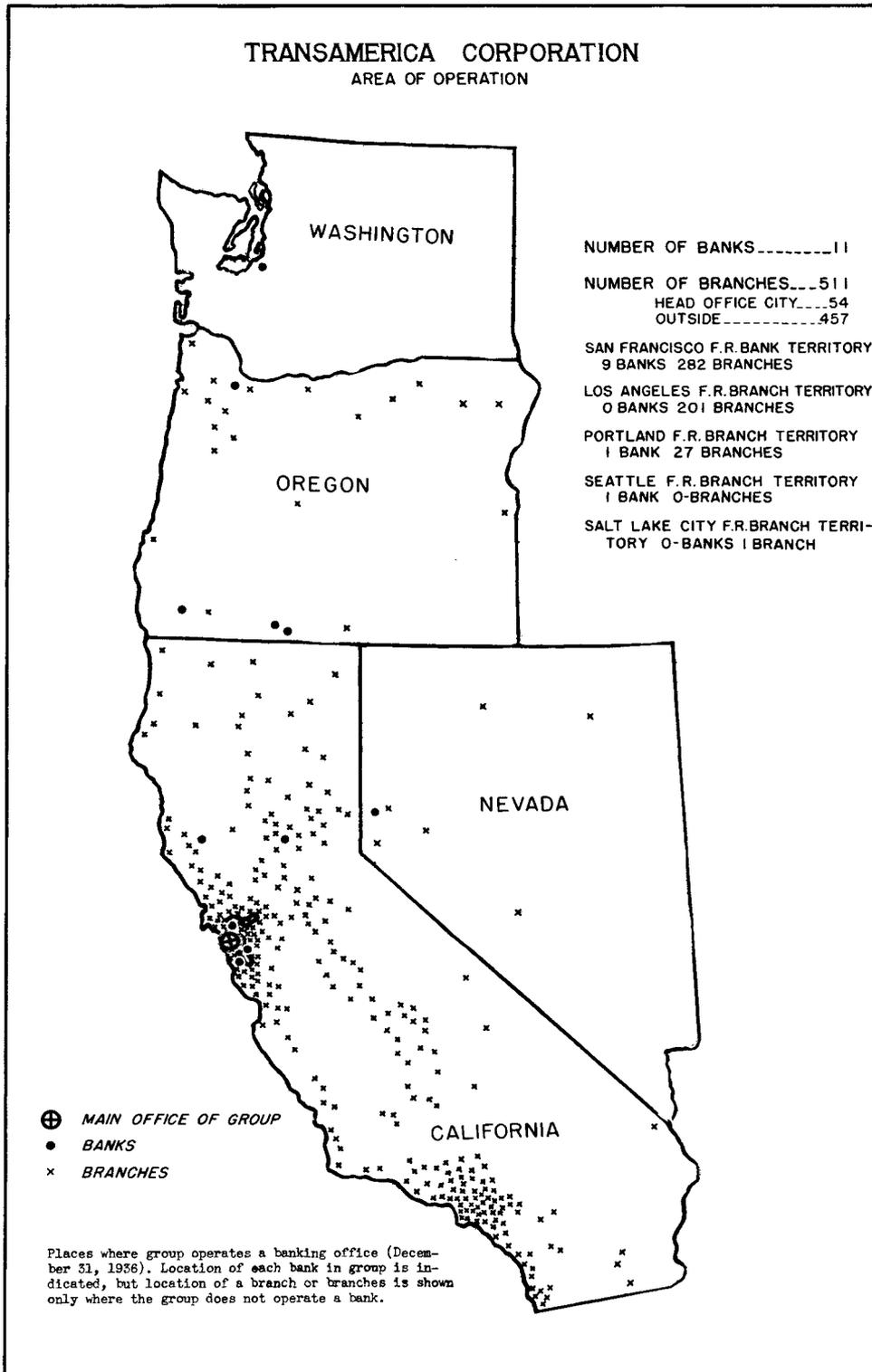
On December 31, 1936 Transamerica Corporation was authorized to issue 50,000,000 shares of no par common stock and 23,181,568 shares were outstanding. In July 1937 its authorized capital stock was changed to 25,000,000 shares of a par value of \$2 per share, thereby reducing its issued 23,181,568 no par shares to 11,590,784 shares of \$2 par value. The shares are listed on the New York Stock Exchange and are widely held.

Stock of the Bank of America N. T. and S. A. was originally acquired by Transamerica Corporation by the exchange of its shares for those of the bank but the stock of the other banks in the group was generally acquired by purchase. The general policy of the group has been to acquire substantially all of the stock of the subsidiary banks. In California the purchased banks generally have been converted into branches of the Bank of America N. T. and S. A. or the Bank of America (California), and in Oregon and Nevada, where banks have recently been purchased, the purchased banks have been converted into branches of the key bank of the State.

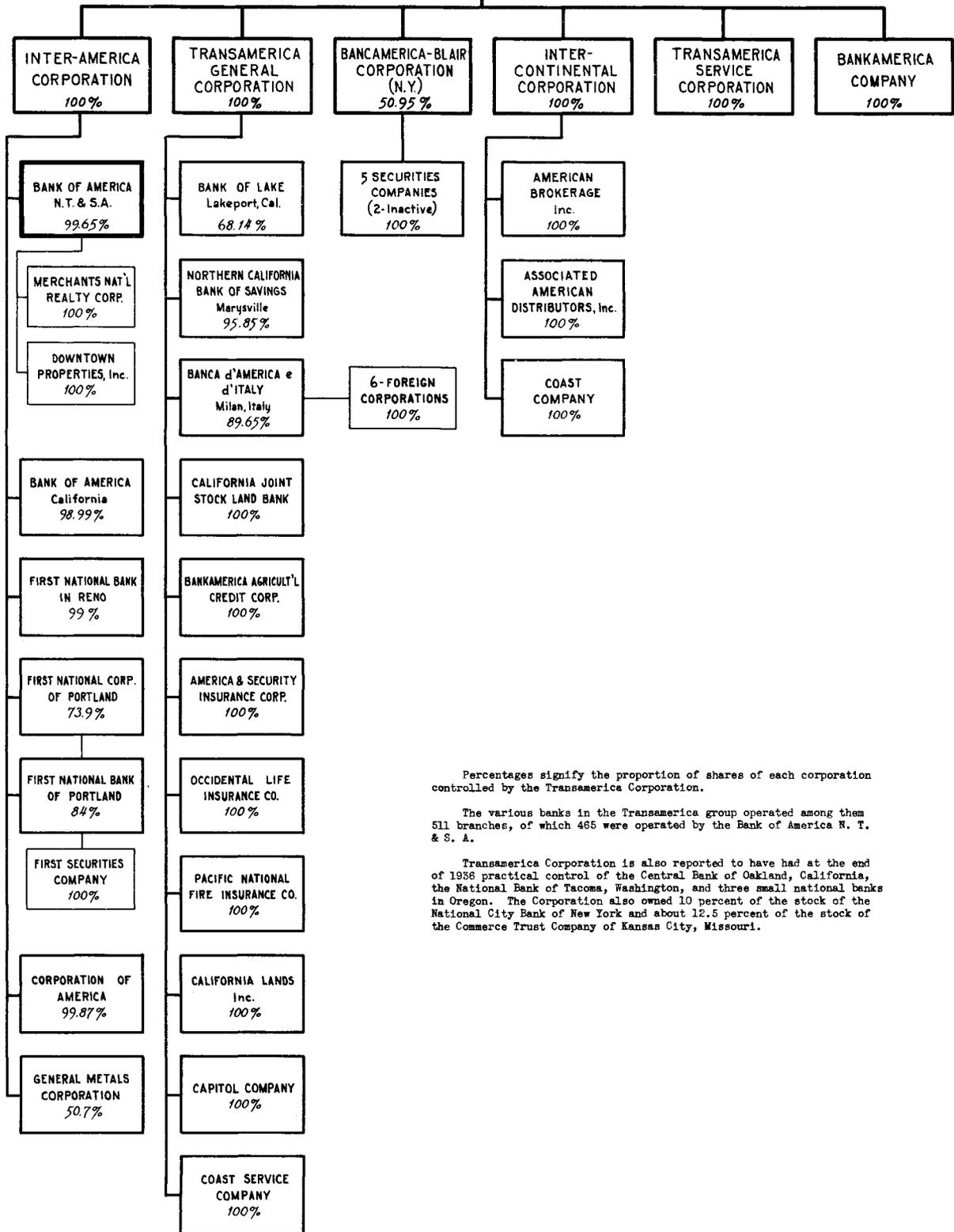
Management and supervision of the subsidiary banks by the holding company appear to have been accomplished mainly through the selection of their directors and officers. In a few instances steps have been taken by the group to guarantee some of the assets of the Bank of America N. T. and S. A. Transamerica Corporation and its affiliates have functioned primarily in the establishment of branch banking systems in California and other western States.

An accompanying chart shows the location of banks and branches controlled by this system in the Twelfth Federal Reserve District. The accompanying organization chart gives an indication of the complex relationship of the variety of corporations included in the System.

TRANSAMERICA CORPORATION AREA OF OPERATION



TRANSAMERICA CORPORATION
December 31, 1936



Percentages signify the proportion of shares of each corporation controlled by the Transamerica Corporation.

The various banks in the Transamerica group operated among them 511 branches, of which 465 were operated by the Bank of America N. T. & S. A.

Transamerica Corporation is also reported to have had at the end of 1936 practical control of the Central Bank of Oakland, California, the National Bank of Tacoma, Washington, and three small national banks in Oregon. The Corporation also owned 10 percent of the stock of the National City Bank of New York and about 12.5 percent of the stock of the Commerce Trust Company of Kansas City, Missouri.

Anglo National Corporation, San Francisco

This group includes two holding companies, the Consolidated Securities Company and the Anglo National Corporation of San Francisco. Consolidated Securities Company, now in liquidation, was organized October 29, 1917 under the laws of California and the Anglo National Corporation was incorporated December 4, 1928 under the laws of Delaware. Both companies were organized by the interests connected with The Anglo California National Bank of San Francisco (formerly Anglo and London Paris National Bank of San Francisco). Stock of the Consolidated Securities Company is held by trustees for the benefit of the shareholders of the Anglo California National Bank and this company in turn owns practically all of the Class "B" (voting, no par, common) stock of the Anglo National Corporation.

Anglo National Corporation owns the stock of the subsidiary banks of this group. Its authorized capital is as follows:

600,000 shares Class A, common, no par value, non-voting stock and

100,000 shares Class B, common, no par value, voting stock of which

the amounts outstanding are as follows:

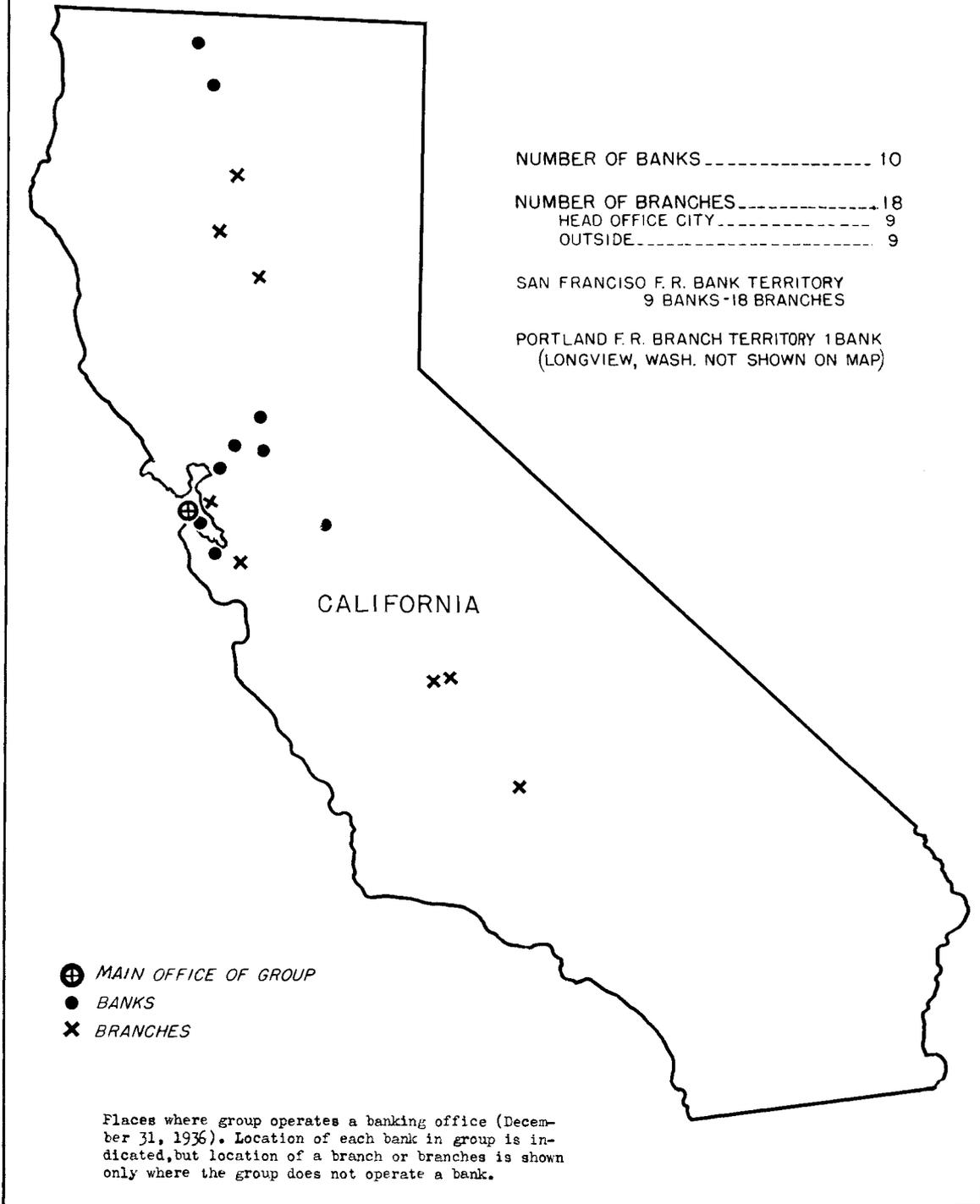
215,507 shares Class A, common, no par value, non-voting stock and

100,000 shares Class B, common, no par value, voting stock.

The group consisted of 10 banks with 18 branches--9 national banks and 1 nonmember State bank, and 18 branches as of December 31, 1936. In addition, the group included a safe deposit company, an industrial company and several investment and securities companies in liquidation. All of the banks and their branches, except one bank in Washington, are located in the northern and central parts of California, as is shown in the accompanying chart.

ANGLO NATIONAL CORPORATION, SAN FRANCISCO

AREA OF OPERATION



It appears to have been the policy of the corporation to acquire existing banks rather than to establish banks de novo and to acquire only a controlling interest in them, sometimes less than a majority of the stock outstanding. It is also the policy of the corporation to convert its subsidiary banks into branches as conditions warrant. In fact it is said that the plans of the group contemplate the conversion of all of its subsidiary banks into branches of The Anglo California National Bank of San Francisco and the eventual liquidation of the Corporation.

General supervision is exercised by the Corporation over the loan policies, investments and operation methods of the subsidiary banks by means of reports and through traveling representatives who inspect the banks.

In general, the efforts of the holding companies thus far appear to have centered largely in the acquisition of the subsidiary banks and the conversion of them into branches of The Anglo California National Bank of San Francisco.

First Security Corporation of Ogden

The First Security Corporation was organized as a Delaware corporation June 15, 1928 by The J. M. and M. S. Browning Company and The Eccles Investment Company for the purpose of owning bank stock. The authorized capital is

40,000 shares preferred, par value \$50, non-voting stock
360,000 shares Class A common, par value \$10, non-voting stock
40,000 shares Class B common, par value \$10, voting stock

of which the following was outstanding on September 30, 1936, the latest date for which information is available:

222,183 shares Class A common, non-voting
20,000 shares Class B common, voting

The group comprised as of December 31, 1936 a total of 5 banks and 22 branches--2 national banks, 1 State member bank, 2 nonmember State banks. Various companies, including 7 building and loan and real estate companies, and 2 nonmember banks in liquidation were a part of the group. The banks that formerly operated as units in Idaho have been consolidated and are operated as a branch system. A similar consolidation was made of all but two of the Utah banks. The area of operation of the group includes 3 States, as is shown on the accompanying chart.

Information is not available showing the methods of acquiring banks in the early history of the group. The recent acquisitions, however, have been made by the holding company largely by cash purchase. The holding company owns practically all of the common stock of 2 of its 3 large banks, over 80 percent of the common stock of its other large bank, practically all of the stock of another bank, and over 72 percent of the common stock of its smallest bank.

The holding company has a management subsidiary which exercises rather complete supervision over the banks. It examines each of them at least annually and reviews daily and weekly statements from the banks. Credit policies are formulated by the management company and loans and investments are supervised by it. The junior and executive officers of all banks are employed only by sanction of the management company and other personnel matters come under its review. The management company does central purchasing for the banks and manages the insurance coverage. Advertising and

publicity are directed by the management company. The services of the management company are paid for by special charges against the banks.

Northwest Bancorporation, Minneapolis

The Northwest Bancorporation was organized January 24, 1929 under Delaware law by E. W. Decker of The Northwestern National Bank of Minneapolis together with Mr. E. J. Weiser of The First National Bank and Trust Company, Fargo, North Dakota, and Mr. Hanford MacNider of The First National Bank of Mason City, Iowa. The Bancorporation has the usual broad powers granted Delaware corporations to acquire and deal in the stocks of moneyed financial institutions and investment corporations, to loan money to corporations acquired, and to organize corporate subsidiaries. In general the Bancorporation has limited its activities thus far to holding bank stocks and the stocks of related financial institutions.

The authorized capital is 2,000,000 shares of no par common stock of which 1,584,824 shares were outstanding and 94,677 were in the treasury on December 31, 1936. About 350,000 shares were sold at public offering and the other issued shares were exchanged for the stock of unit banks. The holding company stock was changed from \$50 par to no par value December 9, 1932.

The number of banks now in the group is smaller than at earlier periods due to consolidations, conversions to branches, and voluntary liquidations. On December 31, 1936 the group consisted of a total of 92 banks with 18 branches--57 national banks, 3 State member banks and 32 nonmember banks--and several nonbanking units. Some of the group banks located in South Dakota have been consolidated and the absorbed units operated as branches.

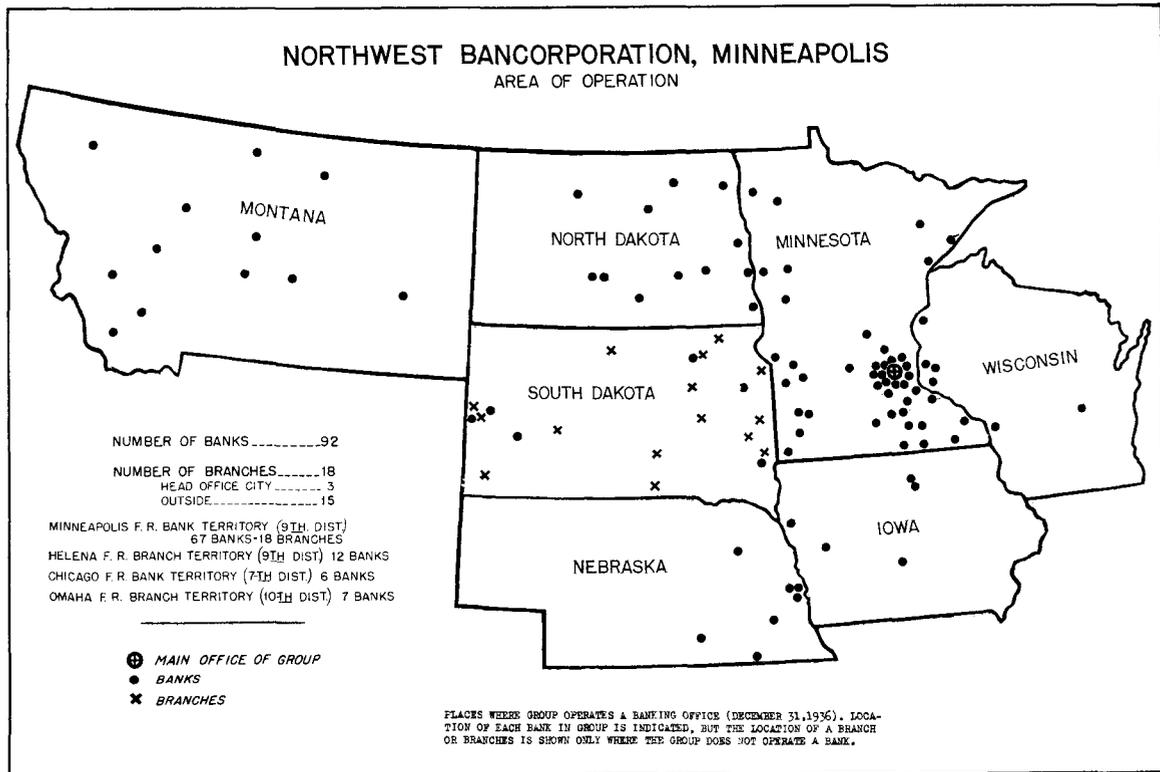
The group operates in 7 States and 3 Federal Reserve districts. One of the accompanying charts shows the location of banks and branches while another chart shows the interrelationship of a variety of corporations dominated by the holding company. It controls more banks than any other group.

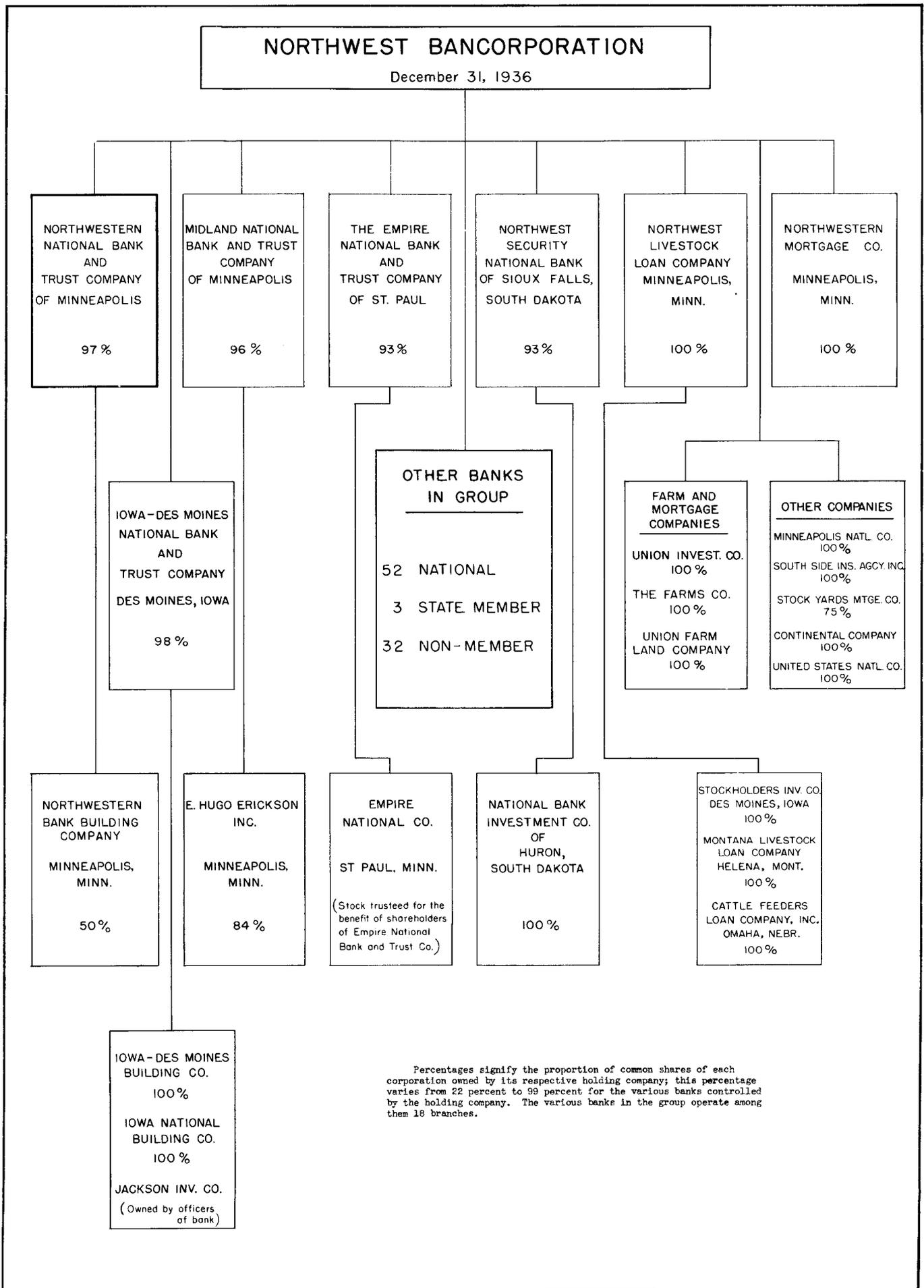
Most of the banks were acquired by exchange of stock with the holding company, but some of the bank shares were acquired by cash purchase. The general policy of the holding company has been to own as near all of the stock of acquired banks as possible but this policy has not been followed invariably. Of the 92 banks included in the group on December 31, 1936 the holding company owned the following proportion of common stock:

<u>Proportion of common stock held by Bancorporation</u>	<u>Number of banks</u>
90 percent and over	38
75 to 90 percent	33
50 to 75 percent	18
Under 50 percent	<u>3</u>
Total	92

Large amounts of preferred stock were sold to the Reconstruction Finance Corporation by many of the banks in this group and this reduced the relative equity of the holding company in them. In many cases the amount of preferred stock sold to the Reconstruction Finance Corporation exceeded the amount of common stock held by the holding company.

The policy of trading holding company stock for bank shares together with the public offering of some of the holding company stock has resulted in a wide distribution. On January 16, 1937 there were 17,862 shareholders in the Northwest Bancorporation. The stock is listed on the Chicago Stock





Exchange.

The holding company has an examination department for the subsidiary banks which also reviews the examination reports of the public supervisory authorities. In view of the extensive territory covered by the group the area is divided into districts for administrative purposes. The supervisor of each district oversees the banks in his territory and makes many policy and operating decisions. Personnel replacements except for clerical and lower grades are usually made by the Bancorporation.

The holding company manages the investment accounts of the group units, receives reports of credit extensions and supervises the credits of all with the possible exception of a few of the large banks in the group.

The holding company contributed over \$5,000,000 to subsidiary banks and \$7,000,000 to nonbanking subsidiaries during the period of the banking crisis (up to April 1934). It also conducted negotiations with the Reconstruction Finance Corporation to secure added capital for the subsidiary banks. Through its efforts in this manner and otherwise the group has been successful in preventing losses to depositors, although the area in which the group operates has suffered from many bank failures, droughts, etc.

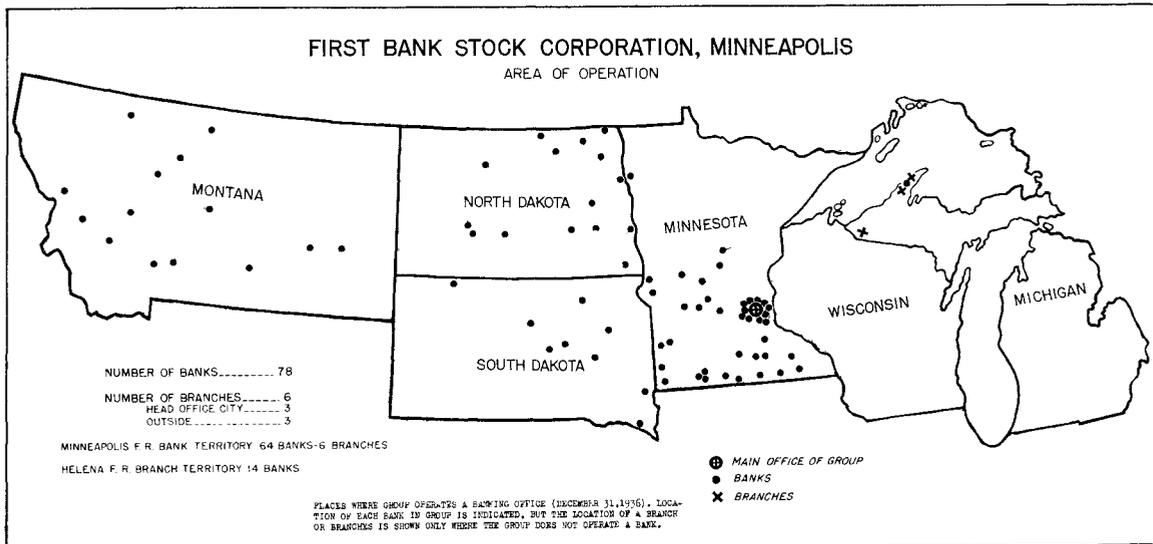
First Bank Stock Corporation, Minneapolis

First Bank Stock Corporation was organized April 1, 1929, as the First Bank Stock Investment Company, a Delaware corporation. The name was changed to the First Bank Stock Corporation, August 26, 1929. It was organized by the interests controlling the First National Bank of St. Paul and the First National Bank and Trust Company of Minneapolis, respectively. A majority of the stock of the Corporation was issued in exchange for the holdings of

the stockholders of these two banks. The reported purpose of the Corporation was to meet the new competition given the two parent banks through the organization and development of the Northwest Bancorporation. The Corporation is given very broad powers in its charter, but its activities appear to be confined to holding stocks of subsidiary banks and affiliated companies. Four million shares of \$10 par value common stock are authorized and 3,125,811 shares (including 90,553 shares in treasury) were outstanding as of December 31, 1936. The par value was reduced from \$25 to \$10 on February 13, 1934 (as of December 31, 1933), when the value of the stocks of the subsidiary banks and companies was written down approximately \$85,800,000.

From the point of view of number of banks controlled, the group is the second largest that has been developed. It includes as of December 31, 1936, 78 banks with 6 branches—59 national, 1 State member, and 18 State nonmember banks—operating throughout the Minneapolis Federal Reserve District, as is shown in the accompanying chart. Other active units included in the group are a management company, an industrial finance company, and miscellaneous companies holding real estate, liquidating assets of the banks in the group and operating in other capacities.

First Bank Stock Corporation acquired control of its first 17 banks by purchase of their stock for cash. Control of the others, including the two key banks, was acquired largely through the exchange of stock of the holding company for that of the banks. The general policy of the Corporation appears to have been to obtain as much of the stock of the banks as possible through the exchange of stock and to keep the former owners in-



terested in the management and operation of such banks through their financial interest in the holding company. The Corporation has acquired existing banks rather than establish new banks. In 1934, 4 banks in the State of Michigan were merged into a national bank at the location of the key bank of the area and branches were established in the other 3 towns. In several instances national banks in the group have been converted into nonmember State banks for various reasons, among others to gain the advantages of lower capital requirements under State laws.

Relations with the subsidiary banks in the group are handled in two ways. The First Service Corporation, a management company organized within the group, supervises the activities of the units located outside the cities of Minneapolis and St. Paul. Within the cities each of the two key banks supervises the units within its respective territory. Auditors of the service corporation and of the key banks make periodical examinations of the banks in their respective jurisdictions. The holding company coordinates the supervision through its executive officers. Two of its senior officers are the presidents of the two key banks and the president of the holding company itself was formerly president of the Minneapolis key bank.

The services furnished subsidiary banks under ordinary conditions, in addition to the periodical examinations thus described, include the installation of accounting systems, income tax services, purchasing and selling securities and commercial paper, furnishing credit and statistical reports, procuring insurance coverage, preparing advertisement and publicity, purchasing supplies, obtaining legal counsel in connection with important litigation, and overseeing the affairs of the subsidiary banks and assist-

ing them with suggestions regarding loans, investments, and general operations. Under the emergency conditions of 1933 and 1934, the holding company aided the banks in a number of ways, including contributions of nearly \$9,000,000, the securing of assistance from the Reconstruction Finance Corporation, the closing or placing in liquidation of a number of unprofitable banks, the strengthening of the management of the banks, and the rendering of counsel and advice.

Service and management fees are collected by the First Service Corporation from the subsidiary banks for its services, and dividends are paid by the banks to the holding company. Recently, however, but few of the banks, except the two key banks, have been paying dividends, and the holding company has been supported to a considerable extent by the two key banks.

The group has continued in a strong financial condition because of the financial strength of the two key banks. Rather high prices are reported to have been paid for the subsidiary banks; however, payment was made principally in stock of the holding company and the resulting shrinkage in value of the stock of the banks is merely reflected in the value of the holding company stock.

Wisconsin Bank Shares Corporation, Milwaukee

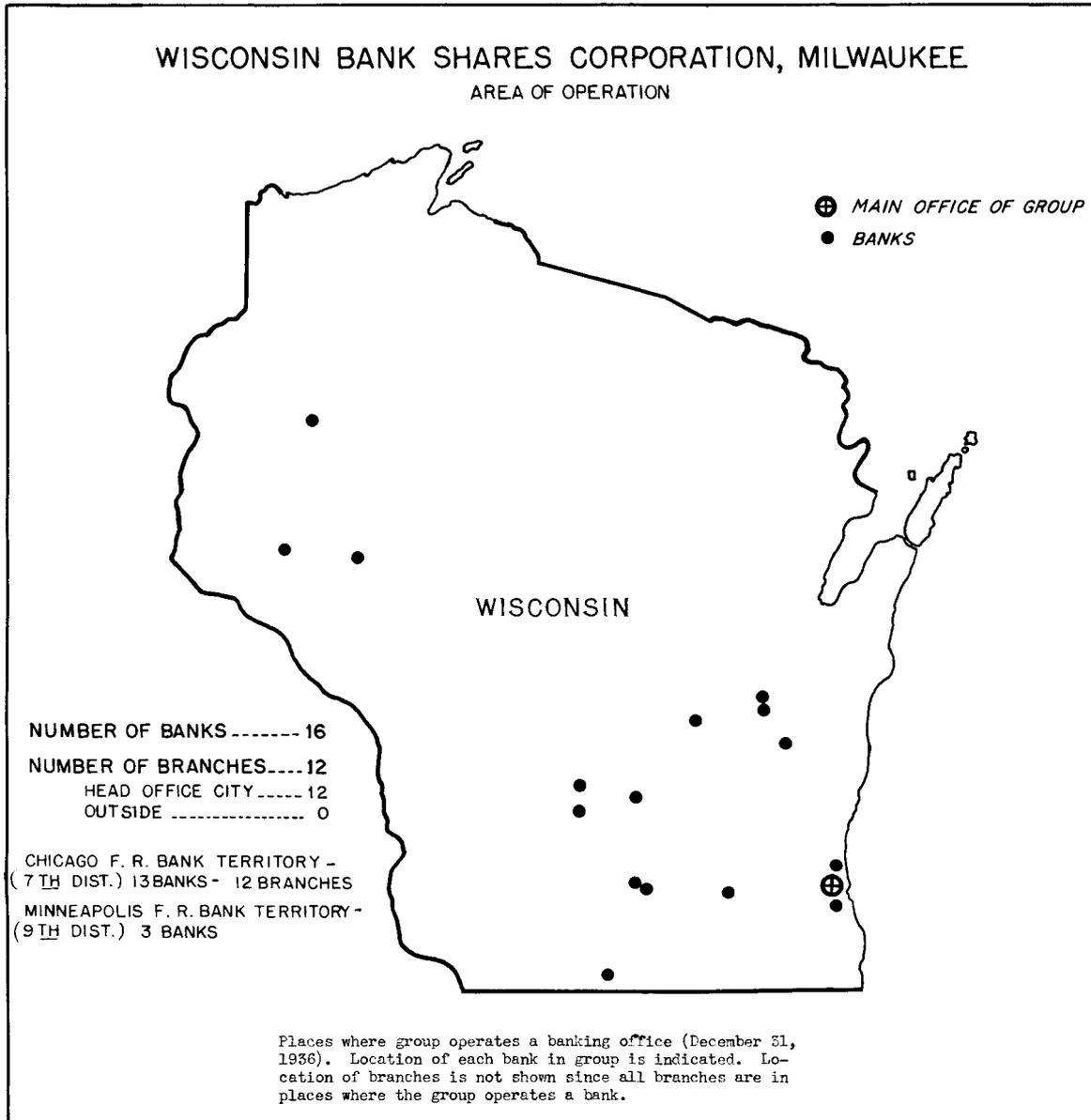
Wisconsin Bank Shares Corporation was organized December 10, 1929 under the laws of Wisconsin by interests connected with the First Wisconsin National Bank of Milwaukee. It was reported to have been organized for the purpose of developing a group banking system in Wisconsin to meet the compe-

tition of Minneapolis bank holding companies which were entering the territory of the key bank. The Corporation is given very broad powers in its charter but its activities appear to have been confined chiefly to holding bank stocks and supervising subsidiary banks. Two million shares of no par value common stock are authorized and 1,956,456 were outstanding as of December 31, 1936, a large part of which was held by former stockholders of the parent bank.

The group included as of December 31, 1936, 16 banks ^{1/} with 12 branches-- 10 national, 1 State member, 5 State nonmember banks operating throughout the State of Wisconsin, as is shown in the accompanying chart. Other active units in the group includes 2 trust companies engaged primarily in trust business, a mortgage company, an abstract and title guaranty company, numerous companies operating or liquidating real estate properties, 2 companies liquidating other assets of the group and 2 industrial units acquired by subsidiary banks in liquidation of loans. Inactive units include 11 banks and 3 companies in liquidation and a former securities company.

Most of the subsidiary banks, particularly those outside of Milwaukee, were acquired through exchange of stock of the holding company for stock of

^{1/} Includes one trust company not in a general deposit business, the trust deposits of which as well as some savings deposits are insured by the Federal Deposit Insurance Corporation. Excludes two other trust companies not in a general deposit business, trust deposits of which are not insured.



the banks. Nearly all of those that were acquired through the purchase of stock for cash were small institutions in Milwaukee which were later converted into branches of the parent bank. The policy of the Corporation appears to be to hold as much stock as possible of its subsidiary banks.

Supervision of the subsidiary banks is accomplished through visits by the holding company's representatives and auditors. Up until a few years ago it appears to have been the policy of the holding company to permit the subsidiary banks to operate and formulate policies fairly independently. More recently, however, it has participated more actively in the management of the banks. At the present time the holding company makes all purchases and sales of securities for the subsidiary banks, and with the exception of the two largest banks, closely supervises their loaning activities by means of regulations, reports, etc. The holding company also now maintains close supervision of the personnel in the subsidiary banks. The First Wisconsin National Bank of Milwaukee apparently serves as the principal correspondent to the other banks in the group.

The banking crisis of 1933 left the holding company in a very weakened financial condition and since that time one of its principal tasks has been in aiding the rebuilding of the banks in the group. A policy was adopted by the Corporation of merging unprofitable banks with others or selling them to local interests. Late in 1934, 9 State nonmember bank subsidiaries in Milwaukee were converted into branches of the key bank; in 1935, 9 banks were sold and 2 were merged; early in 1936, 2 more State nonmember banks were sold. The Corporation also made large cash contributions and secured aid from the Reconstruction Finance Corporation for the subsidiary banks, pledging practically its entire assets to guarantee the repayment of such

obligations to the Reconstruction Finance Corporation. The Reconstruction Finance Corporation's purchase of preferred stock and debentures of subsidiary banks amounted to \$13,000,000 and in addition the Reconstruction Finance Corporation loaned the holding company \$4,600,000 for use in rehabilitating the banks of the group.

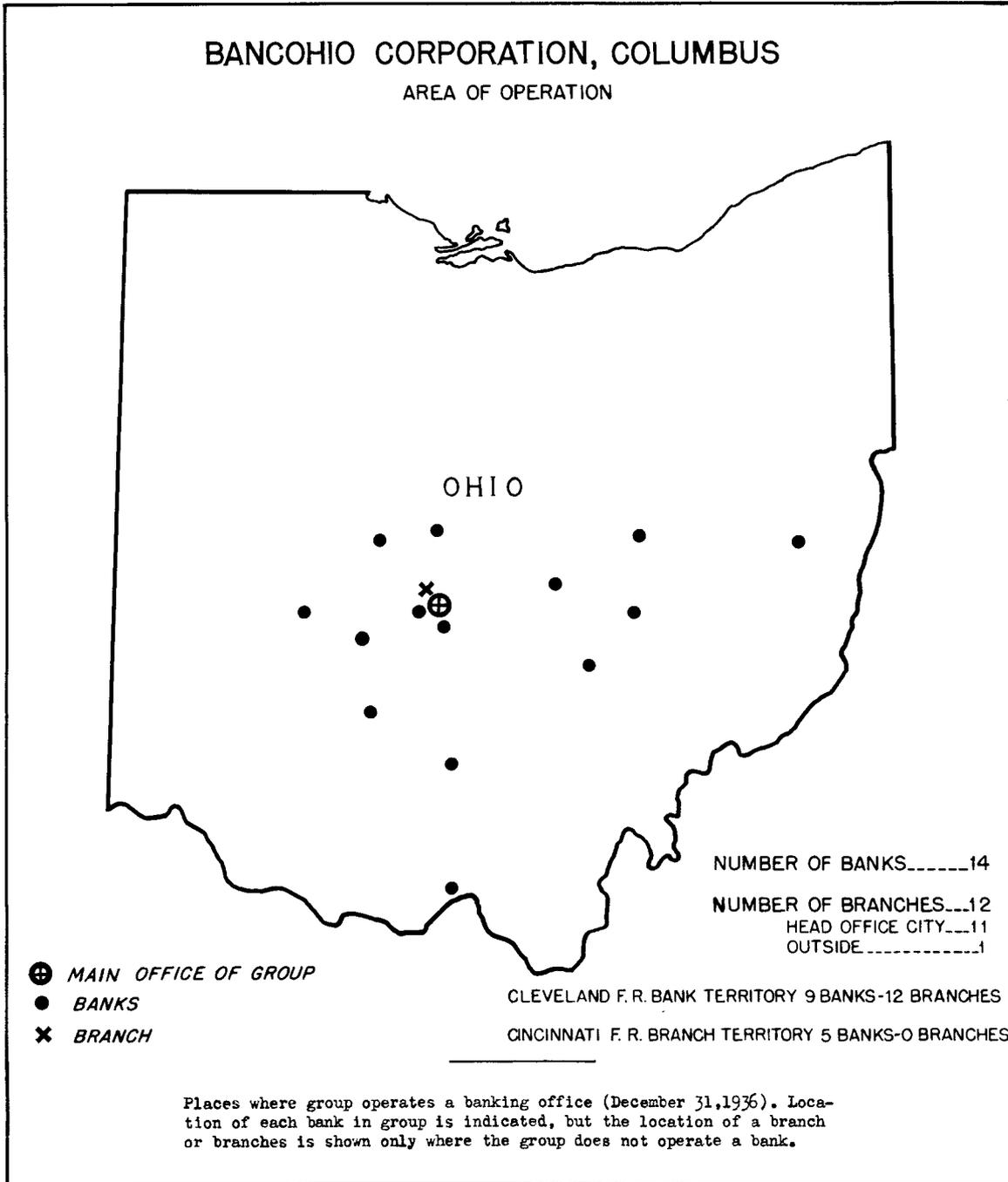
BancOhio Corporation, Columbus, Ohio

BancOhio Corporation was organized September 19, 1929, under the laws of the State of Ohio, by H. P. Wolfe of Columbus and his associates for the purpose of operating a holding company for banks. The Corporation is empowered to acquire, own, pledge, or dispose of all forms of securities issued by any bank or trust company or any affiliated organization; to own, buy, and sell securities or investments which are legal investments for banks, savings banks, or trust companies under the laws of Ohio; and to exercise all rights and privileges incident to the ownership of these securities. The original capital was \$5,000 consisting of 250 shares of \$20 par value. As a result of subsequent changes, 850,000 shares of \$15 par value are now authorized; 564,312 shares (including 128 treasury shares) were outstanding as of May 24, 1937.

The group included 14 banks with 12 branches, as of December 31, 1936-- 11 national and 3 State member banks--all located in county seats in Ohio, as is shown in the accompanying chart. Negotiations for the control of another national bank were being completed early in September 1937. The group includes a real estate company which supervises all other real estate carried by the banks. A securities company formerly technically affiliated

BANCOHIO CORPORATION, COLUMBUS

AREA OF OPERATION



with the group is now closely associated with the group but not technically affiliated. The group also owns an industrial bank.

The control of most of the banks of this group was acquired through the exchange of shares of BancOhio Corporation for shares of the banks. The group has been developed by acquiring existing banks rather than by establishing banks de novo, the policy having been to acquire substantially all the stock of the subsidiary banks.

BancOhio Corporation closely supervises the operations of the subsidiary banks through the use of operating budgets, examinations, and standardized forms and accounting methods. The Corporation has trained and placed individuals as senior officers in certain of the banks. A complete record is kept of the earning assets of each bank and operating statements are prepared monthly. The local management of each of the subsidiary banks has only limited authority in making loans. Credit files of all banks are held by the credit department of the Corporation, and all loans are reviewed each month in conjunction with the executive or loaning officers of each bank. An executive loan committee meets daily to pass upon loans to \$1,000 and over.

The Corporation has been designated as agent by the various banks with authority to buy and sell all investment securities. Legal counsel is retained by the Corporation for the subsidiary banks. Insurance coverage is supervised, advertising programs are prepared, and promotional activities are directed by the Corporation.

During the emergency period in 1933 and 1934 none of the banks in the BancOhio group issued preferred stock or capital notes or debentures, but

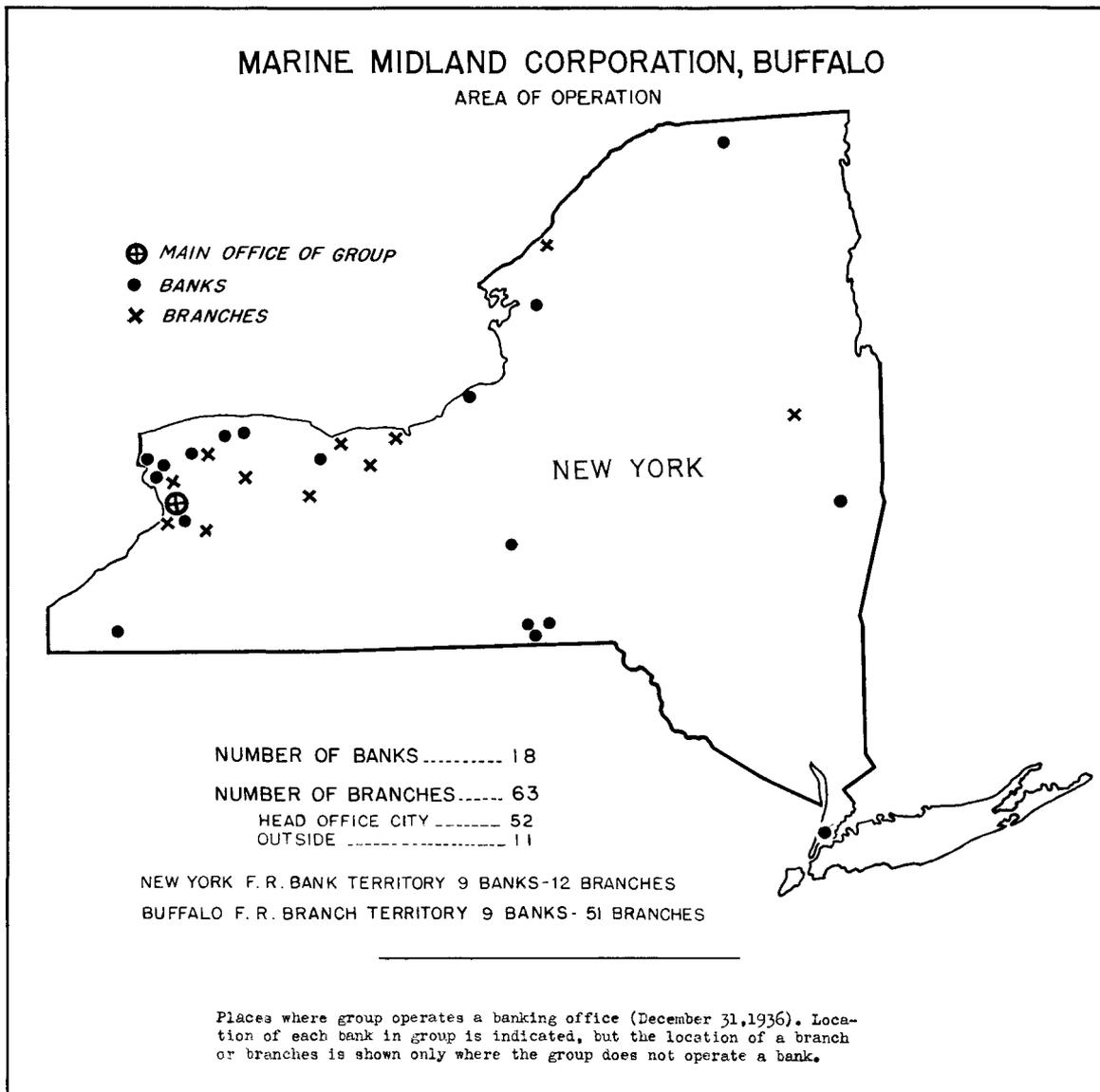
the Corporation contributed substantial sums to the capital structures of the banks during the period 1930 to 1935. Through these contributions the Corporation appears to have prevented losses to depositors and aided its banks during the banking crisis.

In general the group is closely coordinated and functions more in the nature of a branch system than is usual in most bank groups--with the Ohio National Bank as the key bank.

Marine Midland Corporation, Buffalo

Marine Midland Corporation was organized September 23, 1929, as a Delaware corporation. It was organized by interests identified with The Marine Trust Company of Buffalo for the purpose of acquiring a group of banks in New York State and operating them in a fashion similar to a system of branches. Its certificate of incorporation contains the usual broad powers granted Delaware corporations. Ten million shares of common stock are authorized and 5,551,010 shares were outstanding as of December 31, 1936. The shares outstanding have since been increased to 5,834,510 by shares issued in connection with the acquisition of stock of the First National Bank and Trust Company of Elmira and the First National of Elmira Corporation and The Nyack National Bank and Trust Company and The Nyack National Corporation. The par value of the shares is now \$5, having been reduced from \$10 in February 1934.

As of December 31, 1936 the group included 18 banks with 63 branches--3 national, 8 State member and 7 nonmember banks--located in New York State, as shown in the accompanying chart. Other units included in the group were Employees Service Corporation formed to assist officers and employees in the



group in the liquidation of their loans and to acquire stock of the Marine Midland Corporation, a securities company functioning as an investment trust, 8 realty companies, 6 safe deposit companies, a wholesale and retail seeds dealer, and a bank management and service organization for the banks in the group. Early in 1937 the Marine Midland Corporation acquired control of the First National Bank and Trust Company of Elmira, First National of Elmira Corporation and its 3 subsidiary banks, The Citizens National Bank of Waverly, The First National Bank of Horseheads, and the Watkins State Bank at Watkins Glen, all in New York, and The Nyack National Bank and Trust Company and its affiliate, the Nyack National Corporation, Nyack, New York. The First National Bank of Horseheads was later merged into and made a branch of the First National Bank and Trust Company of Elmira.

Marine Midland Corporation acquired control of the greater portion of the banks of the group by the exchange of its stock for that of the bank, some being acquired by direct purchase. The policy of the Corporation is to hold substantially all of the stock of the subsidiary banks, 96 percent and 98 percent, respectively, of the stock of the national and State banks being owned as of December 31, 1936. The policy of the Corporation is to acquire existing banks rather than establish banks de novo. Some of the banks in and around Buffalo have been converted into branches of the Marine Trust Company, the principal bank in the group.

Relations with the subsidiary banks in the group are handled by the Marine Midland Group, Inc., which functions as a management or service organization for the banks. Standard accounting and record systems have been developed and installed in the banks by the service organization and

each bank is required to make daily reports of its operations to the Group. The Group examines the banks through its own examining and accounting staff and maintains an investment department to study and analyze investments of the banks and to advise them with reference to purchase and sale of securities. It also maintains credit and loan departments and a trust department, which act in an advisory capacity to the banks in the group, and a business development department which concerns itself with new business and advertising activities of the banks.

In 1932, 1933 and 1934 the holding company aided in rebuilding the capital structure of its subsidiary banks through substantial contributions to the banks' capital and through assistance rendered in the sale of preferred stock and capital debentures to the Reconstruction Finance Corporation.

First National - Old Colony, Boston

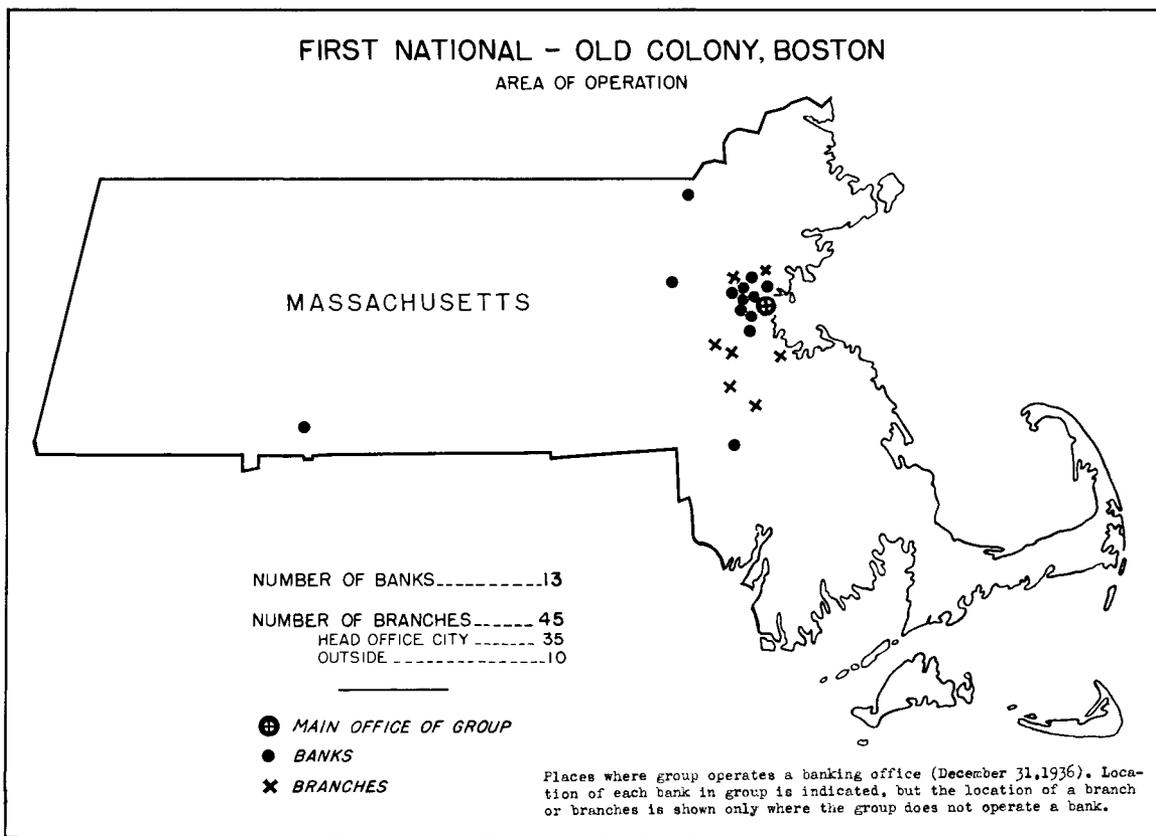
Old Colony Trust Associates was organized May 14, 1928, under a declaration of trust subject to the laws of Massachusetts. It was organized by Old Colony Trust Company, prior to the affiliation of that organization with First National Bank of Boston. The shares of Old Colony Trust Associates are widely distributed and have no vote, control and management of the Associates being placed in trustees. The original trustees were appointed by Old Colony Trust Company and vacancies are filled by the surviving trustees subject to the approval of the executive committee of Old Colony Trust Company. At the time that the Associates filed its application for a voting permit the majority of trustees of the Associates were directors of the First National Bank of Boston, but more recently this technical affiliation between the First National Bank of Boston and the Associates has been terminated. Under authority of section 301 of the Banking Act of 1935

the Board of Governors found that the First National Bank of Boston was not engaged directly or indirectly as a business in holding the stock of, or managing or controlling banks, banking associations, or trust companies and therefore not a holding company affiliate of the Old Colony Trust Company. This bank and its affiliated organization, the Old Colony Trust Company, were included in the group tabulations, however, because of their close association with the banks technically affiliated with the Old Colony Trust Associates. Four hundred thousand non-voting no par value trust shares were authorized and 376,208 shares are outstanding. The group as of December 31, 1936 included 13 banks with 45 branches--7 national banks and 6 State member banks--most of the banks being located in the metropolitan area of Boston. The group also includes 2 real estate companies and a manufacturing company. The accompanying chart shows the location of banking offices.

The general policy of the Associates has been to acquire stock of existing banks by purchase. In two instances groups of subsidiary banks have been consolidated and branch offices established to take the place of the former independent banks. The First National Bank of Boston serves as the main depository for the banks of the group and renders various services to the Associates.

No domination of the various banks in the group by the holding company is apparent except in a recently consolidated national bank. Representatives of Old Colony Trust Associates act as advisers to the directors of several of the banks, and it appears that First National Bank of Boston supervises the operation of one of the national banks in the group.

During the emergency conditions of 1933-1934 the Associates placed subordinated deposits in the subsidiary banks which needed strengthening. Later the deposits were used to pay for additional capital stock issued by the banks.



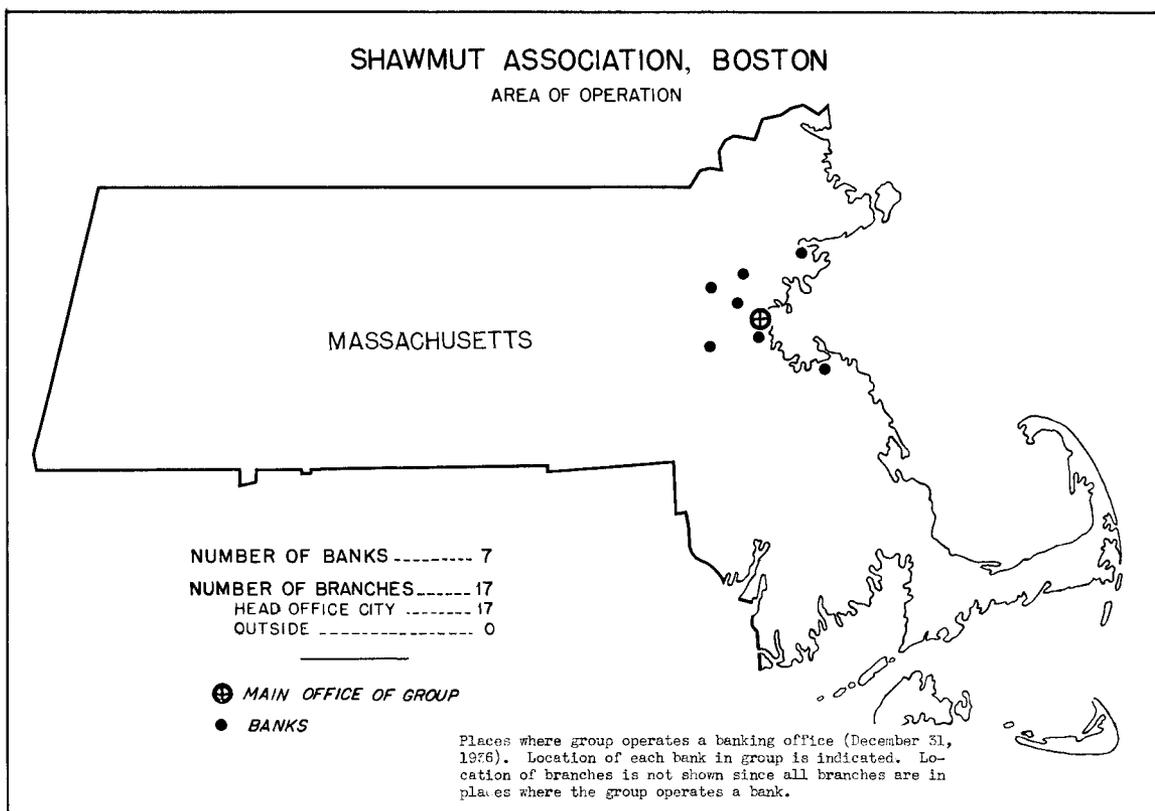
Shawmut Association, Boston

The Shawmut Association was organized May 21, 1928 as a voluntary association or trust under the laws of Massachusetts. It was organized by The National Shawmut Bank of Boston and the stock of the Association was reserved for the stockholders, officers and friends of this bank. The Association was organized to operate as an investment trust and to acquire control of independent banks for the National Shawmut Bank. One million shares of no par value stock were authorized to be issued, of which 400,000 shares (exclusive of treasury shares) are outstanding.

The group included 7 banks with 17 branches as of December 31, 1936-- 4 national banks, 1 State member and 2 State nonmember--located in the metropolitan area of Boston, as is shown in the accompanying chart. It also included 7 nonbanking business units.

Shawmut Association acquired control of one of its subsidiary banks through an exchange of shares of Shawmut Association for stock of that bank and obtained controlling interest in the other banks apparently by purchase of stock. Its policy appears to be to acquire only a sufficient amount of the stock to constitute control and to allow minority stockholders to hold a substantial interest and have a voice in the management. The amount of the common stock of the banks held by the Association averaged 57 percent for national banks and 64 percent for State banks.

Relations with other banks in the group are conducted principally by the National Shawmut Bank. At least one officer or director of each bank in the group is an officer or director of the parent bank. Supervision of the subsidiary banks in the group is accomplished by visits to each bank by an officer of the National Shawmut Bank once a week. Loans are reviewed



by this officer and other activities of the bank are supervised in a similar way. In addition to supervising the activities of the banks in this manner the National Shawmut Bank furnishes investment service, management counsel, legal counsel, benefits of cooperative buying of supplies, advertising, and other services.

In general, the group is operated by the National Shawmut Bank (through the Shawmut Association as a holding company), in a manner somewhat similar to a branch system, in the metropolitan area of Boston.

Citizens and Southern National Bank, Savannah

The Citizens and Southern Holding Company was organized April 9, 1928 by The Citizens and Southern National Bank of Savannah, Georgia, for the purpose of expanding its operations in Georgia and the Southeast. The Citizens and Southern Bank of Savannah began a program of expansion in 1912 by acquiring a national bank in Augusta, Georgia, which was converted into the Augusta branch of the Citizens and Southern Bank. Other banks were acquired later and branches were established in 6 Georgia cities. In 1927 the bank obtained a national charter and retained all of its branches but it was then no longer legally permitted to establish branches in cities in Georgia. All of the shares of the holding company are owned by the national bank as trustee for the benefit of its own shareholders. There are 100,000 shares of \$10 par value holding company stock authorized, of which 40,000 shares are outstanding. The holding company had an original paid-in surplus of \$1,500,000 which was reduced subsequently to \$600,000 by charge-offs.

The group as of December 31, 1936 consisted of 3 national banks, including the key bank, 3 nonmember State banks in Georgia and 1 nonmember State bank and a real estate company in South Carolina. (One of the subsidiary national banks has since been converted into a State nonmember in-

stitution.) The principal bank in the group had 9 branches in Georgia and the South Carolina subsidiary had 3 branches in South Carolina. The accompanying chart shows the location of banking offices.

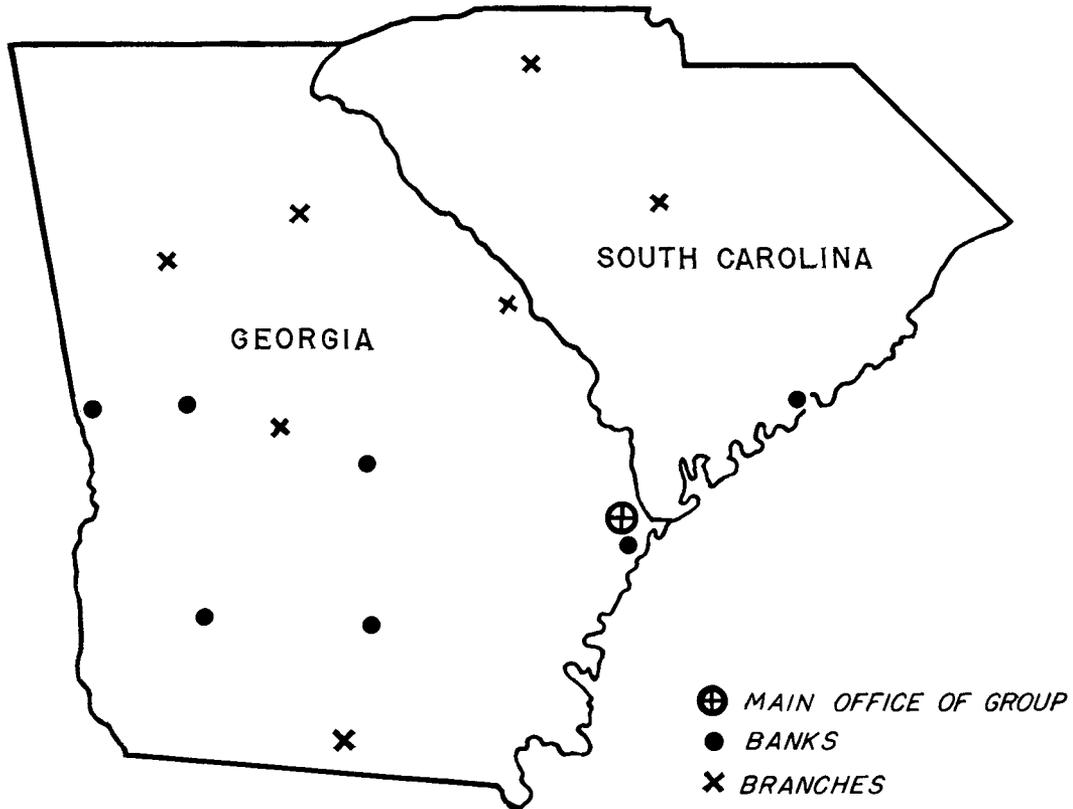
The holding company has followed the general policy of acquiring control of existing institutions by the direct purchase of stock and of obtaining substantial amounts of the outstanding stock of each of them. As of December 31, 1936, 68 percent of the common stock of the subsidiary national banks and 96 percent of the stock of the State banks were owned by the holding company.

The holding company has no separate management organization for serving its banks. Audits are made by public accountants for the holding company. Officers of the holding company make frequent visits to the banks for the purpose of making inspections, maintaining standards of operations, etc. The key bank has one direct representative on the directorate of each subsidiary bank and controls the selection of important officers. The holding company does not review all credits as a matter of routine supervision, but it practically directs the credit policies of the banks. The key bank manages and closely supervises the investment accounts of all banks in the group.

In the past the key bank has used the facilities of the holding company affiliate as a vehicle for the purpose of eliminating a large amount of "Other real estate" from its assets.

The holding company has strengthened the capital structure of several of the banks by cash contributions and has assisted in recapitalizing and in removing substandard assets from them.

CITIZENS AND SOUTHERN NATIONAL BANK SAVANNAH AREA OF OPERATION



NUMBER OF BANKS ----- 7

NUMBER OF BRANCHES ---- 12

HEAD OFFICE CITY ----- 3

OUTSIDE ----- 9

ATLANTA F. R. BANK TERRITORY (6 TH DIST.) 6 BANKS - 9 BRANCHES

RICHMOND F. R. BANK TERRITORY (5 TH DIST.) 1 BANK 1 BRANCH

CHARLOTTE F. R. BRANCH TERRITORY (5 TH DIST) 0 BANKS - 2 BRANCHES

Places where group operates a banking office (December 31, 1936). Location of each bank in group is indicated, but location of a branch or branches is shown only where the group does not operate a bank.

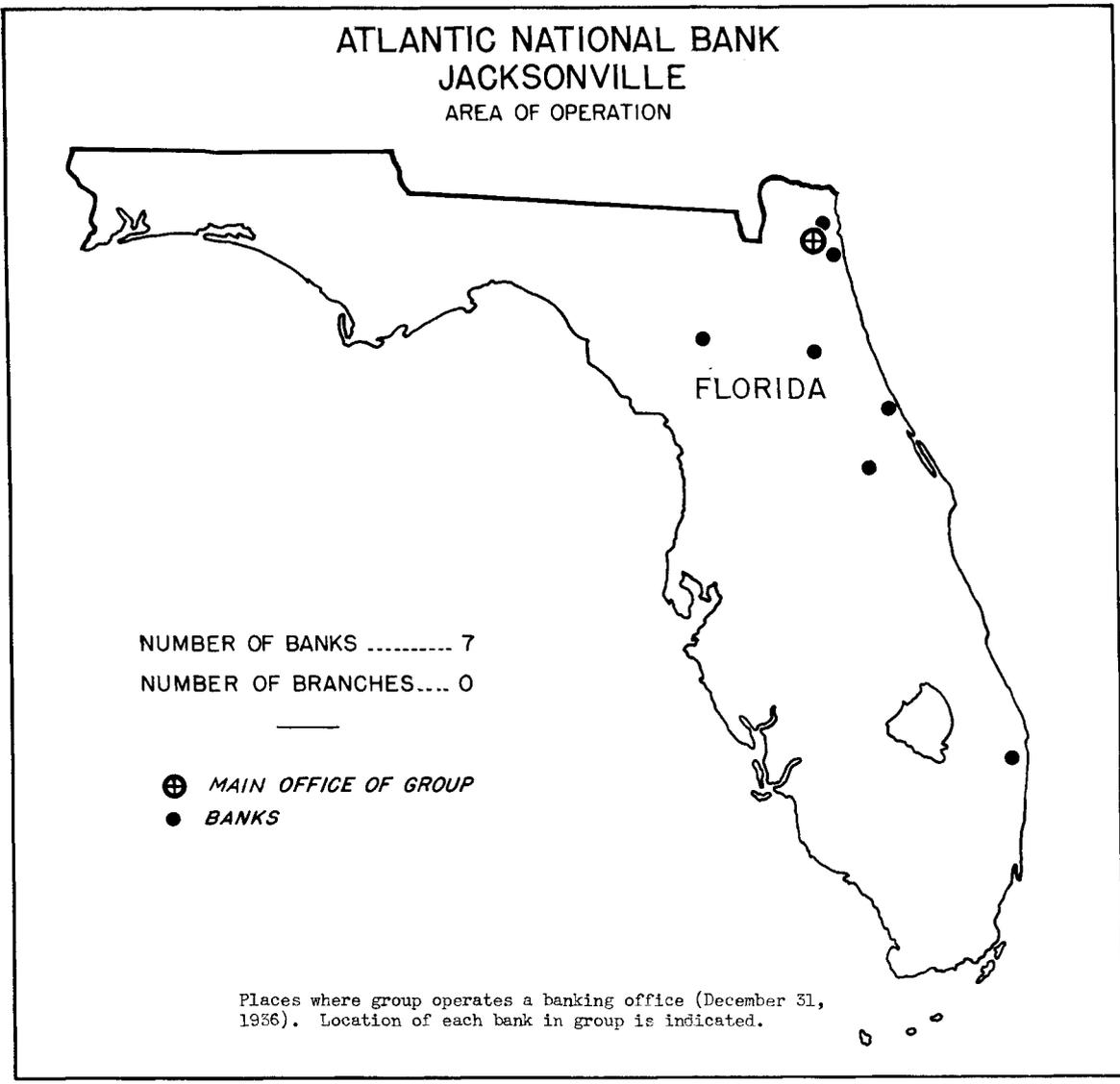
Atlantic National Bank, Jacksonville

The Atlantic National Bank was organized July 1903 and in February 1934 the American Trust Company was merged with it. The Atlantic Trust Company was organized September 15, 1908 but did not begin to function as a bank stock holding company until 1924. The Trust Company had been owned originally by persons connected with the Atlantic National Bank but it was later sold to the stockholders of the Atlantic National Bank on the basis of one share of Atlantic Trust Company stock for each ten shares of bank stock. The authorized and outstanding stock of the Atlantic Trust Company consists of 1,500 common shares, and 1,000 cumulative non-voting preferred shares both of \$100 par value.

The group consists of 7 banks--6 national banks and 1 nonmember State bank--2 nonmember State banks in liquidation, 1 mortgage company in liquidation, and various mortgage bond and finance companies not technically affiliated, including one company organized to purchase the preferred stock of the Atlantic Trust Company. All banks are located in Florida, as is shown on the accompanying chart.

The banks in the group have been acquired through the purchase of from 50 to 70 percent of the common stock

The Atlantic National Bank supervises the loan and investment policies, conducts audits of the controlled banks, and requires daily statements from them as to loans. The controlled banks consult the key bank on credit matters but have final responsibility in the making of loans. The key bank has control of the investment accounts. Executive employees are selected by the key bank. Much of the publicity and new business promotion of the group is centralized in the key bank.



The trust business of the group is centralized in the Atlantic National Bank and one officer in each subsidiary bank is designated a trust officer of the Atlantic National Bank so that complete trust service is rendered at each of the controlled banks.

CHAPTER IV

EXTENT AND DISTRIBUTION OF GROUP BANKING

Group banking includes banks of all classes and of all sizes and has developed in practically every section of the country. It varies, however, in the extent of its development in different areas and the groups differ in the pattern of their organization and development. On the basis of statistics as of December 31, 1936, there were 52 groups controlling 479 banks and 1,326 banking offices with \$5,450,-000,000 of loans and investments and \$6,840,000,000 of deposits. These groups control 3.2 percent of all commercial banks and 7 percent of the banking offices, which hold 14 percent of the loans and investments and nearly 14 percent of the deposits of all banks in the United States. Table 6 shows these figures in detail.

Table 6 - Banks in Groups and All Commercial Banks
December 31, 1936

	Number of banks	Number of banking offices	Loans and investments (in thousands of dollars)	Deposits
All commercial banks in the United States	14,929	18,157	\$ 38,904,029	\$ 49,869,319
Banks in 52 groups	<u>1/</u> 479	1,326	5,458,413	6,841,027
Percentage of banks in groups to total banks	3.2	7.3	14.0	13.7

1/ This figure includes only incorporated commercial banks and excludes such institutions among others as trust companies without deposits, industrial and Morris Plan banks, etc.

Table 7 shows that national banks constitute a larger proportion of the banks in groups than all of the other classes of banks combined.

Table 7 - Classes of Banks in 52 Groups
December 31, 1936

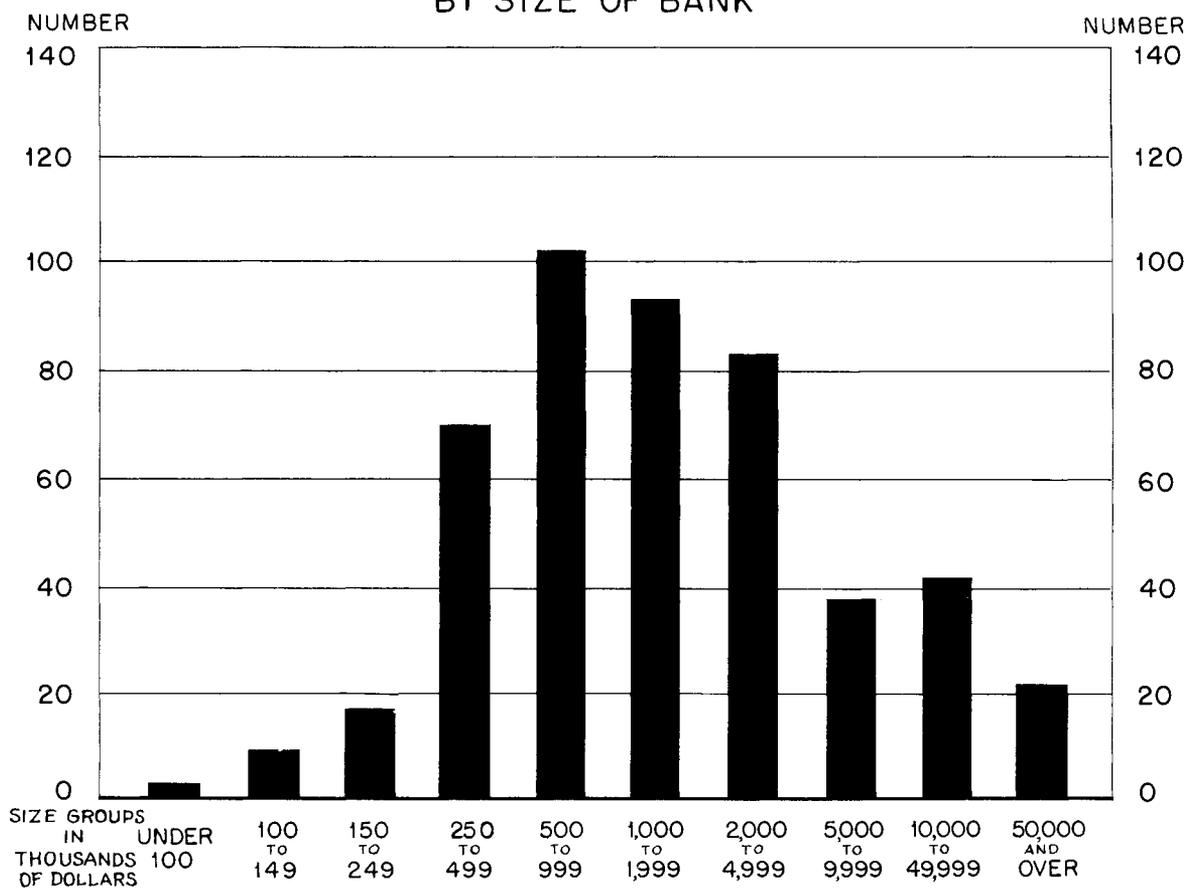
Class of bank	Number of banks	Loans and investments (in thousands of dollars)	Deposits (in thousands of dollars)
National	285	\$ 3,936,429	\$ 5,062,937
State member	43	1,134,139	1,321,674
Nonmember insured	138	335,646	404,523
Nonmember non-insured	13	52,199	51,893
Total	479	5,458,413	6,841,027

Size of Banks in Groups

Banks in groups vary in size from those with less than \$100,000 of loans and investments to some of the largest in the country. Chart 1 and table 8 show that 40 percent of the group banks have between \$500,000 and \$2,000,000 of loans and investments and that 38 percent of them have \$2,000,000 or more. Loans and investments, and deposits, however, are concentrated in the larger banks in the groups, 70 percent being in the 22 largest banks.

Only 6 percent of the group banks each had loans and investments of less than \$250,000, while 13 percent each had loans and investments in excess of \$10,000,000. This is in contrast with the distribution of all commercial banks as of December 31, 1935 which indicates that about 40 percent of all such banks have loans and investments of less than \$250,000 and less than 3 percent have loans and investments of more than \$10,000,000.

CHART 1
NUMBER OF BANKS IN 52 GROUP SYSTEMS
BY SIZE OF BANK



Number of banks in 52 group systems as of December 31, 1936. Banks are classified according to the amount of their loans and investments.

Table 8 - Number of Banks in Groups, and the Amount of their Loans and Investments, and of Deposits, Classified by Size
December 31, 1936

Size group loans and investments (000 omitted)	Number of banks	Percent of total	Loans and investments (000 omitted)	Percent of total	Deposits (000 omitted)	Percent of total
Under \$100	3	.6	\$ 181	-	\$ 268	-
100 - 149	9	1.9	1,211	-	1,737	-
150 - 249	17	3.6	3,476	.1	4,844	.1
250 - 499	70	14.6	26,120	.5	35,038	.5
500 - 999	102	21.3	75,317	1.4	93,807	1.4
1,000 - 1,999	93	19.4	134,129	2.5	168,577	2.5
2,000 - 4,999	83	17.3	251,916	4.6	324,412	4.7
5,000 - 9,999	38	7.9	257,991	4.7	331,027	4.8
10,000 - 49,999	42	8.8	874,673	16.0	1,121,695	16.4
50,000 and over	22	4.6	3,833,399	70.2	4,759,622	69.6
Total	479	100.0	5,458,413	100.0	6,841,027	100.0

The 22 largest group banks, each having \$50,000,000 or more of loans and investments, are shown in Table 9.

Table 9 - 22 Largest Group Banks, December 31, 1936

Bank	Loans and investments (in thousands of dollars)	Deposits (in thousands of dollars)
Bank of America N.T. & S.A. San Francisco	1,151,167	1,287,928
First National Bank, Boston	398,979	587,109
Union Trust Company, Pittsburgh	310,755	295,509
Mellon National Bank, Pittsburgh	286,489	340,053
Anglo California Nat. Bank, San Francisco	160,893	207,954
First Wisconsin Nat. Bank, Milwaukee	155,125	203,576
Marine Trust Company, Buffalo	144,020	167,683
First Nat. Bank & Trust Co., Minneapolis	110,746	143,793
National Shawmut Bank, Boston	110,186	180,264
Commerce Trust Co., Kansas City	107,422	175,886
Industrial Trust Company, Providence	100,259	120,743
First National Bank, St. Paul	92,919	135,947
Northwestern Nat. Bank & Trust Co., Minneapolis	91,650	122,202
Marine Midland Trust Company, New York City	90,458	109,217
First National Bank, Pittsburgh	76,881	103,817
Farmers Deposit National Bank, Pittsburgh	76,608	94,462
Peoples-Pittsburgh Trust Co., Pittsburgh	74,182	94,549
First National Bank, Portland, Oregon	70,138	87,367
Citizens & Southern Nat. Bank, Savannah	60,926	88,723
Republic National Bank, Dallas	56,879	75,563
Ohio National Bank, Columbus	55,536	68,624
National Bank of Commerce, Seattle	51,181	68,653
Total	3,833,399	4,759,622

Size of Groups

From the point of view of the number of banks controlled the groups vary in size considerably, as is shown in Table 10. Of the 52 groups covered in this study, each consisting of 3 or more banks, 33 groups each have from 3 to 5 banks, 8 each have from 6 to 9 banks, and 11 each have 10 or more banks. The group with the largest number of banks, the Northwest Bancorporation, consists of 92 banks and that with the second largest number of banks, the First Bank Stock Corporation, is composed of 78 banks.

Table 10 - Group Systems Classified by Number of Banks in System, December 31, 1936

Size classification Number of banks in each group	Number of groups	Number of banks controlled	Loans and investments (in thousands of dollars)	Deposits
3	19	57	\$ 523,150	\$ 681,496
4	5	20	187,326	280,097
5	9	45	894,214	1,007,990
6	3	18	111,535	149,005
7	4	28	245,047	381,458
9	1	9	29,935	63,083
10	1	10	171,505	221,769
11	1	11	1,313,541	1,488,462
12	1	12	54,961	61,199
13	1	13	500,201	687,854
14	1	14	84,252	102,644
16	1	16	206,830	275,432
18	2	36	442,283	518,223
20	1	20	79,946	100,886
78	1	78	301,105	411,660
92	1	92	312,582	409,769
Total	52	479	5,458,413	6,841,027

Principal Banking Groups

Among the 52 groups there are 18 that may be designated as the principal examples of banking groups. ^{1/} These 18 groups control 333 banks with

^{1/} The term "principal groups" is used to designate the large and important groups, as measured by the number of banks and banking offices (banks and branches) and the amount of loans and investments controlled by the group, that have been developed for the primary purpose of providing banking services through the coordinated operation of a number of banks.

\$3,820,000,000 of loans and investments and \$4,830,000,000 of deposits.

Table 11 lists the principal groups and shows the number of banks, branches, and the amount of loans and investments, and deposits controlled by each of them. A list of the 34 other groups is given in Tables 1 and 2 of the Appendix.

Table 11 - Principal Groups, December 31, 1936

Name of group and location of head office	Number of banks	Loans and investments (in thousands of dollars)	Deposits (in thousands of dollars)	Number of branches
Transamerica Corp., San Francisco	11	\$1,313,541	\$ 1,488,462	511
First National-Old Colony, Boston	13	500,201	687,854	45
Marine Midland Corporation, Buffalo	18	385,593	435,203	63
Northwest Bancorporation, Minneapolis	92	312,582	409,769	18
First Bank Stock Corp., Minneapolis	78	301,105	411,660	6
Wisconsin Bank Shares Corp., Milwaukee	16	206,830	275,432	12
Anglo National Corp., San Francisco	10	171,505	221,769	18
Shawmut Association, Boston	7	122,882	194,086	17
BancOhio Corporation, Columbus	14	84,252	102,644	12
Citizens & Southern Nat. Bk., Savannah	7	74,468	113,440	12
Hamilton National Bank, Chattanooga	18	56,690	82,801	5
First Trust & Deposit Co., Syracuse	12	54,961	61,199	11
Marine Bancorporation, Seattle	4	52,715	70,595	10
First Security Corp. of Ogden, Ogden	5	46,099	66,501	22
First Nat. Trustees, Louisville	6	40,787	50,091	7
Atlantic Nat. Bank, Jacksonville	7	36,240	54,344	-
Trust Co. of Georgia, Atlanta	6	30,762	43,363	-
Florida Nat. Group, Inc., Jacksonville	9	29,935	63,083	-
18 Principal groups	333	3,821,148	4,832,296	769
34 Other groups	146	1,637,265	2,008,731	78
52 All groups	479	5,458,413	6,841,027	847

Comparison of the statistics of the principal groups with those of all groups shows that the 333 banks controlled by the principal groups constitute nearly 70 percent of the total banks in groups and that these banks control 70 percent of the loans and investments, and deposits of banks in groups. Some groups with large banks were not included among the principal groups because they comprise a small number of banks or because they are not typical of the group movement, for example, the Union Trust Company of Pittsburgh.

Geographic Distribution of Group Banking

Banks belonging to groups are located in many sections of the country. Only sixteen States--Vermont in New England; Delaware, Maryland, District of Columbia, Virginia, West Virginia, and North Carolina in the South Atlantic division; Alabama, Mississippi, Arkansas, Louisiana, and Oklahoma in the South Central division; Kansas in the West North Central division; Colorado, New Mexico, and Arizona in the Mountain division--are without any reported banks in groups of 3 or more. States with the largest number of banks (20 or more) in groups are Massachusetts, New York, Pennsylvania, Wisconsin, Minnesota, North Dakota, Florida, Tennessee, Montana, and Washington. The 15 States where the proportion (more than 25 percent) of loans and investments controlled by banks in groups is largest are Massachusetts, Rhode Island, Wisconsin, Minnesota, North Dakota, South Dakota, Georgia, Florida, Tennessee, Montana, Idaho, Utah, Nevada, Oregon, and California. Table 12 shows in detail the number of banks by States in groups and the number of groups by States, and Table 13 shows the amount of loans and investments and deposits of banks in groups by States.

Table 12 - Number of Banks in Groups and All Commercial Banks
by States and by Geographic Divisions
December 31, 1936

State and geographic division	All commercial banks	Banks in groups	Ratio of banks in groups to all banks	Number of groups with head office in State
New England				
Maine	70	3	4.3	1
New Hampshire	65	4	6.2	1
Vermont	77	-	-	-
Massachusetts	202	21	10.4	2
Rhode Island	26	3	11.5	1
Connecticut	<u>120</u>	<u>3</u>	<u>2.5</u>	<u>1</u>
Total	560	34	6.1	6
Middle Atlantic				
New York	752	40	5.3	5
New Jersey	393	9	2.3	3
Pennsylvania	<u>1,103</u>	<u>40</u>	<u>3.6</u>	<u>6</u>
Total	2,248	89	4.0	14

Table 12 - Number of Banks in Groups and All Commercial Banks by States and by Geographic Divisions, December 31, 1936 (Continued)

State and geographic division	All commercial banks	Banks in groups	Ratio of banks in groups to all banks	Number of groups with head office in State
East North Central				
Ohio	698	14	2.0	1
Indiana	502	-	-	-
Illinois	882	-	-	-
Michigan	471	1	.2	-
Wisconsin	<u>603</u>	<u>22</u>	<u>3.6</u>	<u>1</u>
Total	3,156	37	1.2	2
West North Central				
Minnesota	688	86	12.5	3
Iowa	657	5	.8	-
Missouri	673	7	1.0	2
North Dakota	196	27	13.8	-
South Dakota	191	15	7.9	-
Nebraska	435	10	2.3	1
Kansas	<u>707</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	3,547	150	4.2	6
South Atlantic				
Delaware	46	-	-	-
Maryland	187	-	-	-
District of Columbia	22	-	-	-
Virginia	323	-	-	-
West Virginia	187	-	-	-
North Carolina	211	-	-	-
South Carolina	149	1	.7	-
Georgia	282	17	6.0	2
Florida	<u>158</u>	<u>24</u>	<u>15.2</u>	<u>4</u>
Total	1,565	42	2.7	6
East South Central				
Kentucky	434	6	1.4	1
Tennessee	315	22	7.0	3
Alabama	218	-	-	-
Mississippi	<u>208</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	1,175	28	2.4	4
West South Central				
Arkansas	222	-	-	-
Louisiana	146	-	-	-
Oklahoma	403	-	-	-
Texas	<u>882</u>	<u>10</u>	<u>1.1</u>	<u>2</u>
Total	1,653	10	.6	2
Mountain				
Montana	119	26	21.8	-
Idaho	53	7	13.2	1
Wyoming	58	3	5.2	-
Colorado	151	-	-	-
New Mexico	41	-	-	-

Table 12 - Number of Banks in Groups and All Commercial Banks
by States and by Geographic Divisions
December 31, 1936 (Continued)

State and geographic division	All commercial banks	Banks in groups	Ratio of banks in groups to all banks	Number of groups with head office in State
Arizona	14	-	-	-
Utah	59	7	11.9	3
Nevada	10	1	10.0	-
Total	505	44	8.7	4
Pacific				
Washington	183	24	13.1	5
Oregon	92	4	4.3	-
California	245	17	6.9	3
Total	520	45	8.7	8
UNITED STATES - Total	14,929	479	3.2	52

Table 13 - Loans and Investments, and Deposits of All Commercial Banks and of Banks in Groups, by States, December 31, 1936
(In thousands of dollars)

State and geographic division	Loans and investments		Ratio of banks in groups to all commercial banks (percent)	Deposits		Ratio of banks in groups to all commercial banks (percent)
	All commercial banks	Banks in groups		All commercial banks	Banks in groups	
New England						
Maine	180,954	8,646	4.8	203,710	11,229	5.5
New Hampshire	75,181	8,262	11.0	84,889	8,685	10.2
Vermont	106,246	-	-	105,518	-	-
Massachusetts	1,440,476	625,180	43.4	1,875,367	883,797	47.1
Rhode Island	272,510	107,444	39.4	307,130	128,598	41.9
Connecticut	<u>436,458</u>	<u>29,567</u>	<u>6.8</u>	<u>548,393</u>	<u>36,178</u>	<u>6.6</u>
Total	2,511,825	779,099	31.0	3,125,007	1,068,487	34.2
Middle Atlantic						
New York	11,651,684	471,445	4.0	14,308,513	533,481	3.7
New Jersey	1,411,172	60,366	4.3	1,736,292	77,773	4.5
Pennsylvania	<u>4,012,266</u>	<u>988,942</u>	<u>24.6</u>	<u>4,702,310</u>	<u>1,118,860</u>	<u>23.8</u>
Total	17,075,122	1,520,753	8.9	20,747,115	1,730,114	8.3
East North Central						
Ohio	1,711,536	84,252	4.9	2,218,409	102,644	4.6
Indiana	597,444	-	-	803,031	-	-
Illinois	2,962,468	-	-	4,033,028	-	-
Michigan	1,046,074	6,262	.6	1,430,468	7,662	.5
Wisconsin	<u>693,874</u>	<u>214,206</u>	<u>30.9</u>	<u>863,966</u>	<u>284,117</u>	<u>32.9</u>
Total	7,011,396	304,720	4.3	9,348,902	394,423	4.2
West North Central						
Minnesota	679,563	419,815	61.8	890,519	564,842	63.4
Iowa	458,137	43,550	9.5	613,589	54,570	8.9
Missouri	1,005,527	119,401	11.9	1,441,406	196,165	13.6
North Dakota	57,766	25,691	44.5	71,639	32,709	45.7
South Dakota	67,263	28,303	42.1	91,486	35,686	39.0
Nebraska	236,510	54,615	23.1	336,998	81,556	24.2
Kansas	<u>267,055</u>	-	-	<u>420,245</u>	-	-
Total	2,771,821	691,375	24.9	3,865,882	965,528	25.0
South Atlantic						
Delaware	141,959	-	-	166,819	-	-
Maryland	477,623	-	-	622,390	-	-
District of Col.	229,767	-	-	334,044	-	-
Virginia	442,205	-	-	573,311	-	-
West Virginia	214,359	-	-	281,749	-	-
North Carolina	291,138	-	-	410,742	-	-
South Carolina	97,305	9,347	9.6	155,215	16,682	10.7
Georgia	302,433	99,830	33.0	424,444	145,702	34.3
Florida	<u>220,396</u>	<u>116,180</u>	<u>52.7</u>	<u>334,490</u>	<u>182,455</u>	<u>54.5</u>
Total	2,417,185	225,357	9.3	3,303,204	344,839	10.4

Table 13 - Loans and Investments, and Deposits of All Commercial Banks and of Banks in Groups, by States, December 31, 1936 (Continued)
(In thousands of dollars)

State and geographic division	Loans and investments		Ratio of banks in groups to all commercial banks (percent)	Deposits		Ratio of banks in groups to all commercial banks (percent)
	All commercial banks	Banks in groups		All commercial banks	Banks in groups	
East South Central						
Kentucky	369,541	40,787	11.0	470,253	50,091	10.7
Tennessee	350,092	111,688	31.9	504,630	160,304	31.8
Alabama	199,471	-	-	287,351	-	-
Mississippi	129,799	-	-	205,403	-	-
Total	1,048,903	152,475	14.5	1,467,637	210,395	14.3
West South Central						
Arkansas	107,993	-	-	179,871	-	-
Louisiana	310,201	-	-	463,100	-	-
Oklahoma	282,733	-	-	424,709	-	-
Texas	371,446	94,116	10.8	1,347,357	123,616	9.2
Total	1,572,373	94,116	6.0	2,415,037	123,616	5.1
Mountain						
Montana	91,630	52,095	56.9	138,210	74,475	53.9
Idaho	65,110	24,864	38.2	96,692	38,538	39.9
Wyoming	38,364	2,195	5.7	64,443	3,817	5.9
Colorado	203,808	-	-	337,483	-	-
New Mexico	32,763	-	-	53,709	-	-
Arizona	52,096	-	-	76,383	-	-
Utah	104,416	54,883	52.6	145,060	81,590	56.2
Nevada	22,464	15,112	67.3	32,011	22,607	70.6
Total	610,651	149,149	24.4	943,991	221,027	23.4
Pacific						
Washington	335,203	82,773	24.7	452,328	111,109	24.6
Oregon	215,166	74,355	34.6	285,841	91,906	32.2
California	3,334,384	1,384,241	41.5	3,914,375	1,579,583	40.4
Total	3,884,753	1,541,369	39.7	4,652,544	1,782,598	38.3
TOTAL - UNITED STATES	38,904,029	5,458,413	14.0	49,869,319	6,841,027	13.7

States in Which Branch Banking is Prohibited

At the end of 1936 there were 137 group banks in 5 of the 9 States in which the establishment of branches is prohibited, distributed as follows:

Minnesota	86	West Virginia	0
Florida	24	Illinois	0
Texas	10	Kansas	0
Nebraska	10	Colorado	0
Missouri	7	Total	<u>137</u>

The Northwest Bancorporation controlled 44 of the group banks in Minnesota and the First Bank Stock Corporation controlled 39. Both of these holding companies operate in several States. In Florida 9 of the 24 group banks belonged to the Florida National Group, Inc., 7 to the Atlantic National Bank, Jacksonville, Florida, and 8 to 2 other groups. In Texas 5 of the 10 group banks belonged to the Republic National Bank, Dallas, and 5 to the Mercantile National Bank, Dallas. In Nebraska 7 of the 10 group banks belonged to the Northwest Bancorporation. The controlling interests in some of these cases, for example, the Florida National Group, Inc., and the Atlantic National Bank, both in Florida, have indicated that they would turn the banks into branches if the State law permitted.

The laws of Kansas, in which there are no group banks although branch banking is prohibited, authorize the banking authorities to examine any corporation holding as much as one-fourth of the stock of any bank or trust company. This factor and the agitation of unit banks against both branch and group banking may account for the fact that group banking has had no development there. The laws of Colorado, where there also are no group banks, appear to contain no provisions which might tend to prevent the operation of group banking systems.

States Whose Banking Laws Contain No Provision with Respect to Branch Banking

There were 40 group banks at the end of 1936 in 4 of these States, distributed as follows:

North Dakota	27	Wyoming	3
Kentucky	6	Oklahoma	0
New Hampshire	4	Total	<u>40</u>

The 27 group banks in North Dakota were all controlled by the Northwest Bancorporation and the First Bank Stock Corporation.

Although there are no group banks in Oklahoma, there appears to be nothing in the laws of the State that would prevent the development of group banking. There was in fact a fairly large group there before the banking holiday in 1933, and there is a "chain" of 7 banks controlled by Thurmond Brothers.

The question may be raised as to why chain banking exists in some States where no holding company affiliate groups exist and where there appears to be nothing in the laws of the States that would prevent the development of group banking. The answer in some cases may be that the individual or individuals who control the chain have no fear of double liability. In the past some such individuals have not possessed a great amount of assets subject to double liability assessments. Perhaps, also, the State laws do not impose double liability. Another reason for chain banking is that some individuals desire to dominate and perpetuate their individual names, which they feel would be impossible under corporate ownership.

States in Which Branch Banking is Restricted to the Head Office City or County

There were 69 group banks in 4 of these States distributed as follows:

Massachusetts	21	Delaware	0
Tennessee	22	Louisiana	0
New Jersey	9	Alabama	0
Georgia	17	Total	<u>69</u>
Indiana	0		

In Massachusetts the First National-Old Colony, Boston, controlled 13 banks and the Shawmut Association 7. In Tennessee the Hamilton National Bank, Chattanooga, controlled 12 banks, besides 6 banks in Georgia where branches may be established only in the head office city. In New Jersey the 9 banks belonged to 3 different groups.

There appears to be nothing in the laws of Delaware, Louisiana and Alabama, in which there are no group banks, preventing the development of group banking. A group of 7 banks in Alabama, headed by the First National Bank of Birmingham, was converted into a branch system in 1935 upon the enactment of enabling legislation.

In many of the States in the above classification as well as the ones below the groups control banks which are dispersed over areas wider than that permitted to branch systems under existing law.

States in Which Branches May Be Established Beyond the Head Office County but Not Throughout the State

There were 147 group banks at the end of 1936 in 6 of these States, distributed as follows:

New York	40	Ohio	14
Pennsylvania	40	Arkansas	0
Wisconsin	22	Mississippi	0
Montana	26	New Mexico	0
Iowa	5	Total	147

In New York, where a State bank may establish branches only within the banking district, as defined by statute, in which its head office is located, there were 40 group banks, of which 18 belonged to the Marine Midland Corporation and the remainder to 4 different groups. In Pennsylvania the 40 group banks at the end of 1936 are accounted for principally by the Mellbank Corporation and Union Trust Company which controlled 25 banks. The status of the Mellbank Corporation as a holding company affiliate has since been terminated by distribution of stock of the subsidiary banks to its own stockholders, the Mellon interests. Since the Corporation continues to dominate the banks, it is still included in the tabulations. Five other groups in Pennsylvania controlled a total of 15 banks at the end of 1936. In Wisconsin 16 of the 22 group banks belonged to the Wisconsin Bank Shares Corporation.

In Montana the 26 group banks all belonged to the First Bank Stock Corporation and the Northwest Bancorporation. In Ohio all of the 14 group banks belonged to the BancOhio Corporation. In Iowa all of the 5 banks belonged to the Northwest Bancorporation. The organization of the bank holdings of the Toy family appears to fall on the border line between a personal trusteeship and a business trust but has been classed as a chain.

The existence of group banking systems in some of the States may be explained partly by the fact that the branch banking area, as defined by State laws, is not sufficiently wide to permit the conversion of some of the group banks into branches. In New York, for example, some of the banking districts fixed by statute are relatively small, comprising as few as 3 or 4 counties, while the banks in the Marine Midland group are located in a number of the banking districts. In Montana the limitation of the branch banking area to the head office county and adjoining counties, and the further limitation that branches may be established only upon consolidation of banks, have restricted the conversion of group banks into branch systems. In Wisconsin and Ohio the limitations of the branch banking area effectively prevent the Wisconsin Bank Shares Corporation and BancOhio Corporation, respectively, from converting some of their banks into branches. The high capital requirements applicable to national banks establishing branches outside of their head office cities also retard the conversion of banks into branches.

Mississippi, which has no group banking, prohibits the incorporation in the State, or admission to business in the State, of any corporation to operate banks in groups or chains. Arkansas prohibits any person who owns 50 percent or more of the capital stock of three or more banks from borrowing from such banks. There appears to be nothing in the laws of New Mexico

to prohibit the development of group banking there.

States in Which State-wide Branch Banking is Permitted

There were 86 group banks at the end of 1936 in States which permit State-wide branch banking, distributed as follows:

Washington	24	Connecticut	3
California	17	Michigan	1
South Dakota	15	South Carolina	1
Idaho	7	Arizona	0
Utah	7	Maryland	0
Nevada	1	North Carolina	0
Oregon	4	Vermont	0
Maine	3	Virginia	0
Rhode Island	3	Total	86

These banks were distributed through 12 States and belonged to 19 different groups. The existence of group banks side by side with branch banks in some of the States listed above is due in part to the fact that legislation permitting State-wide branch banking was not enacted in some of these States until 1933. Since that time many of the banks belonging to groups in these States have been converted into branches. Certain factors tend to postpone the conversion of group banks into branches, such as minimum capital and other requirements made by supervisory authorities, especially with respect to member banks; personnel problems; the desire of the holding company to acquire additional stock of the controlled bank before converting it into a branch; the need of determining whether or not the interests of the holding company would best be served by the conversion; and the existence of strong anti-branch sentiment or desire to gradually test the state of public feeling with respect to branch banking. The Northwest Bancorporation has converted several of its banks into branches in South Dakota although the First Bank Stock Corporation has not as yet done so.

In summary, of the 479 banks belonging to groups at the end of 1936,

137 were located in 5 States in which the extension of branch banking was prohibited;

40 in 4 States in which there is no statutory provision for the establishment of branches;

69 in 5 States in which the establishment of branches is restricted to the head office city or county;

147 in 6 States in which branches may be established beyond the limits of the head office county but not throughout the State; and

86 in 12 States in which State-wide branch banking is permitted.

Extent of Areas of Operation

Banking groups operating at the present time may be divided into State and regional systems. Forty-two groups operate banks within the limits of a single State and 10 operate in more than one State. Forty-five operate within the confines of a single Federal Reserve district, 5 operate in two districts and 2 operate in three districts. Table 14 shows the groups classified by the number of States and the number of Federal Reserve districts in which they operate and the number of banks and banking offices operated by them.

Table 14 - Group Systems Classified by the Number of States and Federal Reserve Districts in Which Their Banks Operate
December 31, 1936

Number of States in which group operates banks	Number of groups	Number of banks	Number of banking offices	Number of F. R. districts in which group operates banks	Number of groups	Number of banks	Number of banking offices
1	42	245	491	1	45	343	1,113
2	4	38	76	2	9	41	95
3	3	15	43	3	2	95	118
4	1	11	522				
5	1	78	84				
7	1	92	110				
Total	52	479	1,326	Total	52	479	1,326

Of the 10 groups operating in more than one State, 4 have banks in two States, 3 in three States, 1 in four States, 1 in five States, and 1 in seven States. The two groups operating in 5 and 7 States respectively are the First Bank Stock Corporation and the Northwest Bancorporation of Minneapolis. States in which these two groups have banks and offices are shown in the charts on pages 52 and 56 of this study.

Table 15 shows the different groups with 5 or more banks which on December 31, 1936 were operating in more than one State, more than one Federal Reserve district or more than one Federal Reserve bank or branch territory.

Table 15 - Bank Groups With 5 or More Banks Which Were Operating in More Than One State, More Than One Federal Reserve District, or More Than One Federal Reserve Bank or Branch Territory
December 31, 1936

Name and location of principal office of group	Number of banks in group				Number of States, Federal Reserve bank and branch terri- tories, and Federal Reserve districts in which the group has banks or branches		
	Total	Nat- ional banks	State bank mem- bers	Non- mem- ber banks	States	Terri- tories	Dis- tricts
Northwest Bancorporation, Minneapolis	92	57	3	32	7	4	3
First Bank Stock Corp., Minneapolis	78	59	1	18	5	2	1
Marine Midland Corp., Buffalo	18	3	8	7	1	2	1
Hamilton Nat. Bank, Chattanooga	18	12	-	6	2	3	1
Wisconsin Bank Shares Corp. Milwaukee	16	10	1	5	1	2	2
Bank Ohio Corporation, Columbus	14	11	3	-	1	2	1
Transamerica Corp., San Francisco	11	7	1	3	4	3	1
Anglo Nat. Corp., San Francisco	10	9	-	1	2	2	1
Rawlins Securities Co., Salt Lake City	7	6	-	1	3	2	2
Citizens & Southern Nat. Bk. Savannah	7	3	-	4	2	2	2
First Nat. Trustees, Louisville	6	3	2	1	1	2	2
First Security Corp., Ogden	5	2	1	2	3	2	2

Intrastate Group Systems - Number of Towns and Counties Served

Table 16, giving the 42 intrastate groups classified according to the number of towns and counties in which banking offices are operated by them, shows that 7 of the groups serve only 1 town each and that 35 others serve from 2 to 29 towns each. It shows also that the operations of 16 groups are each limited to 1 county and that the others serve from 2 to 20 counties each.

Table 16 - Intrastate Group Systems Classified by the Number of Towns and Counties in Which Their Banking Offices Operated
December 31, 1936

Number of towns in which banking offices operated	Number of groups	Number of banks	Number of banking offices	Number of counties in which banking offices operated	Number of groups	Number of banks	Number of banking offices
1	7	24	25	1	16	56	78
2	6	18	28	2	7	26	30
3	4	16	17	3	3	14	17
4	3	13	14	4	2	9	34
5	7	33	53	5	5	43	123
6	3	16	19	6	2	13	13
7	1	7	24	7	1	4	14
8	1	6	17	8	2	29	33
9	1	9	9	11	1	3	14
10	1	3	17	12	1	16	28
11	1	3	14	13	1	14	26
12	2	16	37	20	1	18	81
13	1	16	28				
14	1	14	26				
19	1	13	58				
21	1	20	24				
29	1	18	81				
Total	42	245	491	Total	42	245	491

Interstate Group Systems - Number of Towns and Counties Served

Table 17, classifying the 10 interstate group systems according to the number of towns and counties in which banking offices are operated by them, shows that 6 groups each have banking offices in from 3 to 19 towns, 1 in 25, 1 in 73, 1 in 97, and 1 in 311 towns. It also shows that 6 of these

10 groups operate in from 3 to 16 counties each; that 1 operates in 22 counties, 1 in 67, 1 in 83, and 1 in 86 counties.

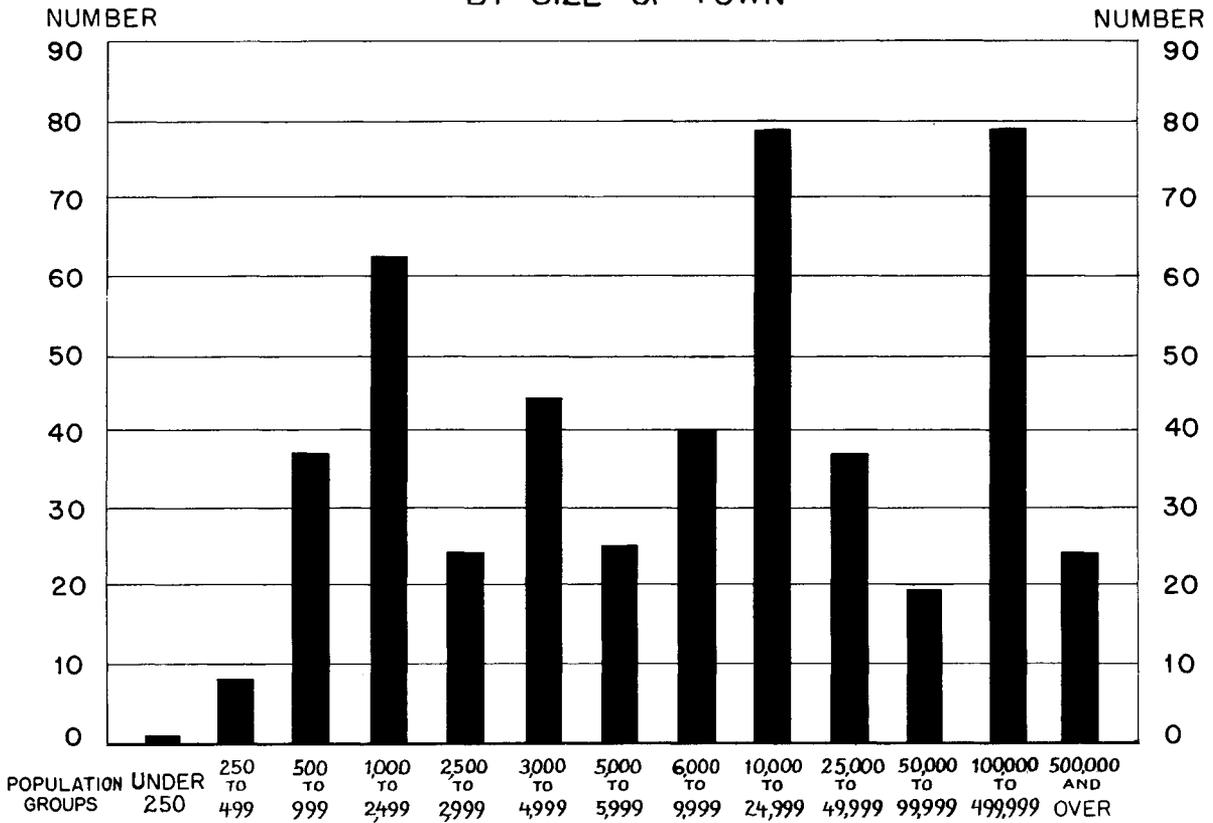
Table 17 - Interstate Group Systems Classified by the Number of Towns and Counties in Which Their Banking Offices Operated
December 31, 1936

Number of towns in which banking offices operated	Number of groups	Number of banks	Number of banking offices	Number of counties in which banking offices operated	Number of groups	Number of banks	Number of banking offices
3	1	3	8	3	1	3	8
6	1	3	6	5	1	3	6
8	1	7	8	7	1	7	8
13	1	7	19	13	1	7	19
18	1	10	28	14	1	10	28
19	1	18	23	16	1	18	23
25	1	5	27	22	1	5	27
73	1	78	84	67	1	78	84
97	1	92	110	83	1	11	522
311	1	11	522	86	1	92	110
Total	10	234	835	Total	10	234	835

Size of Towns in Which Banking Groups Operate

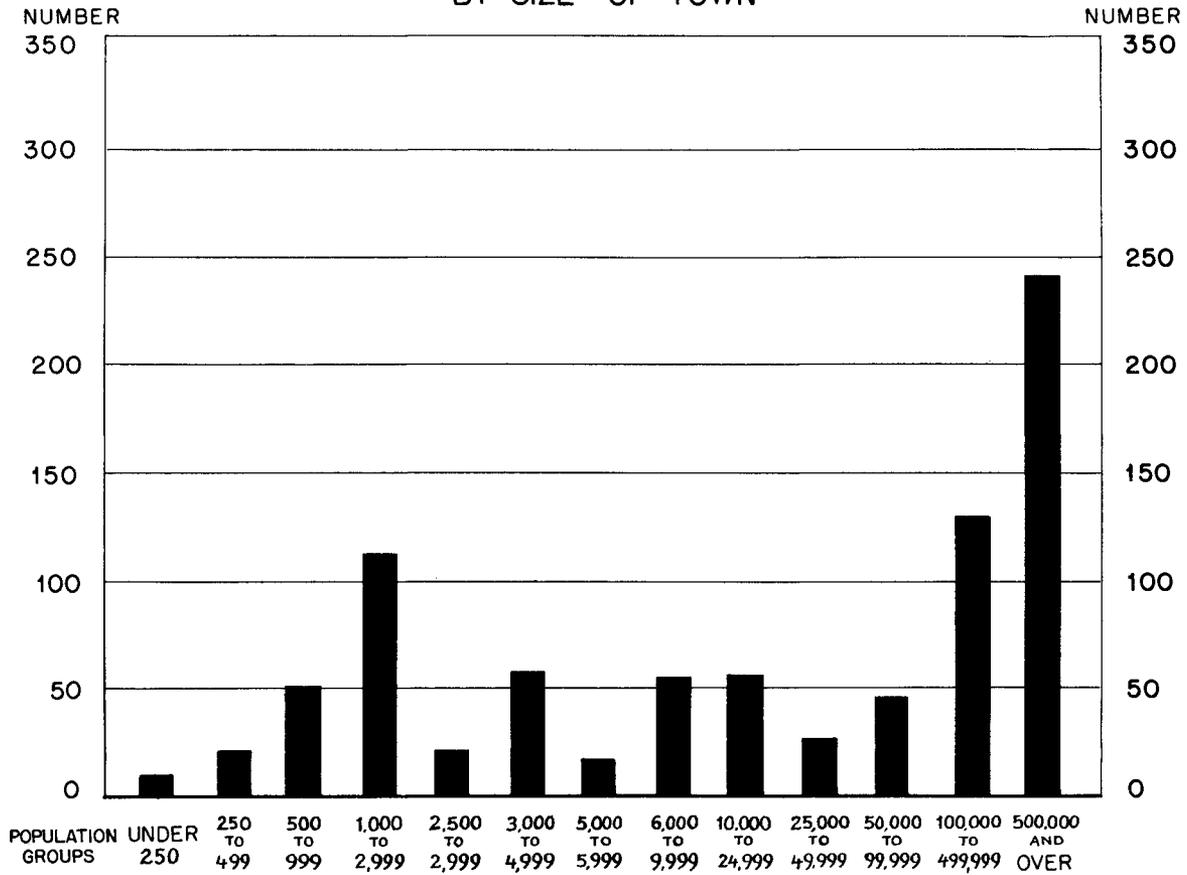
Table 18 and Charts 2 and 3 show that the tendency of the groups is to operate in towns of 1,000 population and over rather than in places of less than 1,000 population. Ninety percent of the banks and 90 percent of the branches operated by group systems are located in towns of 1,000 or over. Branches operated by banks in groups are concentrated in large towns to a greater extent than the banks, 44 percent of them being in towns of 100,000 population and over.

CHART 2
DISTRIBUTION OF BANKS IN GROUP SYSTEMS
BY SIZE OF TOWN



Number of banks in 52 group systems as of December 31, 1936. Banks are arranged according to the size of town in which they are operated.

CHART 3
DISTRIBUTION OF BRANCHES IN GROUP SYSTEMS
BY SIZE OF TOWN



Number of branches of banks in 52 group systems as of December 31, 1936.
Branches are arranged according to the size of town in which they are located.

Table 18 - Number of Banks and Branches in Groups
by Size of Town of Location
December 31, 1936

Population of town	Number of banks	Number of branches	Percent of total	
			Banks	Branches
Under 250	1	10	.2	1.2
250 - 499	8	22	1.7	2.6
500 - 999	37	51	7.7	6.0
1,000 - 2,499	62	113	12.9	13.3
2,500 - 2,999	24	22	5.0	2.6
3,000 - 4,999	44	58	9.2	6.8
5,000 - 5,999	25	16	5.2	1.9
6,000 - 9,999	40	55	8.4	6.5
10,000 - 24,999	79	56	16.5	6.6
25,000 - 49,999	37	27	7.7	3.2
50,000 - 99,999	19	45	4.0	5.3
100,000 - 499,999	79	131	16.5	15.5
500,000 and over	24	241	5.0	28.5
Total	479	847	100.0	100.0

Branch Banking Among Groups

A considerable amount of branch banking exists among banking groups, particularly among the principal groups. As shown in Table 19, 69 of the banks in groups operate 847 branches, and 45 of the banks with branches and 769 of the branches are in the principal groups.

Table 19 - Number of Banks and Branches or Additional Offices in Groups, December 31, 1936

	Banks	Banks operating branches	Branches or additional offices	Total banking offices
All (52) groups	479	69	847	1,326
18 principal groups	333	45	769	1,102
34 other groups	146	24	78	224

Table 20 shows that 267 of the 847 branches operated by banks in groups are located in the city of the head office of the bank by which they are operated and 580 are outside of the city of the head office. Of the 580

branches operated outside the city of the head office, 441 are in counties non-contiguous to the county of the head office, most of them belonging to banks operating branches on a State-wide basis. Branches operated by one member of the Transamerica group in California, the Bank of America N. T. and S. A., account for 360 of the branches that are in non-contiguous counties.

Table 20 - Location of Branches or Additional Offices of Banks in Groups, December 31, 1936

	Number of branches or additional offices					
	Total	In head office city	Outside head office city			
			Total	Head office county	Contiguous counties	Non-contiguous counties
All (52) groups	847	267	580	43	96	441
18 principal groups	769	224	545	27	85	433
34 other groups	78	43	35	16	11	8

Of the 847 branches among groups, 607 are in States permitting branches on a State-wide basis and 240 are in States restricting branches as to location, as is shown in Table 21. A few years ago most of the branches among groups were in States restricting branches as to location. Recent changes in laws relating to the operation of branches have increased the number of States permitting branches on a State-wide basis. Some of these are States where banks in groups operate branches. The change in the legal status of branch banking partly accounts for the fact that the largest proportion of branches in groups is now in States permitting branches on a State-wide basis.

Table 21 - Banking Offices of Banks in Groups, by Groups of States December 31, 1936

States classified according to law (June 1, 1936) regarding branch banking	Number			Total banking offices
	Banks	Banks operating branches	Branch offices	
State-wide branch banking permitted	86	26	607	693
Branches limited as to location	216	40	227	443
Establishment of branches prohibited	137	2	6	143
No provision in law regarding branch banking	40	1	7	47
Total - All States	479	69	847	1,326

CHAPTER V

CHANGES AND SUSPENSIONS IN BANKING GROUPS

During the decade 1927-1936 changes have taken place in the number of active groups and within the groups themselves. Among the important changes has been the dissolution of many group systems because of suspensions of constituent banks, because of conversion of the constituent banks into branches of other banks in the groups, or for other reasons. There also have been important changes within the groups which are still in operation because of conversions of some banks into branches, because of mergers between and among banks within groups, because of sales and disposition of group banks to outsiders, and occasionally because of suspensions. Through these developments some of the results of the experience with group banking thus far are revealed.

Data showing changes and suspensions for the entire period 1927-1936 are not available. Information for groups, as distinct from chains, was compiled by the Board of Governors of the Federal Reserve System first as of December 31, 1931 and later for December 31, 1936. Analysis of changes that occurred within the groups between these two dates presents the important developments during the latter half of the decade, a period that was characterized by a series of unusual events in banking.

Statistics of group bank suspensions are available by years for the 7 years 1930 to 1936 and will be used in that part of this chapter dealing with suspensions. Information as to suspensions prior to 1930 is not available separately for banks in groups as distinct from those

in chains, although it is believed that there were few failures of group banks prior to 1930.

Decrease in Groups, 1931-1936.

Between December 31, 1931 and December 31, 1936, the number of banking groups comprehended within the definition given in Chapter I 1/ decreased from 97 to 52. The character of this change is shown in Table 22.

Table 22 - Changes in the Number of Banking Groups
Between December 31, 1931 and December 31, 1936

	<u>Number</u>
Banking groups, December 31, 1931	<u>97</u>
Banking groups as of December 31, 1931, dissolved, decreased below defined size, or not considered group for other reasons, 1932-1936	<u>55</u>
Banking groups operating both on December 31, 1931 and December 31, 1936	42
Banking group counted as one December 31, 1931 and counted as two groups December 31, 1936	1
Banking groups organized, increased to defined size, or now considered group on basis of new information, 1932-1936	<u>9</u>
Banking groups December 31, 1936	52

A larger proportion of the "leading groups," 2/ than of the smaller groups was in continuous operation between 1931 and 1936. This is shown by Table 23.

1/ Supra., p. 10.

2/ Groups with six or more banks and loans and investments of over \$25,000,000 as of December 31, 1931.

Table 23 - Changes in Leading and Other Banking Groups
Between December 31, 1931 and December 31, 1936

	<u>Leading groups</u>	<u>Other groups</u>	<u>Total</u>
Banking groups, December 31, 1931	34	63	97
Banking groups as of Dec. 31, 1931, dissolved, decreased below defined size, or not considered a banking group for other reasons	<u>14</u>	<u>41</u>	<u>55</u>
Banking groups operating both on Dec. 31, 1931 and on December 31, 1936	20	22	42

Changes in Banks in Active Groups

The 42 groups which were in operation both on December 31, 1931 and on December 31, 1936 were operating 611 banks on the first date and 443 banks on the second date. The changes in the number of banks both for leading groups and other groups are shown in Table 24.

Table 24 - Changes in the Number of Banks Between December 31, 1931 and December 31, 1936 in 42 Groups - 20 Leading Groups and 22 Other Groups - Operating both on December 31, 1931 and December 31, 1936

	<u>20 Leading groups</u>	<u>22 Other groups</u>	<u>42 Total groups</u>
Number of active banks, Dec. 31, 1931	<u>509</u>	<u>102</u>	<u>611</u>
Decreases:			
Suspensions	-	3	3
Conversions to branches	83	5	88
Mergers, absorptions, consolidations and voluntary liquidations	47	8	55
Affiliation with groups terminated	38	5	43
Reclassification	5	1	6
Total decreases	<u>173</u>	<u>22</u>	<u>195</u>
Increases: Banks acquired by groups and suspended banks reopened	<u>23</u>	<u>4</u>	<u>27</u>
Number of active banks Dec. 31, 1936	359	84	443

Forty-five percent of the gross decrease of banks in these groups was accounted for by the conversion of banks into branches. Such conversions were concentrated in States which changed their laws since 1931 so as to allow the operation of banking branches or so as to extend the areas in which branches could be organized. The following groups which were still in operation in 1936 accounted for 69 of the 88 banks converted into branches.

	Number of banks converted into branches during 1932-1936
First Security Corporation, Ogden, Utah	20
Wisconsin Bankshares Corporation, Milwaukee	13
Northwest Bancorporation, Minneapolis	14
Anglo National Corporation, San Francisco	9
First National-Old Colony, Boston, Mass.	7
Marine Bancorporation, Seattle, Washington	6
Total	69

The 55 mergers, absorptions, consolidations, and voluntary liquidations, and the 43 terminations of affiliation with groups accounted for most of the remaining decreases. It appears that the mergers, absorptions, and consolidations were usually undertaken to close out weak and unprofitable banks or to avoid having banks compete with each other in the same or nearby towns, or to effect economies. Withdrawals from the groups resulted from sales or transfers to outsiders or from terminations of affiliation not based on centralized stock control. Most of the withdrawals were from the two large Minneapolis groups, the Wisconsin Bankshares Corporation, and the American National Bank group of Nashville, Tennessee.

Disposition of Banking Groups

The 55 groups disappeared from the statistical records of groups operating 3 or more banks between December 31, 1931 and December 31, 1936 for a variety of reasons. Some were dissolved because of insolvency of the holding company, because of suspensions of controlled banks, or because the group banks were consolidated with a key bank and operated as branches. Others have been omitted from the current compilation because they control less than three banks, or because the systems are no longer considered groups on the basis of information now available. Combinations of a number of factors have operated in some cases. A classification of reasons is presented in Table 25 which was compiled from the best information available.

Table 25 - Disposition of 55 Groups which Disappeared
from the Statistical Records Between December 31,
1931 and December 31, 1936

	<u>Leading groups</u>	<u>Other groups</u>	<u>Total</u>
Insolvency of holding company because of suspensions of controlled banks	7	17	24
Dissolution of group due to conversions of banks into branches	5	12	17
Reclassified as being not a group on the basis of additional information	2	5	7
Dissolution of group and sale of banks	-	7	7
	<u>14</u>	<u>41</u>	<u>55</u>

Disposition of Banks in Dissolved Groups

Of the 367 banks controlled by the 55 groups which disappeared from the group statistics between December, 1931 and December 1936, 190 were eliminated directly or indirectly by suspensions, 124 being suspended and 66 belonging to groups which were eliminated from the records because of insolvency of the controlling organizations or because of suspension of affiliated banks as is shown in Table 26. In some cases, groups were dissolved or went into receivership when leading banks or other banks in the groups suspended. In other cases the group is still in operation with two banks but excluded from the statistics by definition. Conversions to branches accounted for 100 other banks, 79 having been converted to branches in the period 1932-1936, and 21 having been controlled by groups which in most instances were reduced below 3 banks by conversions of other banks into branches. There were 38 banks which were not included in the December 31, 1936 statistics because of reclassification of the groups on the basis of new information. Of the other banks 34 were merged, absorbed, consolidated or placed in voluntary liquidation or in groups reduced to two by such changes and 28 banks were sold, otherwise disposed of or removed from the group statistics for other reasons.

The 55 groups were composed of 14 groups which had been listed as "leading groups" on December 31, 1931, and 41 other groups. The 14 "leading groups" controlled 165 banks and the 41 other groups controlled 202 banks.

Table 26 - Disposition of Banks in 55 Groups Which Disappeared from the Statistical Records Between December 31, 1931 and December 31, 1936

Disposition	Leading	Other	Total
	groups (14)	groups (41)	groups (55)
	<u>Number of Banks</u>		
Suspensions, 1932-1936	<u>1/68</u>	<u>2/56</u>	<u>1/2/124</u>
Banks in group December 31, 1931 removed from statistics by insolvency of controlling organization or suspension of other banks	38	28	66
Conversion to branches, 1932-1936	<u>1/43</u>	<u>2/36</u>	<u>1/2/79</u>
Banks in group December 31, 1931 removed from statistics by conversion of other banks to branches	6	<u>2/15</u>	<u>2/21</u>
Mergers, absorptions, consolidations, and voluntary liquidations	<u>1/13</u>	19	<u>1/32</u>
Banks in group December 31, 1931 removed from statistics by mergers, absorptions, etc., of other banks	-	2	2
Affiliation with group terminated	-	17	17
Banks in group December 31, 1931 removed from statistics by termination of affiliation of other banks	-	11	11
Banks in group December 31, 1931 removed from statistics by reclassification on the basis of new information	<u>11</u>	<u>27</u>	<u>38</u>
Total	<u>3/165</u>	<u>3/202</u>	<u>3/367</u>

- 1/ Fourteen banks in one group suspended and later reopened; 11 of these reopened banks were converted to branches and the other 3 were consolidated with other banks.
- 2/ Nine banks in one group suspended and later reopened; 8 of the reopened banks were later converted to branches of the other reopened bank.
- 3/ Duplications indicated in notes 1/ and 2/ are removed from the total.

Several groups in which conversion to branches accounted for the dissolution of the group or its reduction below the size included in this study are listed below:

	Number of banks in group on <u>December 31, 1931</u>
Peoples Trust and Guaranty Co., Hackensack, N.J.	9
Hartford Connecticut Trust Co., Hartford, Conn.	9
First National Bank group, Birmingham, Ala.	6
First National Bank group, Seattle, Wash.	6
United States National Corp., Portland, Ore.	11
Worcester County Bank & Trust Co., Worcester, Mass.	7
First National Investment Co., Boise, Idaho	10

The last two banks listed above were converted into branch systems partly incident to reorganization of constituent banks following suspension.

There were 10 other groups in which conversions of banks into branches dissolved the group or reduced the number of banks below three.

Suspension of Group Banks and Dissolution of Banking Groups

Out of the 127 suspensions in group banks which were in existence on December 31, 1931, 124 occurred in groups which disappeared from the statistical records. These suspensions were a major cause for the dissolution of 24 of the 55 groups but suspensions occurred in 6 other groups or 30 altogether. The other 25 groups did not have any suspended banks. Selected groups which dissolved as a result of important bank suspensions between December 31, 1931 and December 31, 1936 are included in the following list:

	Total group banks December 31, 1931		Group banks suspended 1932-1936	
	Number	Loans and investments (000 omitted)	Number	Loans and investments (000 omitted)
Detroit Bankers Group, Detroit	9	\$513,572	6	\$420,190
Guardian Detroit Union Group	27	333,769	16	196,595
Financial Institutions Group, Augusta, Maine	12	79,871	9	63,306
Central Republic Bank and Trust Company, Chicago	10	183,602	7	13,677
Lafayette South Side Bank & Trust Company, St. Louis	5	32,795	4	25,230

These suspensions do not cover groups dissolved before December 31, 1931, or banks suspended before that time in groups which existed on and after that date.

Table 22 above shows that of the 52 groups which appeared in the statistics for December 31, 1936, 42 were listed on December 31, 1931, one was added by dividing a group into two, and 9 other new ones were added. The latter were organized or converted from chains since December 31, 1931, and are included in the current list of groups because their bank holdings were increased to three or more since December 31, 1931, or are included in the current list on the basis of information not previously available. Three of the 9 groups, The New Hampshire Bankshares Corporation, The Trust Company of New Jersey, and The Union Bond and Mortgage Company of Port Angeles, Wash., were organized since December 31, 1931. Two of the other 6 groups were formerly designated as chains, and four were not in the records in 1931.

Disposition of Groups in Which Suspension Occurred

The suspension of one or more banks in a group has not always involved the immediate dissolution of the group and some groups have survived to the present time in spite of suspensions of constituent units. The 201 group banks which suspended 1930-1936 belonged to 40 groups. Six of the 40 groups had suspensions in more than one year. All of these 6 groups eventually dissolved although one group was finally liquidated as late as 1936. There were five other groups in operation on December 31, 1936 which owned banks that suspended 1930-1936.

Even when the dissolution of a group has been forced by the suspension of some banks within the group, the other banks often have continued to operate with the same names or new ones, have merged with other banks or been succeeded. From the 24 groups which were forced to dissolve primarily as a result of suspensions there were 63 banks which were listed as members of these groups on December 31, 1931 which were in active operation on December 31, 1936.

Suspensions of Banks in Groups, 1930-1936

In the period 1930-1933 there were 200 suspensions of banks belonging to 39 groups. There was one suspension of a bank belonging to a group in 1934 and none in 1935 or 1936. These 201 suspensions of group banks during the seven years accounted for \$1,115,916,000 of loans and investments and \$1,011,360,000 of deposits.

By Geographic Area

Over one-half of the suspended group banks were located in the East North Central and West South Central States. Suspensions in the East North Central States accounted for almost two-thirds of the loans and investments of all group banks which suspended. This concentration is the result of two very large bank suspensions, The First National Bank--Detroit, and the Guardian National Bank of Commerce, Detroit, Michigan, which accounted for nearly one-half of the loans and investments, and deposits of all group banks suspended 1930-1936. It appears, however, that depositors in these banks will recover a large proportion of their claims before the receiverships are closed. Table 27 shows group bank suspensions by geographic areas.

Table 27 - Suspensions of Group Banks by
Geographic Regions, 1930-1936 ^{1/}

Region	Suspended banks			Percent of total			Number of groups involved
	Number	Loans and investments (000 omitted)	Deposits	Number	Loans and investments	Deposits	
New England	21	152,654	125,950	10.4	13.7	12.5	5
Middle Atlantic	17	44,205	38,609	8.5	4.0	3.8	9
East North Central	55	695,219	657,859	27.3	62.3	65.0	10
West North Central	10	28,611	25,654	5.0	2.6	2.5	2
South Atlantic	3	20,499	14,040	1.5	1.8	1.4	1
East South Central	10	88,275	78,994	5.0	7.9	7.8	4
West South Central	50	48,164	37,935	24.9	4.3	3.8	5
Mountain	11	9,903	9,839	5.5	.9	1.0	2
Pacific	24	28,386	22,480	11.9	2.5	2.2	6
Total	201	1,115,916	1,011,360	100.0	100.0	100.0	^{2/} 40

^{1/} No group banks suspended in 1935 or 1936.

^{2/} Suspensions occurred in the same group in two or more geographical areas in some cases. The total eliminates the duplications.

By States

Table 28 below shows the six States in which the largest number of group suspensions occurred. These six States accounted for almost 65 percent of all group bank suspensions during 1930-1936. The State in which the greatest number of group suspensions occurred, Arkansas, accounted for one-fifth of all the group banks suspensions.

Table 28 - States Listed in Order of Number of Suspensions of Group Banks 1930-1936

	Total	National	State Member	Nonmember
Arkansas	42	1	1	40
Michigan	28	8	2	18
Illinois	19	2	1	16
Washington	18	8	-	10
Massachusetts	10	4	2	4
Idaho	11	3	-	8
Total 6 States	128	26	6	96
Total 20 other States	73	31	6	36
Total suspensions	201	57	12	132

Table 29 below lists the six States in which group suspensions accounted for the largest amount of loans and investments. The list of six States includes three States also included in the preceding table. In the case of each State included in the following table, the large amounts involved grew out of the difficulties of one or two important groups.

Table 29 - States Listed in Order of Amount of Loans and Investments of Group Banks Suspended 1930-1936

(In thousands of dollars)

	Total	National	State Member	Nonmember
Michigan	622,133	522,826	15,310	83,997
Massachusetts	84,840	36,491	27,890	20,459
Kentucky	59,180	37,721	19,317	2,142
Illinois	44,081	8,491	2,873	32,717
Maine	63,306	10,962	-	52,344
Indiana	29,005	21,972	-	7,033
Total 6 States	902,545	638,463	65,390	198,692
Total 20 other States	213,371	97,229	59,760	56,382
Total	1,115,916	735,692	125,150	255,074

By Years

Table 30 shows the 201 suspensions of group banks by years during 1930-1936. There were 91 in 1933 compared with 109 in the three preceding years, one in 1934, and none in 1935 or 1936. The group bank suspensions during the seven years involved \$1,011,360,000 of deposits, over three quarters of which were accounted for in the year 1933.

Table 30 - Suspensions of Group Banks, by Years
1930-1936 ^{1/}

Year	Suspended banks			Percent of total			Number of groups involved
	Number	Loans and investments (000 omitted)	Deposits	Number	Loans and investments	Deposits	
1930	53	\$ 117,332	\$ 104,007	26.4	10.5	10.3	6
1931	21	76,830	70,646	10.4	6.9	7.0	7
1932	35	52,127	39,562	17.4	4.7	3.9	9
1933 ^{2/}	91	861,847	788,538	45.3	77.2	78.0	29
1934	1	7,780	8,607	.5	.7	.8	1
1935-36	-	-	-	-	-	-	-
Total	201	1,115,916	1,011,360	100.0	100.0	100.0	^{3/} 40

^{1/} No group banks suspended in 1935 or 1936.

^{2/} Includes 8 banks with \$13,610,000 of loans and investments and \$9,141,000 of deposits which suspended between January 1, 1933 and March 15, 1933; 6 licensed banks with \$26,870,000 of loans and investments and \$22,342,000 of deposits which suspended between March 16, 1933 and December 31, 1933; 44 banks with \$700,760,000 of loans and investments \$650,300,000 of deposits not licensed following the holiday and subsequently placed in liquidation or receivership; and 33 banks with \$120,607,000 of loans and investments and \$106,755,000 of deposits not licensed by June 30, 1933 but licensed at one time or another after that date.

^{3/} Suspensions occurred in the same group in two or more years in several cases. The total eliminates the duplications.

By Class of Bank

Of the 201 group banks which suspended during 1930-1936, 132 were nonmember banks. About two-thirds of the suspensions of national banks in groups occurred in 1933 among banks which were not licensed following the banking holiday. National banks accounted for almost 70 percent of the deposits of all group banks which suspended, due to the two large national banks in Detroit.

Table 31 - Suspensions of Group Banks
By Classes, 1930-1936 ^{1/}

Class of bank	Total 1930-1934	1930	1931	1932	1933	1934
National	57	6	7	6	38	-
State Member	12	2	2	1	7	-
Nonmember	<u>132</u>	<u>45</u>	<u>12</u>	<u>28</u>	<u>46</u>	<u>1</u>
Total	201	53	21	35	91	1

Loans and Investments

(In thousands of dollars)

National	735,692	53,365	40,636	15,858	625,833	-
State Member	125,150	33,100	11,020	2,873	78,157	-
Nonmember	<u>255,074</u>	<u>30,867</u>	<u>25,174</u>	<u>33,396</u>	<u>157,857</u>	<u>7,780</u>
Total	1,115,916	117,332	76,830	52,127	861,847	7,780

Deposits

(In thousands of dollars)

National	694,787	52,942	37,080	11,015	593,750	-
State Member	100,472	25,451	8,665	2,231	64,125	-
Nonmember	<u>216,101</u>	<u>25,614</u>	<u>24,901</u>	<u>26,316</u>	<u>130,663</u>	<u>8,607</u>
Total	1,011,360	104,007	70,646	39,562	788,538	8,607

^{1/} No group banks suspended in 1935 or 1936.

By Size of Bank

For the group banks which suspended in 1930-1936 deposits averaged \$5,030,000. Of the 201 banks 85, or 42 percent, had loans and investments of \$1,000,000 or more. The Banco Kentucky Caldwell - A.B. Banks system suspensions in 1930, however, included many small banks so that only 19 percent of the suspended group banks in that year had loans and investments of \$1,000,000 or more. Tables 32, 33, and 34 present details of group bank suspensions by size of bank and by years.

Table 32 - Suspensions of Group Banks, by Size of Loans and Investments, 1930-1936 1/

Size group Loans and investments (000 omitted)	Suspended banks		Percent of total	
	Number	Loans and investments (000 omitted)	Number	Loans and investments
Under \$100	20	1,271	10.0	.1
100 - 149	15	1,820	7.5	.2
150 - 249	23	4,524	11.4	.4
250 - 499	24	8,308	11.9	.7
500 - 999	34	23,977	16.9	2.2
1,000 - 1,999	27	39,314	13.4	3.5
2,000 - 4,999	25	76,941	12.4	6.9
5,000 - 9,999	12	83,646	6.0	7.5
10,000 - 49,999	19	386,471	9.5	34.6
50,000 and over	2	439,644	1.0	43.9
Total	201	1,115,916	100.0	100.0

1/ No group banks suspended during 1935 or 1936.

Table 33 - Number of Suspensions of Group Banks by Size of Loans and Investments, and by Years 1930-1935 1/

Size group Loans and investments (000 omitted)	Total	1930	1931	1932	1933	1934
Under \$100	20	11	1	2	6	-
100 - 149	15	8	1	3	3	-
150 - 249	23	10	2	3	8	-
250 - 499	24	6	-	4	14	-
500 - 999	34	8	3	9	14	-
1,000 - 1,999	27	2	7	5	13	-
2,000 - 4,999	25	3	3	6	13	-
5,000 - 9,999	12	-	3	3	5	1
10,000 - 49,999	19	5	1	-	13	-
50,000 and over	2	-	-	-	2	-
Total	201	53	21	35	91	1

1/ No group banks suspended in 1935 or 1936.

Table 34 - Loans and Investments of Suspended Group Banks by Size of Loans and Investments and by Years, 1930-1936 1/

(In thousands of dollars)

Size group Loans and investments	Total	1930	1931	1932	1933	1934
Under \$100	1,271	596	89	145	441	-
100 - 149	1,820	961	116	415	328	-
150 - 249	4,524	2,111	379	509	1,525	-
250 - 499	8,308	2,184	-	1,399	4,725	-
500 - 999	23,977	5,463	2,649	6,345	9,520	-
1,000 - 1,999	39,314	2,143	10,278	7,204	19,689	-
2,000 - 4,999	76,941	6,940	11,232	18,052	40,717	-
5,000 - 9,999	83,646	-	23,603	18,058	34,205	7,780
10,000 - 49,999	336,471	96,934	28,484	-	261,053	-
50,000 and over	489,644	-	-	-	489,644	-
Total	1,115,916	117,332	76,830	52,127	861,847	7,780

1/ No group banks suspended in 1935 or 1936.

Disposition of Suspended Banks

Of the 201 group banks which suspended 1930-1936, over half, or 108, were reopened, succeeded by a new bank or taken over by another bank. Of the other 93 banks, 21 were in liquidation, one was completely liquidated, and the disposition of the remaining 71 is unknown but it is presumed that most of them are being liquidated as no further information is available regarding them and they have not been reported as having reopened. Table 35 shows the disposition of the 201 suspended banks by years.

Table 35 - Disposition of Suspended Group Banks
by Years, 1930-1936 1/

Year of suspension	Total suspensions	Reopened	Succeeded by new bank	Taken over by another bank	In process of liquidation	Completely liquidated	Disposition not recorded
1930	53	22	1				30
1931	21	5					16
1932	35	13		1			21
1933	91	36	23	7	21		4
1934	1					1	
Total	201	76	24	8	21	1	71

1/ No group banks suspended in 1935 or 1936.

Suspension of Individual Bank Groups

An examination of the facts with respect to a few important groups in which banks suspended will serve to illustrate the circumstances under which the suspensions occurred. Material presented in the following paragraphs with respect to three cases has been taken from public records:

Banco Kentucky - Caldwell - A. B. Banks Group System

A. B. Banks of Little Rock, Arkansas, owned a controlling interest in three insurance companies and two personal holding companies and used the insurance companies as well as his personal holding companies to carry the stock of banks controlled by him. Following an examination of the insurance company in the early part of 1928 which was participated in by representatives of several States in which the companies operated, there was a general agreement by the insurance companies to dispose of the bank stock holdings. This was not done but a controlling interest in the insurance companies was sold to Caldwell and Company of Nashville, Tennessee, and it was agreed that the purchaser might use a part of the purchase price to remove undesirable assets from the insurance companies. The "undesirable assets" referred to were bank stocks. In the early part of 1930 Roger Caldwell exchanged part of the stock of his company, Caldwell and Company, for stock of the Banco Kentucky of Louisville, Kentucky. The inter-relations among these group systems are too diverse and complicated to describe fully in a short account.

On November 5, 1930, Caldwell and Company was placed under the control of a committee of Nashville bankers and the subsidiary banks were closed or taken over by other interests soon after. On November 17, 1930 the American Exchange Trust Company, leading unit of the A. B. Banks

interests, and the National Bank of Kentucky, leading unit of the Banco Kentucky group, closed. The related units, insurance companies, and holding companies, were placed in receiverships shortly thereafter.

In all of these groups the most important cause of weakness was exploitation by the owners. Roger Caldwell expanded his business operations with the funds controlled by him. A. B. Banks paper was placed in most of the unit banks controlled by him. The National Bank of Kentucky was dominated by James B. Brown who used his control of the bank to further private business interests.

These systems accounted for the suspension of 47 banks operating 8 branches and having loans and investments of \$111,494,000 and deposits of \$99,686,000.

The Detroit Bankers Company

The Detroit Bankers Company was organized on January 8, 1930 after three months of negotiations. This holding company started with four large Detroit banks and a trust company. The Peoples Wayne County Bank, The First National Bank, the Bank of Michigan, the Peninsular State Bank and the Detroit Trust Company. In order to centralize management during the formative period the voting privilege was limited to 120 "trustee" shares of \$10 par value stock which were held by twelve men designated in the corporation charter as trustees. This plan of control was later abandoned.

The group planned to cover only the Detroit metropolitan area. Several banks in surrounding towns were acquired where branches could not be established under the law. The holding company very early incurred indebtedness in order to purchase partial interests in a number of up-State banks.

These stocks were acquired by a subsidiary, the First National Company, which believed that it had received a commission for such purchases by the organizers of the Detroit Bankers Company. Although the Bankers Company was not bound legally to guarantee the obligation involved in such purchases, it did so and the resulting debt was a matter of continued difficulty throughout the depression.

In May 1930, the Bank of Michigan and the Peninsular State Bank were merged with the Peoples Wayne County Bank, and on December 31, 1931, the Peoples Wayne County Bank was merged with the First National Bank to form the First Wayne National Bank operating 179 branches. On October 8, 1932, the title of this bank was changed to the First National Bank-Detroit. At the end of 1932 the group operated the Detroit Trust Company and several small suburban banks in addition to the key bank. It is apparent that the owners did not intend to operate anything more than a metropolitan bank system. The purchase of partial interest in non-suburban banks was considered a mistake and not a part of the regular group plan. At the Stock Exchange Practices hearings in 1933 and 1934, Mr. E. D. Stair, publisher of the Detroit Free Press, and president of the Detroit Bankers Company for a period declared that he was opposed to group banking and always had been.^{1/} The group attempted to rationalize the complicated branch location problem in the city of Detroit which had resulted from the merger of the several formerly competing banks. During 1932 the number of branches was reduced from 179 to 147. The original competing banks which had composed the group had many branch offices located in the same neighborhood, frequently on the same four-corners.

^{1/} U. S. Congress, Senate Committee on Banking and Currency, Hearings on Stock Exchange Practices, Part 11, p. 5402.

The holding company attempted to pay a stable dividend rate in order to stabilize the market for its stock. The maintenance of holding company dividends necessitated a maintenance of dividends by subsidiary units and in several cases this carried a dangerous reduction of liquidity. The credit practices and the efficiency of the loan officers were improved. The time at which such improvements were initiated, however, was too late to effect a full correction of undesirable conditions which had formerly prevailed. The consolidation of the large Detroit banks revealed substantial loans to officers, directors, and their interests and in many cases these loans were secured by holding company stock. This condition does not necessarily indicate that such credit extensions were made after the formation of the holding company unit. Many of the original credit extensions may have been collateralized by unit bank stock which was exchanged for holding company stock, and in other cases the holding company stock may have been received as additional security on loans which were made originally for other purposes and on other security. Another weakness of the loan portfolios was the excessive amount of real estate paper. The post-war development of Detroit real property was rapid and spectacular. A very large number of the Detroit fortunes were based on real estate appreciation and it was only natural that the large banks should be real estate minded. The depression and the decline in business activity were very severe and the market for Detroit real estate was greatly depressed and disordered.

There was a large shrinkage of deposits in 1931, 1932, and 1933 up to the banking holiday, and although the banks entered the depression in a reasonably liquid position, they were unable to preserve this condition particularly because of the large proportion of capital and fixed loans.

In the rehabilitation period following the banking holiday the First National Bank-Detroit was not reopened and there were 5 other suspensions within the group. A receiver for the holding company was appointed in April 1933. The First National Bank-Detroit had 147 branches, \$379,788,000 of loans and investments and \$373,360,000 of deposits at the time of suspension.

The Guardian Detroit Group, Inc.

The Guardian Detroit Group, Inc., was organized May 10, 1929 for the purpose of owning and operating two banks, a trust company, and a security company, all located in Detroit. The Union Commerce Corporation was formed at about the same time for the purpose of operating a bank and a trust company. The two holding companies merged on November 12, 1929 to form the Guardian Detroit Union Group, Inc. This new banking group set out immediately on a program of expansion and acquired a number of small banks in Detroit suburbs in which branches could not be established. The group secured stockholdings in eleven southern Michigan banks and trust companies beyond the Detroit urban area. The banks usually were acquired by an exchange of group stock for bank stock but in a few cases bank stock was purchased for cash. The group attempted to secure all of the stock of controlled banks. At the end of 1930 the expansion program was halted because of uncertainties caused by

the depression. The group had some holdings in each of eight small mid-State banks at that time, in addition to those mentioned above. The Bank of Detroit was merged with the Guardian Detroit Bank on July 1, 1930, and this bank was merged with the National Bank of Commerce on December 31, 1931 to form The Guardian National Bank of Commerce. The two trust companies were merged into the Union Guardian Trust Company in March 1930.

The holding company exacted dividends from many of its units far beyond the limits of safety in order to maintain dividends on group stock. Many of the banks had loaned substantial amounts to officers, directors, and their interests. Some of the banks were heavily involved in real estate loans. The weakness of lending methods had undesirable effects on the loan portfolios of some of the controlled banks, which the holding company attempted to correct. The depression, however, prevented much accomplishment in this connection. Many of the group banks suffered deposit withdrawals because the declining market for the stock of the holding company reduced confidence in the banks.

By December 31, 1932, the Union Guardian Trust Company was in an unsatisfactory position and was losing deposits rapidly. Negotiations with the Reconstruction Finance Corporation for assistance were not successful and on February 14, 1933, the Michigan banking holiday was declared in order to avoid closing the trust company. In the rehabilitation following the banking holiday neither of the two large units of the group, the Guardian National Bank of Commerce and the

Union Guardian Trust was reopened. There were 14 other units which were not promptly opened following the holiday. A receiver was appointed for the group holding company in April 1933. The 16 suspended banks in this group had 59 branches, \$196,595,000 of loans and investments and \$183,-069,000 of deposits.

CHAPTER VI

EVALUATION OF GROUP BANKING AS A TYPE OF BANKING ORGANIZATION

Thus far in this study developments with reference to group banking have been discussed without attempting to evaluate it as a type of banking organization. This chapter undertakes an analysis of the advantages and disadvantages of group banking as an alternative to branch banking and to unit banking in the United States.

Group Banking and Branch Banking Compared

Group banking has developed largely as a substitute for branch banking, particularly in areas where branches are prohibited or limited by law. It appears to have few, if any, advantages, as compared with branch banking, if restricted to the same areas of operation as branch banking. One of the principal advantages that group banking is said to have is that each bank in a group retains its legal identity and its local officers and directors. It is felt that through such local officers and directors, who may retain a greater degree of independence than managers of branches, more familiarity and sympathy with local problems can be maintained. Such an advantage, however, if it is one, does not always exist, since experience shows that the groups sooner or later bring their constituent banks under a substantial degree of central control. In some instances when the groups were first organized, the holding company exercised relatively little control over newly acquired banks, but as time has passed the tendency seems to have been for the degree of control of the local board of directors to decrease and the degree of central

control to increase. When such a situation has been reached, the bank in the group is not much more than a branch, except that it may be more expensive to operate and the capital of all of the banks in the group does not serve as a protection to the depositors in any one bank.

Additional evidence that group banking has few, if any, advantages as compared with branch banking is found in the opinions of a majority of the group bankers themselves who have discussed the advantages of group banking, as compared with branch banking before Congressional committees in recent years. These opinions are summarized as follows:

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." 1/

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.

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. 2/

1/ U. S. Congress, 72nd, 1st Session, Senate hearings, S. 4115, March 1932, p. 341.

2/ Ibid., p. 327.

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)." 1/

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." 2/

1/ U.S. Congress, 71st, 3d Session, Senate hearings, S.Res. 71, January 1931, pp. 243, 245, 246.

2/ U.S. Congress, 72nd, 1st Session, Senate hearings, S.4115, March 1932, p. 290.

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." 1/

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." 2/

Robert O. Lord, President, Guardian Detroit Union Group (suspended in 1933).

"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." 3/

Several group bankers, however, have at one time or another expressed the opinion that group banking offers advantages over branch banking. The opinions of these bankers are summarized as follows:

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. 4/

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

1/ Ibid., p. 317.

2/ U. S. Congress, 72nd, 1st Session, House hearings, H. R. (10241) 11362, March and April 1932.

3/ U. S. Congress, 72nd, 1st Session, Senate hearings, S. 4115, March 1932, p. 131.

4/ Ibid., pp. 480-84.

"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." 1/

Professor Chapman, in his analysis of chain and group banking, compares group banking with branch banking in the following statement. 2/: He concludes that branch banking is superior in most respects.

"There does not appear to be any marked advantage in a group system that could not be attained by branch banking. Of the two, branch banking is the more desirable from a social point of view for the reason that a greater degree of responsibility may be placed upon the management and the branches may be more successfully examined and supervised. There is less expense attached to the operation of a branch than to an individual bank under the group system. Capital requirements may be more accurately adjusted to the needs of the community under branch banking, thus rendering the cost of banking service less. In a group system banks will be operated only in localities where profits may be made, and since the cost of operating a bank is greater than of a branch, there are likely to be more branches

1/ U. S. Congress, 71st, 3rd Session, Senate hearings, S. Res. 71, March 1931, p. 582.

2/ Chapman, John M. in Willis and Chapman, The Banking Situation, Ch. XVI, p. 391, Columbia University Press, New York, 1934.

established under branch systems than unit banks under group systems. If this be true, branch banking will provide more banking offices which will reach a larger number of individuals or communities."

In connection with the final point made by Professor Chapman, in the above statement it is of interest to note that in only one instance, as indicated in Chapter II, has a principal group established a subsidiary de novo to provide banking services to communities. Branches, on the other hand, have been established de novo in many instances to provide banking services to communities that were without them. In fact, nearly two-thirds of the branches now in operation in the United States were established de novo.

Group Banking and Unit Banking Compared

Proponents of group banking believe that it has pronounced advantages over unit banking. The ones that frequently have been pointed out may be summarized as follows:

1. Through group banking some of the benefits of branch banking are provided in areas where branches are prohibited or limited by law and the establishment of branches is facilitated in States where they are permitted.
2. Better trained, more efficient and abler management of the constituent banks is made possible through the organization of groups.
3. More efficient credit facilities for the business community and more satisfactory diversification of loans and investments are possible through group organizations.
4. Group banking provides more adequate facilities for formulating investment policies and for handling the investments of the banks.

5. More adequate facilities for developing and handling fiduciary banking services are made possible through groups than are possible for the banks operating individually.

6. Many operating economies to the member banks are possible through the group organizations that could not be accomplished by the units individually.

7. Through their affiliation with groups, many of the constituents obtained assistance during the banking crisis and were aided and strengthened after the crisis, and losses to their depositors were prevented.

Perhaps the most important advantage which group banking is said to have over unit banking is that it is a means by which some of the results of branch banking are gained in areas and under circumstances where branches are prohibited or limited by law. Evidence of this is the fact that the development of banking groups occurred largely in regions where branches were prohibited or restricted and in the fact that more recently, as laws pertaining to the operation of branches in those areas have been liberalized, many of the groups have converted their banks into branches as conditions warranted.

Establishment of Multiple Office Systems

Through the use of the holding company multiple office systems are operated not only in localities where branches are prohibited entirely but also in wider areas than are accorded to branch systems in any case. Examples of the use of group banking organizations to facilitate the establishment of multiple office systems of an interstate character are the Transamerica Corporation group of San Francisco, the Citizens and Southern National Bank group of Savannah, the Northwest Bancorporation and the First Bank Stock Corporation of Minneapolis. Examples of

the use of group banking organizations to facilitate intrastate multiple office banking where branches are prohibited or restricted are the Atlantic National Bank group of Jacksonville, Trust Company of Georgia and the Wisconsin Bankshares Corporation.

Management and Personnel

Under the plan of organization that is typical among the principal groups whereby each banking office continues to operate as a separate legal unit, with its local officers and directors, but under the general control of the group, the banks enjoy the advice and counsel of the better trained and professional personnel of the group. In this way it is claimed that the management of the separate banks is improved and greatly strengthened. In some instances, as pointed out in an earlier chapter, the group appoints the principal executive officers of the constituent banks and through them manages the bank.

Improved Credit Facilities

Commenting on credit facilities under group banking, Mr. Andrew Price, President of the Marine Bancorporation, Seattle, says, "Through the medium of bank holding companies, greater mobility of commercial banking funds can with safety and propriety be provided. Desirable loans, too large for an individual bank, can be handled by division with the holding company and other members of the group. Excess funds of one member bank can be employed by other member banks with a profit to both and benefit to large worthy borrowers." ^{1/}

^{1/} Quoted in Cartinhour, Gaines T., Branch, Group and Chain Banking, p. 219.

Partly as a result of the shifting of funds, as thus indicated, as well as for other reasons, a more satisfactory diversification of loans may result to banks in groups, thus giving them another advantage over unit banking.

It is contended that more adequate facilities for handling investments are provided through group banking because connections with a group places the services of the investment department of the parent bank or central organization at the disposal of the affiliated banks. Such departments are larger and better equipped with expert personnel to analyze, select, buy and sell securities and to furnish more scientific service in connection with investment portfolios than the individual banks could provide for themselves. In fact, in several instances, as pointed out in an earlier chapter, the parent bank or the central organization manages the investment portfolios of the subsidiary banks, purchasing and selling the securities for them.

Another advantage over unit banking that group banking is frequently said to offer is its making available improved and more complete facilities for the management of estates and trusts; nor is this service limited to the larger cities. ^{1/} The groups are in a position (1) to gather together an organization of specialists capable of managing estates and trusts; (2) to study current conditions in various industries and groups of industries and

^{1/} Ibid, p. 226.

to determine which appear to be the more promising; (3) to analyze the management and financial structure of the leading companies in different industries; and (4) to watch for changes both in the condition of industries and of individual corporations and to change investments in accordance with careful analysis of the latest information. 1/

Economies in Operation

Operating economies are said to result to banks in groups through the centralized purchasing of securities and supplies, preparing and handling advertising programs, handling insurance of different kinds, bonding of employees and the introduction of uniform accounting, etc. More groups today, as previously pointed out, are handling these items for their members with resulting economies. Mr. George F. Rand, President of the Marine Midland Corporation, when testifying before the Committee on Banking and Currency of the House of Representatives in 1930, discussed the economies that had resulted to the banks in this group through the operation of the corporation, as follows: 2/

"Perhaps if I give a case involving one of our larger banks, a bank of some \$70,000,000, where we are able to effect a great many economies, it will serve to illustrate what I have in mind.

"Those economies are to be made, first, in the rentals that bank has been paying for space. That bank had several unnecessary offices. It had 11 branches, I believe, and we are able to show them how they can eliminate two or three of those branches.

1/ Ibid, pp. 226-7.

2/ U.S. Congress, 71st, 2nd Session, House hearings, H.Res.141, April 1930, pp. 1207-1208.

"In the second case--that same bank--in connection with the amount of cash that that bank carried in its own vault, we have been able to save that bank forty or fifty thousand dollars a year, by showing how similar banks, in our group, operate with less cash in their vault. In other words, it does not matter to a local bank whether it carries cash in its vaults or on deposit with the Federal reserve bank. The tellers were doing business with fifteen or eighteen thousand dollars in their cages, and we were able to show those tellers that in another bank of the same size, the teller could do the same amount of business with \$4,000 in his cage, if he would use his head a little. We were able to cut down the cash requirements in that bank and give the same service to the customer, I think almost to the extent of \$1,000,000, in the aggregate. Now, if you figure 5 per cent on \$1,000,000, it is \$50,000 a year.

"We have done that in all our banks, and the saving has not been so much in the smaller banks, but in the larger banks it is quite a great deal. We have done the same thing in purchasing.

"Most of the little banks, and larger ones, are the prey of every salesman that goes into their town. They will buy adding machines; they will buy typewriters; they will buy ledgers, and a little bank, with three or four million dollars in resources, will spend sometimes three or four thousand dollars a year unnecessarily in doo-dads that people come in and sell them. The savings we have made in that connection are remarkable.

"We are also showing these smaller banks, and larger ones, too, that are in our group, that, through certain physical changes in their setup of their bank inside, in the way they handle their collections and handle their items, they can cut down the number of their employees. We are trying to increase the salaries of our employees and at the same time increase their efficiency and cut down on the total salaries."

Assistance to Banks in Emergencies

During the banking crisis and the period of rehabilitation that followed after the crisis, there were a number of banks that found their affiliation with groups an important source of strength. In a few cases, on the other

hand, affiliation with groups was found not to be to the advantage of the constituent banks during this period. Several of the principal groups, as has been described already in Chapter II, made extensive contributions to the capital and deposit accounts of their banks to support them during the crisis and to rehabilitate them afterwards. In addition to aiding them directly in this manner, several of the groups obtained assistance from the Reconstruction Finance Corporation for their banks. Without such assistance, many of those banks would have suspended with losses to depositors.

Disadvantages and Dangers of Group Banking

Although group banking has important advantages as compared with unit banking it is not without its dangers and disadvantages in comparison with branch banking. The principal disadvantages and dangers that are felt to be inherent in group banking may be summarized as follows:

1. It is difficult to supervise and control the banks in groups and the holding companies around which groups are organized.
2. The great amount of banking funds which may be controlled by a comparatively modest amount of investment in a bank holding company is dangerous.
3. Opportunities for promotional profits to the organizers of bank stock holding companies may lead to unwholesome developments.
4. Tendency of banking groups to acquire and operate existing banks rather than to supply communities that are without banking facilities with them by the establishment of banks de novo, is an important shortcoming of the group organizations.

5. The potential dangers that characterize the extensive operations of holding companies in other fields of business enterprise are likewise present in bank holding companies.
6. Group banking, as compared with branch banking, is, in general, an inferior form of multiple office banking.
7. A group system has an unfair advantage in expanding multiple office operations in contrast with national banks and with State banks, in many States, which are not affiliated with a group.

Difficulties of Supervision

Supervision and control of banks in groups and of the holding companies themselves are difficult for several reasons. In order to supervise effectively the banks in groups, simultaneous examinations of the banks are advisable, if not essential. Under the dual banking system in the United States, however, it is difficult to arrange for simultaneous examinations. Almost all of the larger groups include national banks, State member banks, State nonmember banks, and in some cases, insured and non-insured nonmember banks. To effect a joint simultaneous examination of such banks and to effect a unified analysis of such examination, cooperation is required among all of the parties involved - Comptroller of the Currency, the Federal Reserve banks, the Federal Deposit Insurance Corporation, and the State banking departments. In addition, a complete analysis of the affairs of a group should include an examination of the holding company and its non-banking subsidiaries. Under prevailing conditions the task of organizing and conducting an examination of a large group would be practically impossible.

The problems thus arising in connection with the examination of the constituent banks of the groups were summarized by the Comptroller of the Currency in his statement before the Committee on Banking and Currency of the House of Representatives in 1930 as follows: 1/

. . . Where a group is composed of both State and national banks, as well as of other types of financial institutions, it becomes practically impossible for any supervisory government officials to ascertain authoritatively and accurately the financial condition of the group as a whole. Each corporation in the group is an independent legal entity, some responsible to State governments, and some, that is, national banks, to the national government, while other State bank members of the Federal Reserve System are responsible to both State and national, and this creates a situation in which the public is not sufficiently protected, insofar as it can be protected by governmental authority."

The problem of supervising bank stock holding companies presents a still more difficult task than that of supervising the constituent banks. Only a few of the States have attempted any control of these corporations at all and the attempts of several of these are very meagre. In addition, the limited sovereignty of individual States renders much of the State legislation ineffective, in cases where the holding companies operate across State boundaries. Most of the States have no legislation regarding them. As has been pointed out earlier in this study, an attempt was made in the Banking Act of 1933 to control companies which hold stocks of member banks of the Federal Reserve System by conditioning the powers of

1/ U.S. Congress, 71st, 2nd Session, House Hearings H.Res. 141, February 1930, p. 27.

such corporations to vote the stock of these banks. Thus far, however, such regulation has not been wholly successful.

Control Through Small Amount of Investment

The great amount of banking funds which may be controlled by a comparatively modest investment in a bank is a danger of group banking of considerable magnitude. Public regulation of the individual banks is not an adequate safeguard that this financial leverage will not be used improperly. In any unit bank the owner of an effective stock control has the disposition of funds amounting to several times his ownership. When the effective stock control of a group of banks is vested in a holding company, which in turn may be partly capitalized by non-voting shares, an effective stock control of the holding company affects the disposition of funds many times the original investment.

Closely related to this danger is that which is made possible by the opportunities for promotional profits to the organizers of bank stock holding companies. In the case of a great many unit banks, the stock is closely held and no public market is maintained and is not needed. Holding companies, however, often finance themselves through recourse to the open market and many of them have listed their shares on exchanges for trading. In addition, the organizers are sometimes encouraged to expand and acquire banks at prices out of line with asset values and earning capacity, particularly in periods of speculative enthusiasm and optimism, such as 1928-1929. In order to maintain the prices of the holding company stock, the promoters of the groups often have a strong incentive to use

the credit of controlled banks for loans on holding company stock. This is tantamount to loans by banks on their own stocks, a practice which is both improper and illegal. The active trading in holding company stocks also carries the danger that sharp market breaks in the price of the holding company stock may lead to reduced confidence of depositors in the safety of the controlled banks.

Another unsatisfactory feature of group banking that experience thus far has revealed is the failure of the groups to provide banking facilities in communities which have been deprived of such facilities through suspensions. It has already been pointed out that very few of the groups have organized banks de novo, their preference being to acquire and operate existing banks. In a few places, however, where branches are authorized by law, banks in groups have, in several instances, established branches de novo.

Non-banking Affiliates of Bank Holding Companies

The various ways by which bank stock holding companies may be improperly used by promoters and organizers are comparable to those that are open to promoters and organizers of holding companies in other fields of business. The different ways, however, in which they may so be used cannot be visualized easily in advance. It should be pointed out, nevertheless, that the potential dangers of bank stock holding companies are perhaps of greater social magnitude than those of holding companies in other fields of business enterprise, because of the position and functions of banks in economic organization.

The possibilities of improper relationships between group banks and other subsidiaries or affiliates of the holding company are also a source of danger. This was recognized by the Banking Act of 1933, which contemplated the ultimate discontinuance of the joint operation, either direct or by way of a holding company, of member banks and securities companies. Other forms of business enterprise, however, continue to be affiliated either directly or indirectly with bank holding companies. One or more of the prominent bank holding companies, for example, are directly or indirectly affiliated with a realty firm, coal company, industrial bank, joint stock land bank, fire insurance company, life insurance company, title insurance company, telephone company, railroad, manufacturing enterprise, etc.

Inferior to Branch Banking

A fundamental consideration with respect to group banking is that it is an inferior form of multiple office banking when compared with branch banking. The control which may be exercised by the holding company over the individual banks for the purpose of promoting economical operation and improving credit risks is much inferior to that which may be exercised by a head office over branches. The unit banks owned by a holding company are forced to maintain full staffs of officers and complete boards of directors and they have all of the expenses of separate corporate maintenance.

The acquisition of a unit bank by a holding company will increase the margin of safety to depositors of the unit bank only so far as the holding company improves management and contributes capital. In most cases holding companies feel obliged to support the weaker group members in times of

distress. Despite this fact, however, banks belonging to groups have been allowed to fail, and in some cases the weakness of some banks in a group has carried down the whole group.

Finally, a group system has an unfair advantage in expanding multiple office operations in contrast with a national bank not affiliated with a group. In States with a population of 1,000,000 or more, a national bank cannot establish a branch outside its head office city unless it has a capital of at least \$500,000, but a group system can organize and operate a new national bank similarly situated with a capital as low as \$50,000.

It has been brought out that group banking is one of the alternatives to branch banking by which multiple office systems may be operated. The widest area recognized for branch operation in this country today is State-wide. The Northwest Bancorporation, however, controls banks in 3 Federal Reserve districts, Minneapolis, Kansas City, and Chicago, which embrace all or part of 16 States with a population of 32 millions and more than one-third of the total area of the United States. It has been suggested in various quarters that national banks should be authorized to operate branch systems throughout a single Federal Reserve district. If Congress were ever to grant national banks branch banking powers so broad and failed at the same time to curtail the bank holding company movement, multiple office systems could easily become Nation-wide. AS

indicated above, the Northwest Bancorporation could control a branch system in each of 3 Federal Reserve districts in which it now operates banks and might at the same time acquire other branch systems in each of the other 9 Federal Reserve districts.

It may well be argued that some of the unfavorable considerations with respect to group banking are not the fault of group banking, that some of them hold true also of branch and unit banking, and that legislation might be enacted correcting the defects of group banking. For example, consolidation of Federal supervision over banks would rectify one of the principal evils of group banking, and Federal authorities might be given additional power to supervise bank holding companies or regulate their operations without regard to whether or not they choose to apply for voting permits. The danger of overvaluing a bank is also present when one bank absorbs another for the purpose of converting it into a branch. The terms of such mergers, however, either have to be approved by supervisory authorities or are more closely scrutinized by such authorities than the purchase of bank stock by a holding company. Improper relationships between banks and affiliated organizations are not confined to group systems. Even in the case of a large unit bank or branch system a minority group may control the bank if the stock of the bank is widely distributed. It may be conceded that if adequate supervision and regulation have a salutary effect on the practices and soundness of unit banks and branch systems, the same thing

could be achieved with respect to group banking by appropriate legislation. The fact remains, nevertheless, that under the existing laws and the existing division of responsibility for bank examination and supervision, group banking is a much less satisfactory means of providing multiple office banking facilities than branch banking.

APPENDIX I

APPENDIX I

Table 1 - Number of Group Banks by Classes, Number of Group Banks Operating Branches,
Number of Branches by Location, Number of States and Cities in Which Operating,
December 31, 1936

	States where banks are located	Number of group banks					Number of banks operating branches	Number of branches					Number of cities in which banks are located	Number of cities in which banking offices are located	Number of counties in which banks are located	Number of counties in which banking offices are located	
		Total	National	State member	Nonmember			Total	Head office city	Head office county	Contiguous counties	Non-contiguous counties					
					In-sured	Not in-sured											
<u>New England</u>																	
Eastern Trust & Banking Co., Bangor	Me.	3	-	-	1	2	2	3	-	2	1	-	3	6	1	2	
New Hampshire Bankshares, Inc., Nashua	N. H.	4	4	-	-	-	-	-	-	-	-	-	4	4	2	2	
First National-Old Colony, Boston	Mass.	13	7	6	-	-	7	45	35	10	-	-	12	19	5	5	
Shawmut Association, Boston	Mass.	7	4	1	2	-	2	17	17	-	-	-	7	7	5	5	
Industrial Trust Co., Providence	R. I.	3	1	1	1	-	1	14	4	5	2	3	2	10	2	4	
Bridgeport City Trust Co., Bridgeport	Conn.	3	-	-	3	-	1	1	1	-	-	-	3	3	1	1	
<u>Middle Atlantic</u>																	
Marine Midland Corp., Buffalo	N. Y.	18	3	8	6	1	9	63	52	6	5	-	18	29	12	16	
First National Bk. & Tr. Co., Elmira	N. Y.	4	3	1	-	-	1	3	2	1	-	-	4	5	3	3	
Ogdensburg Trust Co., Ogdensburg	N. Y.	5	3	1	1	-	-	-	-	-	-	-	5	5	2	2	
First Trust & Deposit Co., Syracuse	N. Y.	12	5	1	6	-	1	11	11	-	-	-	12	12	5	5	
Banca Commerciale Italiana, Milan, Italy	N. Y.	1	-	-	1	-	1	5	5	-	-	-	1	1	1	1	
	Penna.	1	-	-	1	-	-	-	-	-	-	-	1	1	1	1	
	Mass.	1	-	-	1	-	-	-	-	-	-	-	1	1	1	1	
Total for group		3	-	-	3	-	1	5	5	-	-	-	3	3	3	3	

-148-

APPENDIX I

Table 1 - Number of Group Banks by Classes, Number of Group Banks Operating Branches,
Number of Branches by Location, Number of States and Cities in Which Operating,
December 31, 1936 (Con't)

	States where banks are located	Number of group banks					Number of banks operating branches	Number of branches					Number of cities in which banks are located	Number of cities in which banking offices are located	Number of counties in which banks are located	Number of counties in which banking offices are located
		Total	National	State member	Nonmember			Total	Head of office city	Head of office county	Contiguous counties	Non-contiguous counties				
					In-sured	Not in-sured										
Trust Co. of N. J., Jersey City, N. J.	N. J.	3	-	-	3	-	2	10	8	2	-	-	3	5	1	1
Bank of Nutley, Nutley	N. J.	3	2	1	-	-	-	-	-	-	-	-	1	1	1	1
United States Trust Co., Paterson	N. J.	3	-	-	3	-	-	-	-	-	-	-	1	1	1	1
Citizens Trust Co., Clarion	Penna.	5	4	-	1	-	-	-	-	-	-	-	5	5	1	1
Monongahela Trust Co., Homestead	Penna.	3	2	-	1	-	-	-	-	-	-	-	2	2	1	1
Colonial Trust Co., Pittsburgh	Penna.	3	1	1	-	1	-	-	-	-	-	-	2	2	2	2
Mellbank Corp., Pittsburgh	Penna.	20	17	1	2	-	4	4	1	3	-	-	18	21	8	8
Peoples-Pittsburgh Trust Co., Pittsburgh	Penna.	3	1	2	-	-	2	8	8	-	-	-	2	2	1	1
Union Trust Co., Pittsburgh	Penna.	5	2	1	-	2	1	1	1	-	-	-	1	1	1	1
<u>East North Central</u>																
BancOhio Corp., Columbus	Phio	14	11	3	-	-	1	12	11	1	-	-	13	14	13	13
Wisconsin Bankshares Corp. Milwaukee	Wisc.	16	10	1	5	-	2	12	12	-	-	-	13	13	12	12
<u>West North Central</u>																
Bank Shares Corp., Minneapolis	Minn.	3	1	-	2	-	-	-	-	-	-	-	1	1	1	1

-149-

APPENDIX I

Table 1 - Number of Group Banks by Classes, Number of Group Banks Operating Branches,
Number of Branches by Location, Number of States and Cities in Which Operating,
December 31, 1936 (Con't)

	States where banks are located	Number of group banks					Number of banks operating branches	Number of branches					Number of cities in which banks are located	Number of cities in which banking offices are located	Number of counties in which banks are located	Number of counties in which banking offices are located
		Total	National	State member	Nonmember			Total	Head office city	Head office county	Contiguous counties	Non-contiguous counties				
					In-sured	Not in-sured										
First Bank Stock Corp., Minneapolis	Minn.	39	28	-	6	5	1	3	3	-	-	-	31	31	28	28
	Mich.	1	1	-	-	-	1	3	-	2	-	1	1	4	1	2
	Mont.	14	9	1	4	-	-	-	-	-	-	-	14	14	14	14
	N.D.	15	13	-	-	2	-	-	-	-	-	-	15	15	14	14
	S.D.	9	8	-	1	-	-	-	-	-	-	-	9	9	9	9
Total for group		78	59	1	11	7	2	6	3	2	-	1	70	73	66	67
Northwest Bancorporation Minneapolis	Minn.	44	23	1	20	-	1	3	3	-	-	-	37	37	31	31
	Iowa	5	4	-	1	-	-	-	-	-	-	-	4	4	4	4
	N.D.	12	9	-	3	-	-	-	-	-	-	-	12	12	12	12
	S.D.	6	6	-	-	-	3	14	-	4	3	7	6	21	6	17
	Nebr.	7	6	-	1	-	1	1	-	-	1	-	5	5	5	5
	Wisc.	6	5	-	1	-	-	-	-	-	-	-	6	6	5	5
	Mont.	12	4	2	6	-	-	-	-	-	-	-	12	12	12	12
Total for group		92	57	3	32	-	5	18	3	4	4	7	82	97	75	86
Commerce Trust Co., Kansas City	Mo.	4	-	1	3	-	-	-	-	-	-	-	1	1	1	1
First National Bank St. Joseph	Mo.	3	1	1	1	-	-	-	-	-	-	-	1	1	1	1
Bankers Bond & Share Co. Omaha	Nebr.	3	1	1	1	-	-	-	-	-	-	-	2	2	2	2
<u>South Atlantic</u> Trust Co. of Georgia Atlanta	Ga.	6	5	1	-	-	-	-	-	-	-	-	6	6	6	6

-150-

APPENDIX I

Table 1 - Number of Group Banks by Classes, Number of Group Banks Operating Branches,
Number of Branches by Location, Number of States and Cities in Which Operating,
December 31, 1936 (Con't)

	States where banks are located	Number of group banks					Number of banks operating branches	Number of branches					Number of cities in which banks are located	Number of cities in which banking offices are located	Number of counties in which banks are located	Number of counties in which banking offices are located
		Total	National	State member	Nonmember			Total	Head of office city	Head of office county	Con-tig-uous counties	Non-tig-uous counties				
					In-sured	Not in-sured										
Citizens & Southern National Bank, Savannah	Ga.	6	3	-	3	-	1	9	2	-	-	7	5	10	5	10
	S.C.	1	-	-	1	-	1	3	1	-	-	2	1	3	1	3
Total for group		7	3	-	4	-	2	12	3	-	-	9	6	13	6	13
Florida National, Inc., Jacksonville	Fla.	9	6	-	3	-	-	-	-	-	-	-	9	9	8	8
Atlantic National Bank Jacksonville	Fla.	7	6	-	1	-	-	-	-	-	-	-	6	6	6	6
Barnett National Bank Jacksonville	Fla.	5	5	-	-	-	-	-	-	-	-	-	5	5	5	5
First National Bank Miami	Fla.	3	2	-	1	-	-	-	-	-	-	-	2	2	1	1
<u>East South Central</u>																
First National Trustees Louisville	Ky.	6	3	2	1	-	1	7	7	-	-	-	5	5	5	5
Hamilton National Bank Chattanooga	Tenn.	12	10	-	2	-	2	5	4	1	-	-	12	13	11	11
	Ga.	6	2	-	4	-	-	-	-	-	-	-	6	6	5	5
Total for group		18	12	-	6	-	2	5	4	1	-	-	18	19	16	16
American National Bank Nashville	Tenn.	6	3	-	3	-	2	11	9	2	-	-	6	8	4	4
Commerce Union Bank Nashville	Tenn.	3	2	-	1	-	2	11	2	-	4	5	2	11	2	11

APPENDIX I

Table 1 - Number of Group Banks by Classes, Number of Group Banks Operating Branches,
Number of Branches by Location, Number of States and Cities in Which Operating,
December 31, 1936 (Con't)

	States where banks are located	Number of group banks					Number of banks operating branches	Number of branches					Number of cities in which banks are located	Number of cities in which banking offices are located	Number of counties in which banks are located	Number of counties in which banking offices are located
		Total	National	State member	Nonmember			Total	Head office city	Head office county	Continuous counties	Non-continuous counties				
					In-sured	Not in-sured										
<u>West South Central</u>																
Mercantile National Bank, Dallas	Tex.	5	1	1	3	-	-	-	-	-	-	-	3	3	3	3
Republic National Bank Dallas	Tex.	5	3	-	2	-	-	-	-	-	-	-	3	3	3	3
<u>Mountain</u>																
Vollmer Sec.Co., Lewiston	Idaho	2	1	-	1	-	1	3	-	-	3	-	2	5	1	4
	Wash.	1	-	-	1	-	-	-	-	-	-	-	1	1	1	1
Total for group		3	1	-	2	-	1	3	-	-	3	-	3	6	2	5
First Sec.Corp., Ogden	Utah	3	2	-	1	-	2	8	1	-	3	4	2	9	2	6
	Idaho	1	-	1	-	-	1	14	-	-	3	11	1	15	1	15
	Wyo.	1	-	-	1	-	-	-	-	-	-	-	1	1	1	1
Total for group		5	2	1	2	-	3	22	1	-	6	15	4	25	4	22
Corporation of the President of the Church of Jesus Christ of Latter Day Saints, S. L. C.	Utah	3	1	1	1	-	-	-	-	-	-	-	1	1	1	1
Rawlins Sec.Co., Salt Lake City	Utah	1	1	-	-	-	1	1	-	1	-	-	1	2	1	1
	Idaho	4	3	-	1	-	-	-	-	-	-	-	4	4	4	4
	Wyo.	2	2	-	-	-	-	-	-	-	-	-	2	2	2	2
Total for group		7	6	-	1	-	1	1	-	1	-	-	7	8	7	7

APPENDIX I

Table 1 - Number of Group Banks by Classes, Number of Group Banks Operating Branches,
Number of Branches by Location, Number of States and Cities in Which Operating,
December 31, 1936 (Con't)

	States where banks are located	Number of group banks					Number of banks operating branches	Number of branches					Number of cities in which banks are located	Number of cities in which banking offices are located	Number of counties in which banks are located	Number of counties in which banking offices are located
		Total	National	State member	Nonmember			Total	Head office city	Head office county	Contiguous counties	Non-contiguous counties				
					In-sured	Not in-sured										
<u>Pacific</u>																
Hall Inv. Co., Carnation	Wash.	5	-	-	5	-	-	-	-	-	-	-	5	5	1	1
Shareholders Fund, Everett	Wash.	5	3	-	2	-	1	1	-	-	1	-	3	4	1	2
Coffman-Debson, Chehalis	Wash.	4	-	-	4	-	-	-	-	-	-	-	4	4	1	1
Union Bond & Mortgage Co. Port Angeles	Wash.	3	2	-	1	-	-	-	-	-	-	-	3	3	2	2
Marine Bancorp., Seattle	Wash.	4	3	-	1	-	1	10	2	-	3	5	4	12	3	7
Nat. Corp., San Francisco	Cal.	9	8	-	1	-	1	18	9	-	1	8	9	17	6	13
	Wash.	1	1	-	-	-	-	-	-	-	-	-	1	1	1	1
Total for group		10	9	-	1	-	1	18	9	-	1	8	10	18	7	14
Transamerica Corp., San Francisco																
	Cal.	5	1	1	3	-	3	475	46	-	62	367	4	277	4	56
	Nevada	1	1	-	-	-	1	7	1	1	3	2	1	7	1	6
	Oregon	4	4	-	-	-	1	28	7	1	1	19	4	25	3	20
	Wash.	1	1	-	-	-	1	1	-	1	-	-	1	2	1	1
Total for group		11	7	1	3	-	6	511	54	3	66	388	10	311	9	83
Sebastopol National Sec., co., Sebastopol																
	Cal.	3	1	-	2	-	2	2	2	-	-	-	2	2	1	1
UNITED STATES TOTAL		479	285	43	138	13	69	847	267	43	96	441	418	834	333	475

-153-

APPENDIX I

Table 2 - Loans and Investments, and Deposits of Group Banks by Class of Banks, December 31, 1936
(In thousands of dollars)

	States where banks are located	Loans and investments					Deposits				
		Total	National	State member	Nonmember		Total	National	State member	Nonmember	
					Insured	Not insured				Insured	Not insured
<u>New England</u>											
Eastern Bank & Banking Co., Bangor	Maine	8,046	-	-	789	7,857	11,229	-	-	770	10,459
New Hampshire Bankshares, Inc., Nashua	N. H.	8,262	8,262	-	-	-	8,685	8,685	-	-	-
First National-Old Colony, Boston	Mass.	500,201	435,463	64,738	-	-	687,854	628,026	59,828	-	-
Shawmut Association, Boston	Mass.	122,882	115,050	4,245	3,587	-	194,086	185,857	4,674	3,555	-
Industrial Trust Co., Providence	R. I.	107,444	4,484	100,259	2,701	-	128,598	4,678	120,743	3,177	-
Bridgeport City Tr. Co., Bridgeport	Conn.	29,567	-	-	29,567	-	36,178	-	-	36,178	-
<u>Middle Atlantic</u>											
Marine Midland Corp., Buffalo	N.Y.	385,593	35,094	284,247	64,563	1,689	435,203	36,480	329,239	67,700	1,784
First Nat. Bk. & Tr. Co., Elmira	N.Y.	14,854	14,351	503	-	-	16,882	16,278	604	-	-
Ogdensburg Trust Co., Ogdensburg	N.Y.	5,226	962	3,866	398	-	7,677	1,020	6,254	403	-
First Trust & Deposit Co., Syracuse	N.Y.	54,961	3,926	47,211	3,824	-	61,199	4,137	53,015	4,047	-
Banca Commerciale Italiana Milan, Italy	N.Y.	10,811	-	-	10,811	-	12,520	-	-	12,520	-
	Pa.	3,646	-	-	3,646	-	3,190	-	-	3,190	-
	Mass.	2,097	-	-	2,097	-	1,857	-	-	1,857	-
Total for group		16,554	-	-	16,554	-	17,567	-	-	17,567	-
Bank of Nutley, Nutley	N.J.	3,960	1,476	2,484	-	-	4,682	1,679	3,003	-	-
United States Trust Co., Paterson	N.J.	15,079	-	-	15,079	-	16,041	-	-	16,041	-
Trust Co. of N. Y., Jersey City	N. J.	41,327	-	-	41,327	-	57,050	-	-	57,050	-

APPENDIX I

Table 2 - Loans and Investments, and Deposits of Group Banks by Class of Banks, December 31, 1936 (Con't)
(In thousands of dollars)

	States where banks are located	Loans and Investments					Deposits				
		Total	National	State member	Nonmember		Total	National	State member	Nonmember	
					Insured	Not insured				Insured	Not insured
Citizens Trust Co., Clarion	Penna.	4,714	2,414	-	2,300	-	5,136	2,613	-	2,523	-
Monongahela Tr. Co., Homestead	Penna.	9,465	2,916	-	6,549	-	10,243	2,775	-	7,468	-
Colonial Trust Co., Pittsburgh	Penna.	28,421	1,787	25,428	-	1,206	36,707	2,257	33,393	-	1,047
Mellbank Corporation, Pittsburgh	Penna.	79,946	70,085	964	8,097	-	100,886	89,571	1,281	10,034	-
Peoples-Pittsburgh Tr.Co., Pittsburgh	Penna.	152,835	75,881	75,954	-	-	200,744	103,817	96,927	-	-
Union Trust Co., Pittsburgh	Penna.	709,915	363,097	310,755	-	36,063	761,954	434,515	295,509	-	31,930
<u>East North Central</u>											
BancOhio Corporation Columbus	Ohio	84,252	79,460	4,792	-	-	102,644	97,055	5,579	-	-
Wisconsin Bankshares Corp., Milwaukee	Wisc.	206,830	192,946	5,029	8,855	-	275,432	258,583	6,007	10,842	-
<u>West North Central</u>											
Bank Shares Corp., Minneapolis	Minn.	4,566	3,515	-	1,051	-	6,841	5,318	-	1,523	-
First Bank Stock Corp., Minneapolis	Minn.	240,114	231,508	-	3,527	5,079	327,598	316,846	-	4,753	6,196
	Mich.	5,262	6,262	-	-	-	7,562	7,562	-	-	-
	Mont.	35,586	26,348	7,809	1,529	-	52,342	38,043	12,402	1,897	-
	N.D.	12,087	11,782	-	-	305	15,404	14,627	-	-	477
	S.D.	5,956	6,554	-	402	-	8,554	8,172	-	482	-
Total for group		301,105	282,454	7,809	5,458	5,324	411,660	385,453	12,402	7,132	6,673

-15-

APPENDIX I

Table 2 - Loans and Investments, and Deposits of Group Banks by Class of Banks, December 31, 1936 (Con't)
(In thousands of dollars)

	States where banks are located	Loans and Investments					Deposits				
		Total	National	State member	Nonmember		Total	National	State member	Nonmember	
					Insured	Not insured				Insured	Not insured
Northwest Bancorporation Minneapolis	Minn.	175,135	161,925	1,949	11,261	-	230,403	214,763	2,314	13,326	-
	Iowa	43,550	42,408	-	1,142	-	54,570	53,108	-	1,462	-
	N.Dak.	13,604	13,148	-	456	-	17,305	16,810	-	495	-
	S.Dak.	21,347	21,347	-	-	-	27,032	27,032	-	-	-
	Nebr.	35,161	34,385	-	776	-	49,641	48,700	-	941	-
	Wisc.	7,376	6,709	-	667	-	8,685	7,967	-	718	-
	Mont.	16,409	5,264	7,513	3,632	-	22,133	6,957	10,769	4,407	-
Total for group		312,582	285,186	9,462	17,934	-	409,769	375,337	13,083	21,349	-
Commercè Trust Co., Kansas City	Mo.	109,678	-	107,422	2,256	-	180,806	-	175,886	4,920	-
First National Bank St. Joseph	Mo.	9,723	4,521	2,577	2,625	-	15,359	8,060	4,236	3,063	-
Bankers Bond & Share Co., Omaha	Nebr.	19,454	18,647	497	310	-	31,915	30,806	681	428	-
<u>South Atlantic</u> Trust Co. of Georgia Atlanta	Ga.	30,762	14,966	15,796	-	-	43,363	20,602	22,761	-	-
Citizens & Southern Nat'l Bk. Savannah	Ga.	65,121	64,107	-	1,014	-	96,758	93,520	-	3,238	-
	S.C.	9,347	-	-	9,347	-	16,682	-	-	16,682	-
Total for group		74,468	64,107	-	10,361	-	113,440	93,520	-	19,920	-
Florida National, Inc. Jacks.	Fla.	29,935	25,746	-	4,189	-	63,083	55,488	-	7,595	-
Atlantic National Bank Jacksonville	Fla.	36,240	35,822	-	418	-	54,344	53,584	-	760	-
Barnett National Bank Jacksonville	Fla.	22,368	22,368	-	-	-	27,846	27,846	-	-	-
First National Bank Miami	Fla.	27,637	26,385	-	1,252	-	37,182	35,596	-	1,586	-

APPENDIX I

Table 2 - Loans and Investments, and Deposits of Group Banks by Class of Banks, December 31, 1936 (con't)
(In thousands of dollars)

	States where banks are located	Loans and Investments					Deposits				
		Total	National	State member	Nonmember		Total	National	State member	Nonmember	
					Insured	Not insured				Insured	Not insured
<u>East South Central</u>											
First National Trustees	Ky.	40,787	27,721	9,470	3,596	-	50,091	40,529	5,335	4,127	-
Louisville											
Hamilton National Bank	Tenn.	52,743	51,532	-	1,211	-	77,439	76,067	-	1,372	-
Chattanooga	Ga.	3,347	1,461	-	2,488	-	5,581	2,574	-	3,007	-
Total for group		56,600	52,993	-	3,697	-	82,801	78,641	-	4,150	-
<u>American National Group</u>											
Nashville	Tenn.	39,986	38,853	-	1,133	-	55,551	54,321	-	1,230	-
Commerce Union Bank	Tenn.	18,959	5,152	-	13,807	-	27,314	9,506	-	17,708	-
Nashville											
<u>West South Central</u>											
Mercantile National Bank	Texas	24,391	21,967	207	2,217	-	29,977	27,158	245	2,574	-
Dallas											
Republic National Bank	Texas	69,725	65,693	-	4,032	-	93,639	87,992	-	5,647	-
Dallas											
<u>Mountain</u>											
Vollmer Sec. Co.,	Idaho	4,539	4,423	-	116	-	6,092	5,934	-	158	-
Lewiston											
	Wash.	367	-	-	367	-	514	-	-	514	-
Total for group		4,906	4,423	-	483	-	6,606	5,934	-	672	-
First Sec. Corp., Ogden	Utah	26,734	25,100	-	1,634	-	36,603	34,352	-	2,251	-
	Idaho	18,434	-	18,434	-	-	28,206	-	28,206	-	-
	Wyoming	931	-	-	931	-	1,592	-	-	1,692	-
Total for group		46,099	25,100	18,434	2,565	-	66,501	34,352	28,206	3,943	-

APPENDIX I

Table 2 - Loans and Investments, and Deposits of Group Banks by Class of Banks, December 31, 1936 (Con't)
(In thousands of dollars)

	States where banks are located	Loans and Investments					Deposits				
		Total	National	State member	Nonmember		Total	National	State member	Nonmember	
					Insured	Not insured				Insured	Not insured
Corp. of the Pres. of the Church of Jesus Christ of Latter Day Saints, S.L.C.	Utah	19,847	5,351	2,070	12,426	-	31,764	14,903	2,772	14,089	-
Rawlins Sec.Co.,S.L.C.	Utah	8,302	8,302	-	-	-	13,223	13,223	-	-	-
	Idaho	1,891	1,573	-	318	-	4,240	3,551	-	689	-
	Wyo.	1,264	1,264	-	-	-	2,125	2,125	-	-	-
Total for group		11,457	11,139	-	318	-	19,588	18,899	-	689	-
<u>Pacific</u>											
Hall Investment Co., Carnation	Wash.	973	-	-	973	-	1,151	-	-	1,151	-
Coffman-Dobson Inv. Co., Chehalis	Wash.	1,817	-	-	1,817	-	3,129	-	-	3,129	-
Shareholders Fund Everett	Wash.	10,803	8,297	-	2,506	-	14,109	11,172	-	2,937	-
Union Bond & Mortgage Co., Port Angeles	Wash.	2,766	2,714	-	52	-	3,547	3,477	-	70	-
Marine Bancorporation, Seattle	Wash.	52,715	52,479	-	236	-	70,595	70,381	-	214	-
Angle National Corp. San Francisco	Calif.	170,394	166,619	-	3,775	-	219,985	214,564	-	5,421	-
	Wash.	1,111	1,111	-	-	-	1,784	1,784	-	-	-
Total for group		171,505	167,730	-	3,775	-	221,769	216,348	-	5,421	-
Transamerica Corp. San Francisco	Calif.	1,211,853	1,151,167	29,920	30,766	-	1,357,669	1,287,928	40,011	29,730	-
	Nevada	15,112	15,112	-	-	-	22,607	22,607	-	-	-
	Oregon	74,355	74,355	-	-	-	91,906	91,906	-	-	-
	Wash.	12,221	12,221	-	-	-	16,280	16,280	-	-	-
Total for group		1,313,541	1,252,855	29,920	30,766	-	1,488,462	1,418,721	40,011	29,730	-
Sebastopol National Sec.Corp.	Wash.	1,994	791	-	1,203	-	1,929	747	-	1,182	-
TOTAL-UNITED STATES		5,458,413	3,936,429	114,139	335,646	52,199	6,841,027	5,062,937	132,674	404,523	51,893

APPENDIX I

Table 3 - Number of Banks and Branches, and Amount of Loans and Investments, and Deposits in Groups by States
December 31, 1936

	Number of banks		Number of branches		Loans & investments		Deposits	
	All commercial banks	Banks in groups	All commercial banks	Banks in groups	All commercial banks	Banks in groups	All commercial banks	Banks in groups
					(In thousands of dollars)			
<u>New England</u>	560	34	232	80	2,511,825	779,099	3,125,007	1,068,487
Maine	70	3	58	3	180,954	8,646	203,710	11,229
New Hampshire	65	4	2	-	75,181	8,262	84,889	8,685
Vermont	77	-	12	-	106,246	-	105,518	-
Massachusetts	202	21	112	62	1,440,476	625,180	1,875,367	883,797
Rhode Island	26	3	38	14	272,510	107,444	307,130	128,598
Connecticut	120	3	10	1	436,458	29,567	548,393	36,178
<u>Middle Atlantic</u>	2,248	89	820	105	17,075,122	1,520,753	20,747,115	1,730,114
New York	752	40	609	82	11,651,684	471,445	14,308,513	533,481
New Jersey	393	9	119	10	1,411,172	60,366	1,736,292	77,773
Pennsylvania	1,103	40	92	13	4,012,266	988,942	4,702,310	1,118,860
<u>East North Central</u>	3,156	37	475	27	7,011,396	304,720	9,348,902	394,423
Ohio	698	14	169	12	1,711,536	84,252	2,218,409	102,644
Indiana	502	-	52	-	597,444	-	803,031	-
Illinois	882	1	-	1	2,962,468	-	4,033,028	-
Michigan	471	1	146	3	1,046,074	6,262	1,430,468	7,662
Wisconsin	603	22	108	12	693,874	214,206	863,966	284,117
<u>West North Central</u>	3,547	150	166	21	2,771,821	691,375	3,865,882	965,528
Minnesota	688	86	6	6	679,563	419,815	890,519	564,842
Iowa	657	5	139	-	458,137	43,550	613,589	54,570
Missouri	673	7	-	-	1,005,527	119,401	1,441,406	196,165
North Dakota	196	27	-	-	57,766	25,691	71,639	32,709
South Dakota	191	15	19	15	67,263	28,303	91,486	35,686
Nebraska	435	10	2	-	235,510	54,615	336,998	81,556
Kansas	707	-	-	-	267,055	-	420,245	-

-159-

APPENDIX I

Table 3 - Number of Banks and Branches, and Amount of Loans and Investments, and Deposits in Groups by States
December 31, 1936 (Con't)

	Number of banks		Number of branches		Loans & Investments		Deposits	
	All commercial Banks	Banks in groups	All commercial banks	Banks in groups	All commercial banks	Banks in groups	All commercial banks	Banks in groups
	(In thousands of dollars)							
<u>South Atlantic</u>	1,565	42	328	12	2,417,185	225,357	3,303,204	344,839
Delaware	46	-	12	-	141,959	-	166,819	-
Maryland	187	-	76	-	477,623	-	622,390	-
District of Columbia	22	-	30	-	229,767	-	334,044	-
Virginia	323	-	62	-	442,205	-	573,311	-
West Virginia	187	-	2	-	214,359	-	281,749	-
North Carolina	211	-	101	-	291,138	-	410,742	-
South Carolina	149	1	22	3	97,305	9,347	155,215	16,682
Georgia	282	17	23	9	302,433	99,830	424,444	145,702
Florida	158	24	-	-	220,396	116,180	334,490	182,455
<u>East South Central</u>	1,175	28	138	34	1,048,903	152,475	1,467,637	210,395
Kentucky	434	6	28	7	369,541	40,787	470,253	50,091
Tennessee	315	22	47	27	350,092	111,688	504,630	160,304
Alabama	218	-	21	-	199,471	-	287,351	-
Mississippi	208	-	42	-	129,799	-	205,403	-
<u>West South Central</u>	1,653	10	61	-	1,572,373	94,116	2,415,037	123,616
Arkansas	222	-	9	-	107,993	-	179,871	-
Louisiana	146	-	52	-	310,201	-	463,100	-
Oklahoma	403	-	-	-	282,733	-	424,709	-
Texas	882	10	-	-	871,446	94,116	1,347,357	123,616
<u>Mountain</u>	505	44	79	33	610,651	149,149	943,991	221,027
Montana	119	26	-	-	91,630	52,095	138,210	74,475
Idaho	53	7	32	17	65,110	24,864	96,692	38,538
Wyoming	58	3	-	-	38,364	2,195	64,443	3,817
Colorado	151	-	-	-	203,808	-	337,483	-
New Mexico	41	-	5	-	32,763	-	53,709	-
Arizona	14	-	24	-	52,096	-	76,383	-
Utah	59	7	10	9	104,416	54,883	145,060	81,590
Nevada	10	1	8	7	22,464	15,112	32,011	22,607

L
8
1

APPENDIX I

Table 3 - Number of Banks and Branches, and Amount of Loans and Investments, and Deposits in Groups by States
December 31, 1936 (Con't)

	Number of banks		Number of branches		Loans and Investments		Deposits	
	All commercial banks	Banks in groups	All commercial banks	Banks in groups	All commercial banks	Banks in groups	All commercial banks	Banks in groups
							(In thousands of dollars)	
<u>Pacific</u>	520	45	929	535	3,884,753	1,541,369	4,652,544	1,782,598
Washington	183	24	45	12	335,203	82,773	452,328	111,109
Oregon	92	4	49	28	215,166	74,355	285,841	91,906
California	245	17	835	495	3,334,384	1,384,241	3,914,375	1,579,583
TOTAL - UNITED STATES	14,929	479	3,228	847	38,904,029	5,458,413	49,869,319	6,841,027

APPENDIX I

Table 4 - Number, Loans and Investments, and Deposits of Group Banks Suspended 1930-1936, by Class of Bank, and by States 1/

	Number of Banks				Loans and Investments				Deposits			
	Total	National	State member	Nonmember	Total	National	State member	Nonmember	Total	National	State member	Nonmember
	(In thousands of dollars)											
Alabama	4			4	1,115			1,115	894			894
Arizona	0											
Arkansas	42	1	1	40	26,201	239	13,783	12,179	23,192	289	11,242	11,661
California	1			1	310			310	284			284
Colorado	0											
Connecticut	1			1	3,369			3,369	2,279			2,279
Delaware	0											
Dist. of Col.	0											
Florida	0											
Georgia	0											
Idaho	11	3		8	9,903	6,737		3,166	9,839	6,748		3,091
Illinois	19	2	1	16	44,081	8,491	2,873	32,717	29,142	3,910	2,231	23,001
Indiana	8	2		6	29,005	21,972		7,033	19,482	14,005		5,477
Iowa	5			5	3,186			3,186	2,726			2,726
Kansas	0											
Kentucky	3	1	1	1	59,180	37,721	19,317	2,142	54,035	37,830	14,209	1,996
Louisiana	5	2	1	2	21,105	360	18,809	1,936	13,248	236	12,261	1,351
Maine	9	2		7	63,306	10,962		52,344	45,143	10,278		34,865
Maryland	0											
Massachusetts	10	4	2	4	84,840	36,491	27,890	20,459	77,666	33,055	26,752	17,859
Michigan	28	8	2	18	622,133	522,826	15,310	83,997	609,235	515,844	10,741	82,650
Minnesota	1			1	195			195	180			180
Mississippi	1	1			1,867	1,867			1,606	1,606		
Missouri	4	2	2		25,230	6,523	18,707		22,748	6,327	16,421	
Montana	0											
Nebraska	0											
Nevada	0											
New Hampshire	0											

APPENDIX I

Table 4 - Number, Loans and Investments, and Deposits of Group Banks Suspended 1930-1936, by Class of Bank, and by States 1/ (Con't)

	Number of Banks				Loans and Investments				Deposits			
	Total	National	State member	Nonmember	Total	National	State member	Nonmember	Total	National	State member	Nonmember
	(In thousands of dollars)											
New Jersey	3	1		2	8,558	367		8,191	9,206	245		8,961
New Mexico	0											
New York	11	10	1		17,809	10,634	7,175		15,040	9,674	5,366	
North Carolina	1	1			6,376	6,376			4,780	4,780		
North Dakota	0											
Ohio	0											
Oklahoma	3	1		2	858	152		706	895	105		790
Oregon	5	3	1	1	3,095	1,706	1,286	103	2,727	1,384	1,249	94
Pennsylvania	3	1		2	13,662	10,992		2,670	10,849	8,396		2,453
Rhode Island	0											
South Carolina	2	2			18,299	18,299			12,774	12,774		
South Dakota	0											
Tennessee	2	1		1	26,113	12,946		13,167	22,459	12,579		9,880
Texas	0											
Utah	0											
Vermont	1	1			1,139	1,139			862	862		
Virginia	0											
Washington	18	8		10	24,981	18,892		6,089	19,469	14,060		5,409
West Virginia	0											
Wisconsin	0											
Wyoming	0											
TOTAL-UNITED STATES	201	57	12	132	1,115,916	735,692	125,150	255,074	1,011,360	694,787	100,472	216,101

1/ No group banks suspended in 1935 or 1936.

-163-

APPENDIX II

NATIONAL AND STATE BANKS MEMBERS OF THE FEDERAL RESERVE SYSTEM
WHICH, ACCORDING TO REPORTS RECEIVED BY THE COMPTROLLER OF
THE CURRENCY AND THE BOARD OF GOVERNORS OF THE FEDERAL
RESERVE SYSTEM, WERE CONTROLLED ON MARCH 31, 1937, BY
"HOLDING COMPANY AFFILIATES" AS DEFINED IN SECTION
2(c) OF THE BANKING ACT OF 1933, AS AMENDED

Name and principal office of holding company affiliate, and (indented) name and location of controlled member banks	Capital stock of bank outstanding		Number of shares of capital stock owned or controlled by holding company affiliate
	Aggregate par value $\frac{1}{2}$	Number of shares	
Anglo National Corp., San Francisco, Calif.			
First National Bank, Fairfield, Calif.	\$50,000	500	298
Bank of Suisun, N.A., Suisun City, Calif.	100,000	1,000	895-5/6
First National Bank, Weed, Calif.	50,000	500	450
Winters National Bank, Winters, Calif.	50,000	2,000	1,374
First National Bank, Yreka, Calif.	50,000	2,000	897
First National Bank, Longview, Wash.	(P)19,680	246	--
	100,000	1,000	782
Inter-America Corp., San Francisco, Calif.			
Bank of America, N.T. & S.A., San Francisco, Calif.	50,000,000	2,000,000	1,993,084.83
First National Bank, Reno, Nevada	500,000	5,000	4,950
First National Bank, Portland, Ore.	2,500,000	25,000	10,358
Sebastopol National Securities Company, Sebastopol, Calif.			
Sebastopol National Bank, Sebastopol, Calif.	75,000	750	700
Atlantic Trust Company, Jacksonville, Fla.			
First Atlantic National Bank, Daytona Beach, Fla.	100,000	1,000	592 $\frac{1}{2}$
First National Bank, Gainesville, Fla.	100,000	1,000	520
Palatka Atlantic National Bank, Palatka, Fla.	100,000	1,000	685
Sanford Atlantic National Bank, Sanford, Fla.	100,000	1,000	724
West Palm Beach National Bank, West Palm Beach, Fla.	200,000	2,000	1,566
Barnett National Securities Corporation, Jacksonville, Fla.			
Barnet National Bank, Avon Park, Fla.	50,000	500	449
Barnett National Bank, Cocoa, Fla.	50,000	500	400
Barnett National Bank, DeLand, Fla.	100,000	1,000	897
Barnett National Bank, Ft. Lauderdale, Fla.	100,000	1,000	510
St. Augustine National Bank, St. Augustine, Fla.	(P)100,000	1,000	1,000
	100,000	1,000	566

APPENDIX II (Cont.)

Name and principal office of holding company affiliate, and (indented) name and location of controlled member banks	Capital stock of bank outstanding		Number of shares of capital stock owned or controlled by holding company affiliate
	Aggregate par value <u>1/</u>	Number of shares	
Florida National Group, Inc., Jacksonville, Fla.			
Florida National Bank, Bartow, Fla.	\$100,000	4,000	3,400
Florida National Bank, Jacksonville, Fla.	1,500,000	60,000	11,495
Florida National Bank, Lakeland, Fla.	100,000	4,000	3,200
Florida National Bank & Trust Co., Miami, Fla.	400,000	16,000	14,800
Florida National Bank, Ocala, Fla.	75,000	750	595
Florida National Bank, St. Petersburg, Fla.	200,000	8,000	6,200
Trust Company of Georgia Associates, Atlanta, Ga.			
National Exchange Bank, Augusta, Ga.	400,000	4,000	2,919
Fourth National Bank, Columbus, Ga.	300,000	3,000	1,834
First National Bank & Trust Co., Macon, Ga.	500,000	50,000	42,729-1/16
First National Bank, Rome, Ga.	150,000	1,500	950
Liberty National Bank & Trust Co., Savannah, Ga.	500,000	5,000	3,832
Citizens & Southern Holding Company, Savannah, Ga.			
Albany Exchange National Bank, Albany, Ga.	(P)46,375	400	--
	100,000	1,000	855-1/3
LaGrange National Bank, LaGrange, Ga.	150,000	1,500	824
Trustees Under Agreement Dated January 31, 1919, As Amended July 30, 1920, and January 26, 1923, With Reference to Stocks in the Citizens Union National Bank of Louisville and Fidelity and Columbia Trust Company, both of Louisville, Louisville, Ky.			
Citizens Union National Bank, Louisville, Ky.	1,000,000	10,000	9,870
Trustees Under Trust Agreement with Reference to Stock of the First National Bank of Louisville, Ky. and Other Corporations, Dated July 1, 1925, Louisville, Ky.			
Boyle Bank & Trust Co., Danville, Ky.	(P)25,000	250	208
	75,000	750	689
First National Bank, Louisville, Ky.	1,000,000	10,000	9,810
Kentucky Title Trust Co., Louisville, Ky.	(P)100,000	1,000	9
	900,000	9,000	9,000
First National Bank, Nicholasville, Ky.	100,000	1,000	562
Madison-Southern National Bank & Trust Co., Richmond, Ky.	225,000	2,250	1,461

APPENDIX II (Cont.)

Name and principal office of holding company affiliate, and (indented) name and location of controlled member banks	Capital stock of bank outstanding		Number of shares of capital stock owned or controlled by holding company affiliate
	Aggregate par value <u>1/</u>	Number of shares	
Old Colony Trust Associates, Boston, Mass.			
Monotony Trust Co., Arlington, Mass.	300,000	30,000	19,726
Norfolk County Trust Co., Brookline, Mass.	1,000,000	100,000	81,282
Harvard Trust Co., Cambridge, Mass.	1,000,000	50,000	25,309
Concord National Bank, Concord, Mass.	100,000	2,000	1,010
Middlesex County National Bank, Everett, Mass.	500,000	50,000	41,165.9062
Appleton National Bank, Lowell, Mass.	300,000	3,000	2,428
First National Bank, Mansfield, Mass.	100,000	10,000	8,348
Newton Trust Co., Newton, Mass.	1,080,000	108,000	81,761
Union Market National Bank, Watertown, Mass.	500,000	50,000	33,041
Winchester Trust Co., Winchester, Mass.	100,000	10,000	8,515
Shawmut Association, Boston, Mass.			
County Bank & Trust Co., Cambridge, Mass.	300,000	30,000	19,700
Needham National Bank, Needham, Mass.	150,000	1,500	760
Merchants National Bank, Salem, Mass.	(PA) 298,500	19,900	--
	(PB) 150,000	6,000	4,800
	100,000	4,000	2,188
Winchester National Bank, Winchester, Mass.	125,000	1,250	835
Bank Shares Corporation, Minneapolis, Minn.			
Marquette National Bank, Minneapolis, Minn.	(P) 94,250	942.5	--
	300,000	3,000	2,635.3
First Bank Stock Corporation, Minneapolis, Minn.			
National Metals Bank, Hancock, Mich.	500,000	5,000	4,900
Freeborn County National Bank, Albert Lea, Minn.	100,000	1,000	950
Farmers National Bank, Alexandria, Minn.	50,000	500	450
First National Bank, Austin, Minn.	200,000	2,000	1,910
First & Farmers National Bank, Blue Earth, Minn.	50,000	500	446-2/3
First National Bank, Brainerd, Minn.	100,000	1,000	920
Minnesota National Bank, East Grand Forks, Minn.	50,000	500	440
First National Bank, Fairmont, Minn.	50,000	500	450
First National Bank, Graceville, Minn.	25,000	250	225
First National Bank, Horon Lake, Minn.	35,000	350	300
Farmers & Merchants National Bank, Ivanhoe, Minn.	25,000	250	225
American National Bank, Little Falls, Minn.	100,000	5,000	3,167
Luverne National Bank, Luverne, Minn.	50,000	500	450
First National Bank, Mankato, Minn.	150,000	1,500	1,450
First National Bank & Trust Co., Minneapolis, Minn.	6,000,000	300,000	295,499

APPENDIX II (Cont.)

Name and principal office of holding company affiliate, and (indented) name and location of controlled member banks	Capital stock of bank outstanding		Number of shares of capital stock owned or controlled by holding company affiliate
	Aggregate par value <u>1/</u>	Number of shares	
Bloomington-Lake National Bank, Minneapolis, Minn.	\$100,000	1,000	930
Minnehaha National Bank, Minneapolis, Minn.	100,000	1,000	920
Farmers & Merchants National Bank, Minnesota, Minn.	60,000	600	540
Northfield National Bank & Trust Co., Northfield, Minn.	50,000	500	450
First National Bank, Owatonna, Minn.	100,000	1,000	950
Pipestone National Bank, Pipestone, Minn.	50,000	2,000	1,800
First National Bank, Rochester, Minn.	200,000	2,000	1,910
First National Bank, St. Paul, Minn.	6,000,000	60,000	58,219
Merchants National Bank, Sauk Centre, Minn.	50,000	500	450
First National Bank, Spring Valley, Minn.	50,000	500	440
Farmers National Bank, Waseca, Minn.	50,000	500	460
First National Bank, Wheaton, Minn.	50,000	500	450
Security National Bank, Willmar, Minn.	100,000	1,000	950
First National Bank, Windom, Minn.	50,000	500	434-2/3
Midland National Bank, Billings, Mont.	200,000	2,000	1,950
Commercial National Bank, Bozeman, Mont.	150,000	1,500	1,450
Metals Bank & Trust Co., Butte, Mont.	600,000	6,000	5,930
First National Bank, Great Falls, Mont.	600,000	6,000	5,930
Montana National Bank, Havre, Mont.	50,000	500	440
First National Bank & Trust Co., Helena, Mont.	600,000	6,000	5,930
National Bank of Lewistown, Lewistown, Mont.	100,000	1,000	950
National Park Bank, Livingston, Mont.	100,000	1,000	950
First National Bank, Miles City, Mont.	100,000	1,000	946-2/3
Western Mont. National Bank, Missoula, Mont.	200,000	2,000	1,950
First National Bank, Bismarck, N. D.	250,000	2,500	2,440
First National Bank, Cooperstown, N. D.	50,000	2,000	1,800
Merchants National Bank & Trust Co., Fargo, N.D.	150,000	6,000	5,408
First National Bank, Glen Ullin, N. D.	25,000	250	225
Red River National Bank, Grand Forks, N. D.	125,000	5,000	4,600
First National Bank, Hebron, N. D.	30,000	300	203
National Bank of Jamestown, Jamestown, N. D.	100,000	4,000	3,760
First National Bank, Lidgerwood, N. D.	25,000	250	225
Union National Bank, Minot, N. D.	100,000	1,000	930
First National Bank, Valley City, N. D.	50,000	2,000	1,800
Aberdeen National Bank & Trust Co., Aberdeen, S. D.	100,000	1,000	920
Clark County National Bank, Clark, S. D.	25,000	250	225
First National Bank, Highmore, S. D.	50,000	500	450
First National Bank, Huron, S. D.	125,000	1,250	1,200
First National Bank, Lemmon, S. D.	50,000	500	450
First National Bank, Miller, S. D.	50,000	500	450
Citizens National Bank & Trust Co., Sioux Falls, S. D.	100,000	1,000	950
First National Bank, Vermillion, S. D.	75,000	750	670

APPENDIX II (Cont.)

Name and principal office of holding company affiliate, and (indented) name and location of controlled member banks	Capital stock of bank outstanding		Number of shares of capital stock owned or controlled by holding company affiliate
	Aggregate par value <u>1</u> /	Number of shares	
Northwest Bancorporation, Minneapolis, Minn.			
First National Bank, Denison, Iowa	\$100,000	1,000	868
First National Bank, Mason City, Iowa	(P) 250,000	2,500	--
	350,000	3,500	3,410
Live Stock National Bank, Sioux City, Iowa	(P) 148,000	1,480	--
	250,000	2,500	2,430
First & American National Bank, Duluth, Minn.	2,000,000	20,000	19,741-2/3
Security National Bank & Trust Co., Fairbault, Minn.	150,000	1,500	1,381-1/4
Fergus Falls National Bank & Trust Co., Fergus Falls, Minn.	100,000	1,000	930
Hastings National Bank, Hastings, Minn.	50,000	500	290
Security National Bank, Hopkins, Minn.	50,000	500	260
Northwestern National Bank, Litchfield, Minn.	75,000	750	690
National Citizens Bank, Mankato, Minn.	(P) 148,750	1,487-1/2	--
	200,000	2,000	1,940
Third Northwestern National Bank, Minneapolis, Minn.	100,000	1,000	900
Fourth Northwestern National Bank, Minneapolis, Minn.	125,000	1,250	1,177-1/2
Fifth Northwestern National Bank, Minneapolis, Minn.	100,000	1,000	940
Midland National Bank & Trust Co., Minneapolis, Minn.	(P) 390,000	3,900	--
	600,000	6,000	5,784
Northwestern National Bank & Trust Co., Minneapolis, Minn.	(P) 2,500,000	25,000	--
	5,000,000	50,000	48,660-3/4
First National Bank, Moorhead, Minn.	100,000	1,000	930
Security Bank & Trust Co., Owatonna, Minn.	100,000	1,000	920
First National Bank, Red Wing, Minn.	(P) 29,750	297-1/2	--
	70,000	700	610
Stock Yards National Bank, South St. Paul, Minn.	(P) 50,000	500	--
	250,000	2,500	2,450
First National Bank, Two Harbors, Minn.	62,500	625	448-3/4
First National Bank, Winona, Minn.	(P) 75,000	750	--
	350,000	3,500	3,336-2/3
Great Falls National Bank, Great Falls, Mont.	200,000	2,000	1,907
Continental National Bank, Harlowton, Mont.	50,000	500	440
First National Bank, Fairbury, Nebr.	(P) 97,000	970	--
	150,000	1,500	1,442-1/2
Hastings National Bank, Hastings, Nebr.	(P) 75,000	750	--
	100,000	1,000	940
United States National Bank, Omaha, Nebr.	1,100,000	11,000	10,830
Dakota National Bank & Trust Co., Bismarck, N. D.	100,000	1,000	900

APPENDIX II (Cont.)

Name and principal office of holding company affiliate, and (indented) name and location of controlled member banks	Capital stock of bank outstanding		Number of shares of capital stock owned or controlled by holding company affiliate
	Aggregate par value <u>1</u> /	Number of shares	
Northwest Bancorporation, Minneapolis, Minn., continued			
Grafton National Bank, Grafton, N. D.	75,000	750	700
American National Bank, Valley City, N. D.	(P)14,000	140	--
	50,000	500	440
Citizens National Bank, Wahpeton, N. D.	75,000	750	650
First Citizens National Bank, Watertown, S.D.	150,000	1,500	1,260
National Bank of LaCrosse, LaCrosse, Wisc.	400,000	4,000	3,659
Albert M. Keller, F. August Luyties, Carl F. G. Meyer, James J. Mullen, and Edgar M. Queney, Trustees, St. Louis, Mo.			
Mercantile-Commerce National Bank, St. Louis, Mo.	350,000	3,500	3,357
Excelsior Realty Company, Butte, Mont.			
Miners National Bank, Butte, Mont.	100,000	1,000	514
Bankers Bond & Share Company, Omaha, Nebr.			
Washington County Bank, Blair, Nebr.	35,000	350	255
New Hampshire Bankshares, Inc., Nashua, N. H.			
First National Bank, Derry, N. H.	(P)25,000	250	--
	60,000	600	315
Rockingham National Bank, Exeter, N. H.	100,000	1,000	599
Indian Head National Bank, Nashua, N. H.	(P)100,000	1,000	--
	100,000	1,000	501
Wilton National Bank, Wilton, N. H.	50,000	5,000	2,890
Marine Midland Corporation, Jersey City, N. J.			
Marine Midland Trust Co., Binghamton, N. Y.	500,000	10,000	9,630
Marine Trust Co., Buffalo, N. Y.	8,000,000	250,000	247,890
	(D)2,000,000	--	--
Union Trust Company, Endicott, N. Y.	100,000	10,000	9,011
Workers Trust Co., Johnson City, N. Y.	200,000	8,000	7,534
Niagara County National Bank & Trust Co., Lockport, N. Y.	500,000	20,000	19,266
Peoples Trust Co., Malone, N. Y.	200,000	20,000	18,667
Marine Midland Trust Co., New York, N. Y.	5,000,000	500,000	496,555
Power City Trust Co., Niagara Falls, N. Y.	2,000,000	160,000	156,598
First & Second National Bank & Trust Co., Oswego, N. Y.	400,000	16,000	15,080
Manufacturers National Bank & Trust Co., Troy, N. Y.	(P)400,000	16,000	--
	1,000,000	40,000	38,747
Northern New York Trust Co., Watertown, N.Y.	500,000	20,000	19,113
	(D)280,000	--	--

APPENDIX II (Cont.)

Name and principal office of holding company affiliate, and (indented) name and location of controlled member banks	Capital stock of bank outstanding		Number of shares of capital stock owned or controlled by holding company affiliate
	Aggregate par value <u>1</u> /	Number of shares	
First National of Elmira Corporation, Elmira, N. Y.			
First National Bank, Horseheads, N. Y.	\$75,000	750	380
Watkins State Bank, Watkins Glen, N. Y.	50,000	1,000	750
Citizens National Bank, Waverly, N. Y.	100,000	2,000	1,001
First Securities Corp., Syracuse, N. Y.			
First National Bank, Earlville, N. Y.	(PA) 25,000	1,000	--
	(PB) 50,000	1,000	960
	50,000	1,000	676
First National Bank, Waterloo, N. Y.	(PA) 37,500	7,500	--
	(PB) 50,000	5,000	4,850
	62,500	6,250	5,034-3/8
BancOhio Corporation, Columbus, Ohio			
Union National Bank, Cadiz, Ohio	200,000	8,000	7,065.3
First National Bank, Chillicothe, Ohio	300,000	3,000	2,684
Ohio National Bank, Columbus, Ohio	4,000,000	200,000	198,315
Fifth Ave. Savings Bank, Columbus, Ohio	200,000	2,000	1,884
Commercial National Bank, Coshocton, Ohio	150,000	1,500	1,232
Delaware County National Bank, Delaware, Ohio	100,000	1,000	819
Madison National Bank, London, Ohio	60,000	600	540
First National Bank, Marysville, Ohio	75,000	750	670
Licking County Bank, Newark, Ohio	200,000	2,000	1,909
Perry County Bank, New Lexington, Ohio	75,000	750	679
National Bank of Portsmouth, Portsmouth, Ohio	200,000	10,000	8,621
First National Bank & Trust Co., Springfield, Ohio	1,000,000	10,000	9,749
First National Bank, Washington Court House, Ohio	100,000	1,000	899
Citizens National Bank, Zanesville, Ohio	400,000	4,000	3,766
United States National Corporation, Portland, Ore.			
Clark County National Bank, Vancouver, Wash.	100,000	1,000	930
Hamilton National Associates, Inc., Chattanooga, Tennessee			
First National Bank, Harriman, Tenn.	100,000	1,000	590
First National Bank, Lenoir City, Tenn.	100,000	2,000	1,088
First National Bank, Loudon, Tenn.	50,000	500	253
First National Bank, Pikeville, Tenn.	30,000	300	163
First National Bank, South Pittsburg, Tenn.	100,000	1,000	685
American Investment Company, Ogden, Utah			
Commercial Security Bank, Ogden, Utah	300,000	3,000	1,410
	(D) 250,000	--	--

APPENDIX II (Cont.)

Name and principal office of holding company affiliate, and (indented) name and location of controlled member banks	Capital stock of bank outstanding		Number of shares of capital stock owned or controlled by holding company affiliate
	Aggregate par value <u>1/</u>	Number of shares	
Rawlins Securities Company, Salt Lake City, Utah			
First National Bank, Caldwell, Idaho	\$100,000	1,000	619
Hailey National Bank, Hailey, Idaho	50,000	500	393
First Security Corporation of Ogden, Ogden, Utah			
First National Bank, Salt Lake City, Utah	750,000	7,500	6,628.1232
Shareholders Fund of the First National Bank of Everett, Washington, Crosby, Moody, Norway, Trustees, Everett, Wash.			
First National Bank, Snohomish, Wash.	50,000	500	145
Union Bond & Mortgage Co., Port Angeles, Washington			
First National Bank, Port Angeles, Wash.	100,000	1,000	609
Marine Bancorporation, Seattle, Wash.			
First National Bank, Cosmopolis, Wash.	25,000	250	207
First National Bank, Mt. Vernon, Wash.	100,000	1,000	572
National Bank of Commerce, Seattle, Wash.	2,500,000	100,000	99,120
Old National Corporation, Spokane, Wash.			
First National Bank, Spokane, Wash.	(P) 150,000	3,000	--
	348,100	6,962	4,620
Old National Bank & Union Trust Co., Spokane, Wash.	(P) 450,000	4,500	--
	550,000	5,500	5,379
Wisconsin Bankshares Corp., Milwaukee, Wisc.			
Badger State Bank, Milwaukee, Wisc.	200,000	2,000	1,952
	(D) 300,000	--	--

1/ The amount of capital stock shown represents common stock unless otherwise indicated. The letter "P" preceding an amount denotes preferred stock; "PA" denotes preferred "A" stock; "PB" denotes preferred "B" stock, and "D" denotes capital notes or debentures.

APPENDIX III

COMPILATION OF FEDERAL AND STATE BANKING LAWS
RELATING TO THE
ACQUISITION OF BANK OR TRUST COMPANY STOCK
BY BANKS AND TRUST COMPANIES
AND RELATING TO
BANK STOCK HOLDING COMPANIES
AND
CHAIN OR GROUP BANKING

FOREWORD

The following compilation of State and Federal laws as of June 1, 1936, prepared in the office of Counsel of the Board of Governors of the Federal Reserve System, with the assistance of the counsel of the Federal Reserve banks, relates to provisions with respect to the acquisition of bank or trust company stock by banks and trust companies, and with respect to bank stock holding companies and chain or group banking. The compilation includes all of the Federal laws on the subject but the portion of the compilation covering the State laws is based entirely upon the statutes as contained in the banking laws and does not represent a search of the general corporation laws of the States. The State statutes relating expressly to the acquisition of bank or trust company stock by banks and trust companies have been cited wherever such exist, but in the absence of any such statute, provisions of the State banking law dealing specifically with the acquisition of corporate stocks generally by banks and trust companies have been included.

When a provision is followed by two citations, the first refers to a pamphlet edition of the banking laws, and the second refers to an official edition of the laws. There is only one citation following each Federal statute, and where the provision of State law was not included in the pamphlet edition, only the official citation is given.

This compilation covers only investments of a bank's or trust company's own funds. It does not cover the acquisition of its own stock, stock in municipal or other public corporations, Federal reserve banks, joint stock land banks, corporations engaged principally in foreign banking operations, safe deposit companies, or similar institutions affiliated in some respects with the business of banking.

T A B L E O F C O N T E N T S

L-477

	Page
Summary - - - - -	i
Federal Law - - - - -	1
State Law	
Alabama - - - - -	10
Arizona - - - - -	11
Arkansas - - - - -	12
California - - - - -	12
Colorado - - - - -	14
Connecticut - - - - -	15
Delaware - - - - -	17
District of Columbia - - - - -	18
Florida - - - - -	19
Georgia - - - - -	19
Idaho - - - - -	20
Illinois - - - - -	21
Indiana - - - - -	22
Iowa - - - - -	26
Kansas - - - - -	26
Kentucky - - - - -	28
Louisiana - - - - -	28
Maine - - - - -	29
Maryland - - - - -	31
Massachusetts - - - - -	33
Michigan - - - - -	35
Minnesota - - - - -	35
Mississippi - - - - -	36
Missouri - - - - -	37
Montana - - - - -	38
Nebraska - - - - -	39
Nevada - - - - -	40
New Hampshire - - - - -	41
New Jersey - - - - -	43
New Mexico - - - - -	45
New York - - - - -	46
North Carolina - - - - -	48
North Dakota - - - - -	50
Ohio - - - - -	51
Oklahoma - - - - -	52
Oregon - - - - -	53
Pennsylvania - - - - -	56
Rhode Island - - - - -	57
South Carolina - - - - -	59
South Dakota - - - - -	60
Tennessee - - - - -	61
Texas - - - - -	62
Utah - - - - -	63
Vermont - - - - -	64
Virginia - - - - -	65
Washington - - - - -	66
West Virginia - - - - -	67
Wisconsin - - - - -	69
Wyoming - - - - -	71

SUMMARY OF STATE BANKING LAWS RELATING TO ACQUISITION OF BANK
OR TRUST COMPANY STOCK BY BANKS AND TRUST COMPANIES

States having legislation permitting acquisition by:

<u>Commercial Banks</u>	<u>Trust Companies</u>	<u>Savings Banks</u>
Alabama (1) (2)	Alabama (1) (2)	Arizona (3)
Arizona (3)	Arizona (3)	California (4)
California (4)	*Arkansas	Connecticut (11)(12)
Delaware (1)	California (4)	Delaware (1)
*New Jersey	*Colorado	Florida
Pennsylvania (14)	Delaware (1)	*Louisiana
*South Carolina	Florida (7)	Maine (5)
Texas (1)	Kansas (2)	Massachusetts (8)
*West Virginia (2) (6)	*Louisiana	New Hampshire (11) (12)
	*Maryland	Rhode Island (11) (12)
	Massachusetts (1) (2)	*South Carolina
	*Michigan	Vermont (11)
	Missouri (1) (9)	*West Virginia (2) (6)
	*Montana	
	*Nebraska (10)	
	*New Hampshire (2)	
	*New Jersey	
	*Ohio	
	*Oklahoma	
	Pennsylvania (14)	
	South Carolina (1) (9)	
	Texas (1)	
	Utah (13)	
	Vermont (11)	
	*West Virginia (2) (6)	
Total - 9	Total - 25	Total - 13

(* Indicates statute permitting acquisition of corporate stock generally--no statute specifically permitting acquisition of bank or trust company stock.)

- (1) Amount of stock in other banks limited.
- (2) Limited amount may be invested.
- (3) Purchase must be approved by superintendent of banks.
- (4) Limited amount may be invested in stock of one California trust company in same county.
- (5) Limited amount may be invested in limited amount of stock of certain banks.
- (6) Permission only granted to banking institutions authorized to engage in business of trust company.
- (7) Apparent conflict in laws; another provision prohibits purchase of corporate stocks.

- (8) Limited amount may be invested in limited amount of stock of certain trust companies and certain national banks.
- (9) Limitation does not apply to ownership of stock of one bank or one corporation organized for principal purpose of receiving savings.
- (10) Stock of another trust company and corporations not paying dividends may not be purchased.
- (11) Limited amount may be invested in limited amount of stocks of certain banks and trust companies.
- (12) Savings departments of banks and trust companies included.
- (13) Purchase of bank stock must be approved by commissioner of banks.
- (14) Only stock of banks and trust companies incorporated in Pennsylvania may be acquired.

States having legislation prohibiting acquisition by:

Commercial Banks	Trust Companies	Savings Banks
* Colorado	* Florida (1)	Georgia (2)
* Florida	Georgia	Idaho
Georgia	Idaho	Kansas
Idaho	* Indiana	Mississippi
* Indiana	Mississippi	* Montana
Kansas	Nevada	Nevada
Mississippi	* New York (5)(6)	North Carolina
* Montana	North Carolina (3)	North Dakota
* Nebraska	* Oregon	Ohio (4)
Nevada	South Dakota	* Oregon
* New York (5)	* Virginia	* Pennsylvania
North Carolina	Washington	* Texas
North Dakota		* Utah
Oklahoma		* Virginia
* Oregon		Washington
South Dakota		* Wisconsin
* Utah		* Wyoming
* Virginia		
Washington		
* Wyoming		
Total - 20	Total - 12	Total - 17

(*Indicates statute prohibiting acquisition of corporate stock generally--no statute specifically prohibiting acquisition of bank or trust company stock.)

- (1) Apparent conflict of laws; another provision permits purchase of corporate stocks.
- (2) Prohibition does not apply to savings banks doing only a savings business.
- (3) Does not include trust companies not receiving money on deposit.
- (4) Acquisition of stock of banks and trust companies in other States apparently not prohibited.
- (5) Limited amount of corporate stocks upon specific authorization of Banking Board.
- (6) Limited amount may be invested in stock of bank or trust company organized under laws of a foreign country.

States having no legislation as to acquisition by:

Commercial Banks	Trust Companies	Savings Banks
Arkansas	Connecticut (2)	Alabama
Connecticut	Illinois	Arkansas
Illinois	Iowa	Colorado
Iowa	Kentucky	Illinois
Kentucky	Maine (1)	Indiana
Louisiana	Minnesota	Iowa
Maine	New Mexico	Kentucky
Maryland	North Dakota	Maryland
Massachusetts	Rhode Island (1)(2)	Michigan
Michigan	Tennessee	Minnesota
Minnesota	Wisconsin	Missouri
Missouri	Wyoming	Nebraska
New Hampshire		New Jersey
New Mexico		New Mexico
Ohio (3)		New York (4)
Rhode Island		Oklahoma
Tennessee		South Dakota
Vermont		Tennessee
Wisconsin		
Total - 19	Total - 12	Total - 18

- (1) Bank stock is actually acquired under authority to hold and enjoy personal property.
- (2) Limited investments by savings departments of banks and trust companies permitted.
- (3) Although no statute specifically authorizes acquisition of stocks, there is a statute limiting the amount of stock which may be held.
- (4) Stock of any trust company owned by at least 20 savings banks may be purchased.

FEDERAL LAW

Acquisition of stocks by banks and trust companies:

" * * The business of dealing in securities and stock by the (national banking) association shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and the association shall not underwrite any issue of securities or stock; * *. Except as hereinafter provided or otherwise permitted by law, nothing herein contained shall authorize the purchase by the association for its own account of any shares of stock of any corporation. * * *." (Federal Reserve Act, 1935, p. 174; Sec. 5136, Seventh, Revised Statutes of the United States)

"State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting, and holding of investment securities and stock as are applicable in the case of national banks under paragraph 'Seventh' of section 5136 of the Revised Statutes, as amended." (Federal Reserve Act, 1935, Sec. 9, Par. 19)

It shall be unlawful for any corporation or similar organization "engaged in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stocks* * * or other securities, to engage at the same time to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor: * * *." (Federal Reserve Act, 1935, p. 159; Sec. 21(a) Banking Act of

1933, June 16, 1933, as amended by act of August 23, 1935)

Holding Company Affiliates:

"In all elections of directors, each shareholder shall have the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall think fit; and in deciding all other questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock held by him; except that (1) this shall not be construed as limiting the voting rights of holders of preferred stock under the terms and provisions of articles of association, or amendments thereto, adopted pursuant to the provisions of section 302 (a) of the Emergency Banking and Bank Conservation Act, approved March 9, 1933, as amended, (2) in the election of directors, shares of its own stock held by a national bank as sole trustee, whether registered in its own name as such trustee or in the name of its nominee, shall not be voted by the registered owner unless under the terms of the trust the manner in which such shares shall be voted may be determined by a donor or beneficiary of the trust and unless such donor or beneficiary actually directs how such shares shall be voted, (3) shares of its own stock held by a national bank and one or more persons as trustees may be voted by

other person or persons, as trustees, in the same manner as if he or they were the sole trustee, and (4) shares controlled by any holding company affiliate of a national bank shall not be voted unless such holding company affiliate shall have first obtained a voting permit as hereinafter provided, which permit is in force at the time such shares are voted, but such holding company affiliate may, without obtaining such permit, vote in favor of placing the association in voluntary liquidation or taking any other action pertaining to the voluntary liquidation of such association. Shareholders may vote by proxies duly authorized in writing; but no officer, clerk, teller, or bookkeeper of such bank shall act as proxy; and no shareholder whose liability is past due and unpaid shall be allowed to vote. Whenever shares of stock cannot be voted by reason of being held by the bank as sole trustee, such shares shall be excluded in determining whether matters voted upon by the shareholders were adopted by the requisite percentage of shares.

"For the purposes of this section shares shall be deemed to be controlled by a holding company affiliate if they are owned or controlled directly or indirectly by such holding company affiliate, or held by any trustee for the benefit of the shareholders or members thereof.

"Any such holding company affiliate may make application to the Board of Governors of the Federal Reserve System for a voting permit entitling it to vote the stock controlled by it at any or all

meetings of shareholders of such bank or authorizing the trustee or trustees holding the stock for its benefit or for the benefit of its shareholders so to vote the same. The Board of Governors of the Federal Reserve System may, in its discretion, grant or withhold such permit as the public interest may require. In acting upon such application, the Board shall consider the financial condition of the applicant, the general character of its management, and the probable effect of the granting of such permit upon the affairs of such bank, but no such permit shall be granted except upon the following conditions:

"(a) Every such holding company affiliate shall, in making the application for such permit, agree (1) to receive, on dates identical with those fixed for the examination of banks with which it is affiliated, examiners duly authorized to examine such banks, who shall make such examinations of such holding company affiliate as shall be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks, such examinations to be at the expense of the holding company affiliate so examined; (2) that the reports of such examiners shall contain such information as shall be necessary to disclose fully the relations between such affiliate and such banks and the effect of such relations upon the affairs of such banks; (3) that such examiners may examine each bank owned or controlled by the holding company affiliate, both individually and in conjunction with other banks owned or controlled by such holding company affiliate; and (4) that publication

of individual or consolidated statements of condition of such banks may be required;

"(b) After five years after the enactment of the Banking Act of 1933, every such holding company affiliate (1) shall possess, and shall continue to possess during the life of such permit, free and clear of any lien, pledge, or hypothecation of any nature, readily marketable assets other than bank stock in an amount not less than 12 per centum of the aggregate par value of all bank stocks controlled by such holding company affiliate, which amount shall be increased by not less than 2 per centum per annum of such aggregate par value until such assets shall amount to 25 per centum of the aggregate par value of such bank stocks; and (2) shall reinvest in readily marketable assets other than bank stock all net earnings over and above 6 per centum per annum on the book value of its own shares outstanding until such assets shall amount to such 25 per centum of the aggregate par value of all bank stocks controlled by it;

"(c) Notwithstanding the foregoing provisions of this section, after five years after the enactment of the Banking Act of 1933, (1) any such holding company affiliate the shareholders or members of which shall be individually and severally liable in proportion to the number of shares of such holding company affiliate held by them respectively, in addition to amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks, shall be required only to establish and maintain out of net earnings over and above 6 per centum per

annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount of not less than 12 per centum of the aggregate par value of bank stocks controlled by it, and (2) the assets required by this section to be possessed by such holding company affiliate may be used by it for replacement of capital in banks affiliated with it and for losses incurred in such banks, but any deficiency in such assets resulting from such use shall be made up within such period as the Board of Governors of the Federal Reserve System may by regulation prescribe and the provisions of this subsection, instead of subsection (b), shall apply to all holding company affiliates with respect to any shares of bank stock owned or controlled by them as to which there is no statutory liability imposed upon the holders of such bank stock;

"(d) Every officer, director, agent, and employee of every such holding company affiliate shall be subject to the same penalties for false entries in any book, report, or statement of such holding company affiliate as are applicable to officers, directors, agents, and employees of member banks under section 5209 of the Revised Statutes, as amended (U. S. C., title 12, sec. 592); and

"(e) Every such holding company affiliate shall, in its application for such voting permit, (1) show that it does not own, control, or have any interest in, and is not participating in the management or direction of, any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally

in, the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities of any sort (hereinafter referred to as "securities company"); (2) agree that during the period that the permit remains in force it will not acquire any ownership, control, or interest in any such securities company or participate in the management or direction thereof; (3) agree that if, at the time of filing the application for such permit, it owns, controls, or has an interest in, or is participating in the management or direction of, any such securities company, it will, within five years after the filing of such application, divest itself of its ownership, control, and interest in such securities company and will cease participating in the management or direction thereof, and will not thereafter, during the period that the permit remains in force, acquire any further ownership, control, or interest in any such securities company or participate in the management or direction thereof; and (4) agree that thenceforth it will declare dividends only out of actual net earnings.

"If at any time it shall appear to the Board of Governors of the Federal Reserve System that any holding company affiliate has violated any of the provisions of the Banking Act of 1933 or of any agreement made pursuant to this section, the Board of Governors of the Federal Reserve System may, in its discretion, revoke any such voting permit after giving sixty days' notice by registered mail of its intention to the holding company affiliate and affording it an opportunity

to be heard. Whenever the Board of Governors of the Federal Reserve System shall have revoked any such voting permit, no national bank whose stock is controlled by the holding company affiliate whose permit is so revoked shall receive deposits of public moneys of the United States, nor shall any such national bank pay any further dividend to such holding company affiliate upon any shares of such bank controlled by such holding company affiliate.

"Whenever the Board of Governors of the Federal Reserve System shall have revoked any voting permit as hereinbefore provided, the rights, privileges, and franchises of any or all national banks the stock of which is controlled by such holding company affiliate shall, in the discretion of the Board of Governors of the Federal Reserve System, be subject to forfeiture in accordance with section 2 of the Federal Reserve Act, as amended." (Federal Reserve Act, 1935, p. 178; Sec. 5144, Revised Statutes of the United States)

-----0-----

"(c) The term 'holding company affiliate' shall include any corporation, business trust, association, or other similar organization--

"(1) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election, or controls in any manner the election of a majority of the directors of any one bank; or

"(2) For the benefit of whose shareholders or members all or substantially all the capital stock of a member bank is held by trustees.

"Notwithstanding the foregoing, the term 'holding company affiliate' shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) any corporation all of the stock of which is owned by the United States, or any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies." (Federal Reserve Act, 1935, p. 156; Sec. 2(c), Banking Act of 1933, June 16, 1933, as amended by Act of Aug. 23, 1935)

-----0-----

"Each State member bank affiliated with a holding company affiliate shall obtain from such holding company affiliate, within such time as the Board of Governors of the Federal Reserve System shall prescribe, an agreement that such holding company affiliate shall be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes, as amended, in the case of holding company affiliates of national banks. A copy of each such agreement shall be filed with the Board of Governors of the Federal Reserve System. Upon the failure of a State member bank affiliated with a holding company affiliate to obtain such an agreement within the time so prescribed, the Board of Governors of the Federal Reserve System shall require such bank to surrender its stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section. Whenever the Board of Governors

of the Federal Reserve System shall have revoked the voting permit of any such holding company affiliate, the Board of Governors of the Federal Reserve System may, in its discretion, require any or all State member banks affiliated with such holding company affiliate to surrender their stock in the Federal reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System as provided in this section. (Federal Reserve Act, 1935, Sec. 9, Par. 21)

STATE LAW

ALABAMA

Acquisition of stocks by banks and trust companies:

"Corporations formed for the purpose of carrying on the business of banking and trust companies doing a banking business, may *** buy and sell *** stocks, ***." (Sec. 6365, Banking Laws, 1933; Sec. 6365, Civil Code of Ala.)

"No bank shall subscribe for or own exceeding ten per cent of the capital stock of any other bank, or invest or have invested an amount exceeding in the aggregate 25 per cent of its own paid-in capital stock in the capital stock of any other bank or banks. Any bank acquiring capital stock in any other bank in the usual course of business in payment of an indebtedness owing to it, must sell such portion of said stock as is in excess of the amount which it is permitted to hold and own as herein provided within one year from the time the same is acquired." (Sec. 6355, Banking Laws, 1933; Sec. 6355, Civil Code of Ala.)

"All Corporations organized and operating as trust companies shall * * * be amenable to the general banking laws of the State insofar as said laws are applicable to trust companies * * *." (Sec. 6388, Banking Laws, 1933; Sec. 6388, Civil Code of Ala.)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

ARIZONA

Acquisition of stocks by banks and trust companies:

"No bank, trust company, or loan association, may purchase, own, hold, or sell or otherwise dispose of the shares of the capital stock of any other corporation, unless, such purchase shall be authorized by the executive committee or approved by the board of directors; and if the purchase is of stock in a bank the approval of said purchase must also be had from the superintendent, * * *". (Sec. 2, Ch. 89, Laws of 1933, amending Sec. 224, Ch. 8, Rev. Code of 1928)

"Bank" defined:

The term "bank" shall include commercial banks, savings banks and trust companies. (Sec. 1, Ch. 97, Laws of 1933, amending Sec. 209, Ch. 8, Rev. Code of 1928)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State

relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

ARKANSAS

Acquisition of stocks by banks and trust companies:

Banks are permitted to acquire certain specified types of stock, but neither bank or trust company stock nor corporate stocks generally are included in this permission. (Secs. 108, 109, Banking Laws, 1931, Act 496 of 1921, Sec. 6, and Act 539 of 1919, Sec. 3)

Trust companies are authorized "to buy and sell all kinds of * * * stocks and other investment securities." (Sec. 163, Banking Laws, 1931; Act of April 13, 1903, Sec. 2, as amended by Sec. 10, Act 627 of 1923.)

Chain or group banking:

A statute prohibits loans to person owning 50 per cent of "capital stock of three or more banks and or trust companies, thus forming a chain or group of banks and or trust companies" by such banks or trust companies. (Sec. 33, Banking Laws, 1931; Act 252 of 1921, Sec. 3)

CALIFORNIA

Acquisition of stocks by banks and trust companies:

"No bank shall, *** purchase or invest *** in the capital stock of any corporation unless the purchase or acquisition of such capital stock shall be necessary to prevent loss to the bank on an obligation owned or on a debt previously contracted in good faith. Any capital stock so purchased or acquired shall be sold by such bank within six

months thereafter if it can be sold for the amount of the claim of such bank against it; and all capital stock thus purchased or acquired must be sold for the best price obtainable by said bank within three years after such purchase or acquisition unless the superintendent of banks shall extend the time of its sale for a period not to exceed two years.

"Any bank, with the previous written consent of the superintendent of banks, may purchase or otherwise acquire and hold the whole or any part of the capital stock of not more than one trust company organized and existing under the laws of this state, and doing business in the same county in which the principal place of business of such bank is located; provided, however, that not more than an amount equal to twenty-five per centum of the capital and surplus of any such bank may be at any one time invested in the capital stock of such trust company or such other corporation; and provided, further, that no such trust company shall engage in or combine the business of a commercial bank or a savings bank or a title insurance company." (Sec. 57, Banking Laws, 1935; Sec. 37, Art. I, Bank Act of Calif.)

Although savings banks are specifically authorized to purchase "bonds or stocks" of certain public corporations, (Sec. 61, Banking Laws, 1935; Sec. 61, Art. II, Bank Act of Calif.) they are not authorized to acquire bank or trust company stock or corporate stocks generally except in so far as they are authorized to do so by the provisions found in section 37 quoted above.

Although trust companies are authorized to invest their capital and surplus "in accordance with the provisions of this act, relative to the investment or loan of funds deposited with savings banks" (Sec. 105, Banking Laws, 1935; Sec. 105, Art. IV, Bank Act of Calif.), which includes the right to invest such funds in "bonds or stocks" of certain public corporations, trust companies are not authorized to acquire bank or trust company stock or corporate stocks generally except in so far as they are authorized so to do by the provisions found in section 37 quoted above.

"Bank" defined:

"The word 'bank' as used in this act shall be construed to mean any incorporated banking institution which shall have been incorporated to conduct the business of receiving money on deposit, or transacting a trust business as herein defined. * * * Banks are divided into the following classes: (a) Savings banks; (b) Commercial banks; and (c) Trust companies." (Sec. 2, Banking Laws, 1935; Sec. 2, Art. 1, Bank Act of Calif.)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

COLORADO

Acquisition of stocks by banks and trust companies:

No bank shall purchase the "stock of any other corporation,

except such as it may necessarily acquire in the protection or satisfaction of previously existing loans made in good faith. Any stock so acquired shall be sold by the bank within three years, and sooner if it can be done without impairing the bank's investment in the same." (Sec. 33, Banking Laws, 1923; Sec. 2683, Comp. Laws of Colo., 1921)

Trust companies are authorized "to purchase, invest in and sell stocks." (Sec. 128, Banking Laws, 1923; Sec. 2765, Comp. Laws of Colo., 1921)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

CONNECTICUT

Acquisition of stocks by banks and trust companies:

"Savings banks may invest in the capital stock of any bank of deposit and discount or trust company of deposit and discount, located in this state, or in the city of New York, in the state of New York, or in the city of Boston in the state of Massachusetts, or in the city of Philadelphia in the state of Pennsylvania, and in the capital stock of any such bank or trust company, the ownership of which carries with it by indorsement on the stock certificate, deposit receipt or other evidence of ownership of stock in such bank or trust company, ownership of a beneficial interest in the capital stock of an affiliated corporation engaged in the sale of, or investment in, stocks and securities, provided (c) that the combined capital, surplus and undivided profits of

any such bank or trust company located in said city of New York, Boston or Philadelphia shall be at least ten million dollars, and (b) that the combined capital, surplus and undivided profits of any such bank or trust company located in this state shall be at least two million dollars. No savings bank shall hold, by way of investment and as security for loans, more than ten per cent of its deposits and surplus in the stocks of such banks and trust companies, nor more than one and one-half percent of such deposits and surplus, nor more than one hundred thousand dollars of par value in, nor more than one-quarter of the capital stock of, any such bank or trust company, except (a) if any two or more such banks or trust companies merge or consolidate, any savings bank holding capital stock in either or all of such consolidating institutions, either by way of investment or as security for loans, may retain its resultant holdings in the stock of the consolidated corporation, and (b) the stocks of any such banks and trust companies held by way of investment or as security for loans on April 1, 1931, may be retained. For the purpose of computing the percentage limitation prescribed in this section, the stock of any such bank or trust company held by way of investment shall be figured at cost, and the stock of any such bank or trust company held as security for loans shall be figured at not to exceed the amount loaned thereon." (Sec. 3995(26) p. 93, Banking Laws, 1935; Sec. 3995(26), Gen. Stats. of Conn., as amended (1931) by Sec. 1492c)

"All banks and trust companies maintaining a savings department, or soliciting or receiving deposits as savings, shall invest all such

deposits so received, according to the requirements of the statutes concerning the investment of deposits in savings banks; * * *." (Sec. 3908, p. 32, Banking Laws, 1935; Sec. 3908, Gen. Stats. of Conn.)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

DELAWARE

Acquisition of stocks by banks and trust companies:

"No bank or trust company shall hold more than ten per cent of the capital stock of any other bank or trust company." (Banking Laws, 1936, p. 76; Laws of Delaware, Vol. 38, Part II, Ch. 93, Sec. 21.)

"Bank" defined:

The term "bank" as used in the above quoted provision "shall be deemed to comprehend every bank and every corporation conducting a banking business of any kind or plan (except banking associations organized under the authority of the United States and commonly known as National Banks) whose principal place of business is in this State; * * *." (Banking Laws, 1936, p. 56; Laws of Delaware, Vol. 32, Part II, Ch. 103, Sec. 1)

oOo

"No bank or trust company shall hold more than ten per cent of the capital stock of any other bank or trust company." (Banking Laws, 1936, p. 102; Laws of Delaware, Vol. 38, Part II, Ch. 94, Sec. 29.)

"Bank" defined:

The provision last above quoted "shall not be deemed to apply to (1) corporations without capital stock doing a savings bank business and (2) National Banks; and the term "bank" or "banks" as used in this Act shall not be deemed to include such Savings Bank or National Banks." (Banking Laws, 1936, p. 88; Laws of Delaware, Vol. 38, Part II, Ch. 94, Sec. 1)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

DISTRICT OF COLUMBIA

Acquisition of stocks by banks and trust companies:

"It shall not be lawful for any company (banking corporation) to use any of their funds in the purchase of any stock in any other corporation." (Title 5, Ch. 2, Sec. 273, Code of Laws of Dist. of Col.)

There are no provisions in the laws of the District of Columbia relating specifically to the acquisition of bank or trust company stock or to the acquisition of corporate stocks generally by trust companies.

Holding companies and chain or group banking:

There are no provisions in the banking laws of the District of Columbia relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

FLORIDA

Acquisition of stocks by banks and trust companies:

Savings banks may invest their capital and deposits and income derived therefrom "in the stock of any bank incorporated under the authority of this State, or the stock of any banking association incorporated under the authority of the United States * * *." (Sec. 4179 (2733) Banking Laws, 1933; Ch. 3864, Acts of 1889, Sec. 41)

" * * * it shall be unlawful for any bank or trust company organized under the laws of this State and doing business in this State, to directly or indirectly invest any of the funds of said bank or trust company in stock of any incorporated company in this State or elsewhere * * *" (Sec. 4152, Banking Laws, 1933; Ch. 7269, Acts of 1917, Sec. 2, as amended by Ch. 13576, Acts of 1929, Sec. 11)

Every trust company is authorized "to purchase, invest in and sell stocks." (Sec. 4185, Banking Laws, 1933; Ch. 6425, Acts of 1915, Sec. 1, amended by Ch. 7266, Acts of 1917, Sec. 1, as amended by Ch. 13576, Acts of 1929, Sec. 27)

(Note apparent conflict of statutes referred to above)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

GEORGIA

Acquisition of stocks by banks and trust companies:

"No bank shall subscribe for, purchase or hold stock in any

other bank *** unless the same shall have been transferred to it in satisfaction of a debt previously contracted or shall have been purchased at a sale under a power contained in a note or other instrument by which it was pledged to the bank or under a judgment or decree in its favor, and all such stock shall be disposed of by the bank within six months, unless the Superintendent of Banks shall extend the time for a good cause shown. *** Nothing in section is to be construed as applying to savings banks doing a savings business only. ***" (Sec. 23, Art. XIX, p. 77, Banking Laws, 1935; Sec. 13-2023, Code of 1933)

"Bank" defined:

The term "bank" shall include incorporated banks, savings banks, banking companies, trust companies and other corporations doing a banking business in this State. (Sec. 1, Art. I, p. 1, Banking Laws, 1935; Act of August 16, 1919)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

IDAHO

Acquisition of stocks by banks and trust companies:

"No bank shall * * * purchase any * * * shares of any other bank wherever organized, or situated, * * * unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall within

six months from the date of acquirement be sold or disposed of at public or private sale; after the expiration of six months any such stock shall not be considered as a part of the assets of such bank." (Sec. 25-601, Banking Laws, 1935; Sec. 25-601, Idaho Code, Annotated)

"Bank" defined:

"The word 'Bank' as used in this act, shall be construed to mean any incorporated bank or institution (except national banks) which shall have been incorporated to conduct the business of receiving money on deposit or transacting a trust business as herein defined, and shall be construed to include any individual, copartnership, or unincorporated association engaged in the banking business as herein defined, * * *

"Banks are divided into the following classes: (a) Savings Banks. (b) Commercial Banks. (c) Trust Companies." (Sec. 25-102, Banking Laws, 1935; Sec. 25-102, Idaho Code Annotated)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

ILLINOIS

Acquisition of stocks by banks and trust companies:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock or corporate stocks generally by banks and trust companies.

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State

relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

INDIANA

Acquisition of stocks by banks and trust companies:

"Except as in this act otherwise provided or otherwise permitted by law, nothing herein contained shall authorize the purchase by any bank or trust company of any share of stock of any corporation." Neither bank or trust company stock nor corporate stocks generally are excepted by any other provision of the banking laws. (Sec. 173, p. 93, Banking Laws, 1935; 1933 Acts of Indiana, p. 176, as amended by Acts of 1935, p. 51)

Savings banks are authorized to invest in certain types of stocks but neither bank or trust company stock nor corporate stocks generally are included. (Sec. 19, p. 215, Banking Laws, 1935; 1933 Acts of Indiana, as amended by Acts of 1935, p. 332)

Holding company affiliates:

"Sec. 226. The term 'holding company affiliate,' as used in this article, shall include any corporation, business trust, association, or other similar organization:

"(a) Which owns or controls, directly or indirectly, either a majority of the shares of the capital stock of a bank or trust company, or more than fifty per cent of the number of shares voted for the election of directors of such bank or trust company at the preceding election, or controls, in any manner, the election of a majority of the directors

of such bank or trust company; or

"(b) For the benefit of whose shareholders or members all, or substantially all, the capital stock of a bank or trust company is held by trustees.

"Sec. 227. The shares controlled by any holding company affiliate of any bank or trust company shall not be voted at any election of directors or in deciding any question at any meeting of shareholders unless such holding company affiliate shall first have obtained a voting permit, as hereinafter provided, which permit shall be in force at the time such shares are voted. Shareholders may vote by proxies, as provided in section 96 of this act, but no officer, clerk, teller or bookkeeper of such bank or trust company shall act as proxy; and no shareholder whose liability, as a shareholder or borrower, is past due and unpaid shall be allowed to vote. Shares shall be deemed to be controlled by a holding company affiliate if they are owned or controlled directly or indirectly by such holding company affiliate, or held by any trustee for the benefit of the shareholders or members thereof.

"Sec. 228. Any such holding company affiliate may make application to the department for a voting permit entitling it to cast one vote at all elections of directors of such bank or trust company on each share of stock of such bank or trust company controlled by it. The department may, in its discretion, grant or withhold such permit, as the public interest may require. In acting upon such application, the department shall consider the financial condition of the applicant, the general character of its management, and the probable effect of the

granting of such permit upon the affairs of such bank or trust company, but no such permit shall be granted except upon the conditions hereinafter enumerated in sections 229, 230 and 231 of this act.

"Sec. 229. Every holding company affiliate shall, in making any application for a voting permit, agree (1) to receive, on days identical with those fixed for the examination of the banks or trust companies with which it is affiliated, examiners duly authorized to examine such banks or trust companies, who shall make such examinations of such holding company affiliate as shall be necessary to disclose fully the relations between such banks or trust companies and such holding company affiliate, and the effect of such relations upon the affairs of such banks or trust companies, such examinations to be at the expense of the holding company affiliate so examined; (2) that the reports of such examiners shall contain such information as shall be necessary to disclose fully the relations between such affiliate and such banks or trust companies, and the effect of such relations upon the affairs of such banks or trust companies; (3) that such examiners may examine each bank or trust company then owned or controlled by the holding company affiliate, both individually and in conjunction with other banks or trust companies owned or controlled by such holding company affiliate; and (4) that publication of individual or consolidated statements of condition may be required.

"Sec. 230. After this act takes effect, every such holding company affiliate (1) shall possess, and shall continue to possess during the life of the voting permit, free and clear of lien, pledge or

hypothecation of any nature, readily marketable assets, other than bank or trust company stock, in an amount not less than twelve per cent of the aggregate par value of all bank and trust company stocks controlled by such holding company affiliate, which amount shall be increased by not less than two per cent per annum of such aggregate par value until such assets shall amount to twenty-five per cent of the aggregate par value of such bank and trust company stock; and (2) shall reinvest, in readily marketable assets, other than bank or trust company stock, all net earnings over and above six per cent per annum on the book value of its own shares outstanding until such assets shall amount to twenty-five per cent of the aggregate par value of all bank and trust company stocks controlled by it.

"Sec. 231. Notwithstanding the provisions of section 230 of this act, after this act takes effect, (1) any such holding company affiliate, the shareholders or members of which shall be individually or severally liable, in proportion to the number of shares of such holding company affiliate held by them, respectively, in addition to amounts invested therein, for all constitutional and statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks and trust companies, shall be required only to establish and maintain, out of net earnings, over and above six per cent per annum on the book value of its own shares outstanding, a reserve of readily marketable assets in an amount not less than twelve per cent of the aggregate par value of bank or trust company stocks

controlled by it; and (2) the assets required by this section to be possessed by such holding company affiliate may be used by it for the replacement of capital in banks or trust companies affiliated with it and for losses incurred in such banks or trust companies, but any deficiency in such assets resulting from such use shall be made up within such period as the department may by regulation prescribe." (Secs. 226-231, pp. 120-122, Banking Laws, 1935; Acts of 1933, p. 176)

IOWA

Acquisition of stocks by banks and trust companies:

Banks, trust companies and savings banks are authorized to invest their capital and deposits in certain listed stocks which do not include bank or trust company stock or corporate stocks generally. (Secs. 9183, 9183-cl, Banking Laws, 1934; Ch. 413, Iowa Laws)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

KANSAS

Acquisition of stocks by banks and trust companies:

No bank shall "invest any of its funds in the stock of any other bank or corporation". (Sec. 58, Banking Laws, 1935; Sec. 9-111, Rev. Stats. Kansas, 1923, as amended by Session Laws for 1933 (Special Session), Ch. 27)

Trust companies are authorized to buy and sell all kinds of "securities and stocks: Provided, That the total investment of any such trust company in bank stock shall at no time exceed one fourth its paid-up capital *** Provided, That the total investment in bank stock held by any trust company in excess of one fourth of its capital shall be disposed of within two years from the passage of this act." (Sec. 147, Banking Laws, 1935; Sec. 17-2002, Rev. Stats. Kansas, 1923)

"Banking business" defined:

"Any individual, firm or corporation who shall receive money on deposit, whether on certificates or subject to check, or shall receive money for which it issues its check, draft, bill of exchange or other evidence of indebtedness for which it charges a fee, shall be considered doing a banking business, and shall be amenable to all the provisions of this act *** ." (Sec. 51, Banking Laws, 1935; Sec. 9-130, Rev. Stats. 1923)

Holding companies:

The bank commissioner is authorized to make examination of any investment or holding company or corporation affiliated with any bank or trust company. (Sec. 93, Banking Laws, 1935; Sec. 9-125-a, 1933 Supp. to Rev. Stats., 1923)

The bank commissioner is authorized to examine any copartnership, corporation or association, domestic or foreign, holding as much as 25 per cent of the capital stock of any bank or trust company doing

business in Kansas. (Sec. 94, Banking Laws, 1935; Sec. 9-125b, 1933 Supp. to Rev. Stats., 1923)

KENTUCKY

Acquisition of stocks by banks and trust companies:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock or corporate stocks generally by banks or trust companies.

Chain banking:

No "person " shall "directly or indirectly, hold or own more than one-half of the capital stock" of a bank or trust company "exclusive of stock held as collateral; Provided, however, that there shall be no limitation on the amount of the capital stock" of a bank or trust company "which may be held or owned by the United States of America or by a corporation, a majority of the stock of which corporation is owned or held by the United States of America." (Secs. 581, 609, Banking Laws, 1932, as amended by Ch. 15, p. 28, Kentucky Acts, 1934)

LOUISIANA

Acquisition of stocks by banks and trust companies:

There are two statutes in the banking laws of this State providing for the organization of banks and trust companies. One statute provides for the organization of banking associations and savings banks but contains no provisions relating to the acquisition of bank and trust company stock or corporate stocks generally by banks and savings

banks. The other statute provides for the organization of "savings, safe deposit and trust banks" and authorizes such banks to "receive, hold, purchase, acquire and convey, by and under their corporate name, such property, real and personal, including bonds, stocks and securities of the United States, or of any of the United States, or of any corporation, board or body, public or private thereof, as may be necessary, proper or convenient to the objects of the association, and to exercise, in relation thereto, all the direct and incidental rights of ownership." (Sec. 1-Second, p. 34, Banking Laws, 1932; Sec. 1-Second, Act 45 of 1902)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

MAINE

Acquisition of bank stocks by banks and trust companies:

Savings banks and institutions for savings may invest their funds "in the capital stock of any bank in this state incorporated under the laws of this state or the United States, and in the capital stock of any bank in any of the other states of New England or in the state of New York incorporated under the laws of any of those states or the United States and located in a city having population of not less than 250,000; provided, that any such bank located outside of this state shall be a member of the Federal Reserve Bank System and shall

have a capital and undivided profits of not less than \$10,000,000."

"A savings bank shall not hereafter acquire bank stock, both by way of investment and as security for loans, which, together with its present holdings, shall be in excess of 7 $\frac{1}{2}$ % of its deposit; nor shall hereafter acquire stock in any one bank which, together with its present holdings shall have a book value of more than 1% of its deposits; nor shall hereafter acquire bank stock which, together with its present holdings, shall exceed 10% of the capital of any one bank." (Sec. 27-XX, Banking Laws, 1935; Sec. 27-XX, Ch. 57, Rev. Stats. of Maine)

Trust companies are authorized to "hold and enjoy all such estate, real, personal, and mixed, as may be obtained by the investment of its capital stock or any other moneys and funds that may come into its possession in the course of its business and dealings, and the same sell, grant, and dispose of; *** ." (Sec. 61, Banking Laws, 1935; Sec. 61, Ch. 57, Rev. Stats. of Maine) While this is not a specific grant of power to purchase bank stocks, it is understood that, in practice, trust companies purchase and hold stocks, including bank stocks, apparently without objection by the State banking authorities.

Savings banks, institutions for savings and trust companies "may acquire and hold stocks, bonds, and other securities not authorized by law, hereafter acquired in settlements and reorganizations and accepted to reduce or avoid loss on defaulted loans and investments held by said banks, institutions, association and trust companies, and

may continue to hold such stocks, bonds, and other securities heretofore so acquired, and all other investments lawfully acquired, and shall not be obliged to sell or dispose of the same except at such time and in such manner as will prevent unnecessary loss or embarrassment to the business of the bank, institution, association or trust company". (Sec. 28, Banking Laws, 1935; Sec. 28, Ch. 57, Rev. Stats. of Maine)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

MARYLAND

Acquisition of stocks by banks and trust companies:

There are no provisions in the banking laws of this state for the acquisition of bank or trust company stock or corporate stocks generally by banks, but trust companies are authorized to purchase, invest in and sell "stocks, bills of exchange, bonds and mortgages and other securities." (Sec. 46, Ninth, Banking Laws, 1935; Laws of 1910, Ch. 219, Sec. 45, as amended by Laws of 1918, Ch. 33, Laws of 1920, Ch. 268, Sec. 46, Laws of 1924, Ch. 430, and Laws of 1931, Ch. 429, Sec. 46)

Affiliates of "banking institution" prohibited:

"It shall be unlawful for any banking institution doing business under this Article to have any affiliate, affiliates or closely allied corporation or corporations.

"The terms 'affiliate' and 'closely allied corporation' as used in this section shall be construed to include any corporation, business, trust, association, or other similar organization which a banking institution controls by one of the following methods:

"(1) Owns or controls, directly or indirectly, either a majority of the voting shares or more than 50 per centum of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees or other persons exercising similar functions; or

"(2) Controls, directly or indirectly, through stock ownership or in any other manner, by the shareholders of such banking institution who own or control either a majority of the shares of such banking institution or more than 50 per centum of the number of shares voted for the election of directors of such banking institution at the preceding election, or by trustees for the benefit of the shareholders of any such banking institution.

"Provided, however, that nothing in this Act shall affect or disturb any such affiliate or closely allied corporation existing at the time of the passage of this act, and provided further that a Banking Institution, for reorganization purposes and with the consent of the Bank Commissioner may create and have an affiliate or closely allied corporation.

"The Bank Commissioner shall have the same rights and powers

to examine into the affairs of all existing affiliates and closely allied banking institutions as he has as to banking institutions whenever he shall deem such examination desirable or necessary, and for making such examinations he shall charge the same fees as for examining banking institutions." (Sec. 55A, Banking Laws, 1935; Laws of 1935, Ch. 491)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

MASSACHUSETTS

Acquisition of stocks by banks and trust companies:

Savings banks may invest their deposits and income derived therefrom "in the stock of a trust company incorporated under the laws of and doing business within this commonwealth, or in the stock of a national banking association located in the New England States and incorporated under the authority of the United States, which has paid dividends of not less than four per cent thereon in cash in each of the five years next preceding the date of such investment and the amount of whose surplus is at least equal to fifty per cent of its capital; but a savings bank shall not hold, both by way of investment and as security for loans, more than twenty-five per cent of the stock of any one such company or association nor shall it hold by way of investment stock of such companies and associations having an aggregate initial cost in

excess of fifteen per cent of the deposits of such savings bank, or stock of any one such company or association having an initial cost in excess of one per cent of the deposits aforesaid, except that in the event of the consolidation or merger of such companies or associations or of one or more of such companies with one or more such associations the amount of stock of the consolidated or absorbing company or association which may be held under authority hereof may be in excess of one per cent but not in excess of two per cent of the deposits aforesaid, provided the stock so held is acquired in exchange for stock of the consolidating or merging companies or associations which is owned by such savings bank at the time of consolidation or merger." (Sec. 54, Seventh, Ch. 168, Savings Bank Laws, 1933; Sec. 54, Seventh, Ch. 168, General Laws of Mass.)

No trust company "shall invest in more than ten per cent of the capital stock of any other trust company or national banking association, nor, except with the written approval of the commissioner, in more than ten per cent of the capital stock of any other corporation or voluntary association having transferable shares, nor shall the aggregate of its investments in the capital stock of trust companies, national banking associations, other corporations or voluntary associations having transferable shares exceed the total of its capital and surplus." (Sec. 43, Ch. 178, General Laws of Mass., as amended by Acts of 1934, Ch. 549, Sec. 20)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State

relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

MICHIGAN

Acquisition of stocks by banks and trust companies:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by banks or trust companies or to corporate stocks generally by banks.

Any trust company "shall have power in and by its corporate name to take, receive and hold, and repay, reconvey and dispose of any effects and property, both real and personal, which may be granted, committed, transferred or conveyed to it, with its consent, * * *." (Banking Laws, 1936, Sec. 149, p. 31; Sec. 12015, 1935 Supp. to Comp. Laws of 1929, p. 835)

The capital stock and assets of any trust company may be invested by the directors of such company "in such real or personal securities as they may deem proper." (Banking Laws, 1936, Sec. 152, p. 83; Sec. 12020, Comp. Laws of 1929, p. 4284)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

MINNESOTA

Acquisition of stocks by banks and trust companies:

There are no provisions in the banking laws of this State

relating to the acquisition of bank or trust company stock or corporate stocks generally by banks or trust companies.

Holding companies:

"No such financial institution shall directly, indirectly or by inference of any kind display, represent, hold out or otherwise advertise as its capital, resources, assets or financial strength or ability or availability therefor any capital, resources or assets of any other financial institution or institutions, whether or not such other financial institution or institutions are in any way connected with such financial institution through or by way of a holding company or other corporation or similar structure; nor shall any such financial institution, the capital stock of which is in whole or in part controlled or owned by any such holding company, other corporation or similar structure, display, represent, hold out or otherwise advertise that it is affiliated with or has any other connection with such company, corporation or similar structure other than that which truly and actually exists; * * *." (Banking Laws, 1933, p. 11; Sec. 7357, Mason's Stats., 1927, as amended by Laws of 1931, Ch. 380)

MISSISSIPPI

Acquisition of stocks by banks and trust companies:

"No part of the stock of any bank except regional reserve banks shall be owned by a state bank. In cases where such stock is taken as collateral and the purchase thereof shall be necessary to prevent loss upon a debt previously contracted in good faith, then in such cases

such stock shall be sold by the bank within twelve months from the time it was acquired, unless the consent of the state comptroller is obtained in writing extending such period. A violation of this section by any bank shall subject it to liquidation and forfeiture of charter." (Sec. 33, Banking Laws, 1936; Ch. 146, Laws of 1934, as amended by Ch. 165, Laws of 1936)

"Bank" defined:

"Whenever the word 'bank' is used in any statute unless the context clearly shows that it is intended to be limited in its application to a particular character of bank, it shall include trust companies, savings banks, branches of banks and trust companies, and all other institutions subject to the provisions of this chapter. * * *"
(Sec. 2, Banking Laws, 1936; Ch. 146, Laws of 1934)

Chain banking:

"No corporation shall be formed under the laws of this state, nor shall any foreign corporation be admitted to do business in this state, if, in any such instance any object, purpose, or power of such corporation be, directly or indirectly, the organization, ownership, or operation of banks in groups or chains, or in systems commonly referred to as group banking systems or chain banking systems. * * *"
(Sec. 72, Banking Laws, 1936; Ch. 146, Laws of 1934)

MISSOURI

Acquisition of stocks by banks and trust companies:

There are no provisions in the banking laws of this State

relating to the acquisition of bank or trust company stock or corporate stocks generally by banks.

A trust company shall not "purchase or continue to hold stock of another bank or trust company if by such purchase or continued investment the total stock of such other bank or trust company owned and held by it as collateral will exceed fifteen per centum of the stock of such other bank or trust company: provided, however, that this limitation shall not apply * * * to the ownership by such trust company or its stockholders of a part or all of the capital stock of one bank organized under the laws of the United States or of this state, nor to the ownership of a part or all of the capital of one corporation, organized under the laws of this state, for the principal purpose of receiving savings deposits * * * nor to the continued ownership of stocks lawfully acquired prior to the first day of January, A. D. 1915." (Sec. 5429 (9), Banking Laws, 1929; Sec. 5429 (9) Rev. Stats. of Mo., 1929, as amended by 1935 Session Laws, p. 382)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

MONTANA

Acquisition of stocks by banks and trust companies:

"No commercial or savings bank shall purchase or invest its capital or surplus, or money of its depositors, or any part of either, in the

capital stock of any corporation, unless the purchase or acquisition of such capital stock shall be necessary to prevent loss to the bank on a debt previously contracted in good faith. Any capital stock so purchased or acquired shall be sold by such bank within six months thereafter, if it can be sold for the amount of the claim of such bank against it; and all capital stock thus purchased or acquired must be sold for the best price obtainable by said bank within one year after such purchase or acquisition." (Sec. 39, Banking Laws, 1933; Sec. 6014.43, Rev. Codes of Mont., 1935)

Trust companies are authorized "to buy and sell * * * stocks," and the board of directors of such companies are authorized to make investments of capital and assets, and of funds accumulated by their businesses, including money, deposits, or any part thereof, in "stocks and bonds of corporations." (Secs. 4(c)(2), 26, Banking Laws, 1933; Secs. 6014.8(8), 6014.30, Rev. Codes of Mont., 1935)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

NEBRASKA

Acquisition of stocks by banks and trust companies:

"No corporation transacting a banking business shall * * * be the purchaser or holder of * * * the shares of any corporation, unless such security or purchase shall be necessary to prevent loss upon a

debt previously contracted in good faith; and such stock so purchased or acquired shall, within six months from the time of its purchase be sold or disposed of at public or private sale; or in default thereof, a receiver may be appointed to close up the business of the bank: Provided, in no case shall the amount of stock so held exceed ten per cent of the paid-up capital of such bank." (Sec. 8-157, Banking Laws, 1935, Sec. 8-157, 1929 Comp. Stats. of Neb.)

Certain investments of the loanable funds of savings banks are authorized but neither bank nor trust company stock nor corporate stocks generally are included among such investments. (Sec. 8-155, Banking Laws, 1935; Sec. 8-155, 1929 Comp. Stats. of Neb.)

Trust companies are authorized to buy, hold, own and sell stock, except "stocks of any corporation that have not earned annual dividends of at least four per cent per annum for at least three years just prior to the date of such purchase and stock of any corporation organized under this article." (Sec. 8-206, Banking Laws, 1935; Sec. 8-206, 1929 Comp. Stats. of Neb.)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

NEVADA

Acquisition of stocks by banks and trust companies:

"No bank shall * * * invest any of its funds in the stock of

any bank or trust company or corporation, * * * nor be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith, and stock so purchased or acquired shall, within twelve months from the time of its purchase, be sold or disposed of at public or private sale; after the expiration of twelve months any such stock shall not be considered as part of the assets of any bank or trust company; * * *." (Sec. 13, Banking Laws, 1935; Sec. 13, Ch. 190, Nevada Laws, 1933)

"Bank" defined:

The word "bank" includes banks, savings banks and trust companies. (Sec. 87, Banking Laws, 1935; Sec. 87, Ch. 190, Nevada Laws, 1933)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

NEW HAMPSHIRE

Acquisition of stocks by banks and trust companies:

Trust companies are authorized and empowered "to negotiate, purchase and sell stocks, bonds and other evidences of debt." (Sec. 31, Ch. 265, Banking Laws, 1935; Sec. 31, Ch. 265, Pub. Laws of New Hamp.)

Trust companies shall not "purchase or hold, by way of investment, the stocks and bonds of any corporation to an amount in excess of * * * ten percent" of their capital stock actually paid in and surplus.

(Sec. 37, Ch. 265, Banking Laws, 1935; Sec. 37, Ch. 265, Pub. Laws of New Hamp.)

Savings banks and savings departments of banks and trust companies may invest in the "capital stock of any banking or trust company * * * and the capital stock of any national bank located in this state; but the amount of such stock * * * held by any savings bank as an investment and as collateral for loans shall not exceed one fourth of the total capital stock * * * of such banking or trust company * * * or national bank, and not exceeding ten per cent of the deposits shall be so invested." (Sec. 12-XVI, Ch. 262, Banking Laws, 1935; Sec. 12-XVI, Ch. 262, Pub. Laws of New Hamp.)

Savings banks and savings departments of banks and trust companies may invest in the "stock of any national bank or trust company located in the New England states outside of New Hampshire, or in the state of New York; but not exceeding ten per cent of the deposits of a savings bank shall be invested in such stock. The amount of such stock which may be held by any savings bank as investment and as collateral security for loans shall not exceed ten per cent of the total capital stock of such national bank or trust company." (Sec. 12-XVII, Ch. 262, Banking Laws, 1935; Sec. 12-XVII, Ch. 262, Pub. Laws of New Hamp.)

"No savings bank or savings department of a trust company shall * * * purchase or hold, both by way of investment and security for loans, the stock and bonds of any corporation to an amount in excess of" five percent of its deposits. (Sec. 13, Ch. 260, Banking Laws,

1935; Sec. 16, Ch. 280, Pub. Laws of New Hamp.)

There are also additional provisions restricting investments by savings banks and savings departments of banks and trust companies which may apply to investments in stocks. (Secs. 8, 14, 15, Ch. 280, Banking Laws, 1935; Secs. 8, 14, 15, Ch. 262, Pub. Laws of New Hamp.)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

NEW JERSEY

Acquisition of stocks by banks and trust companies:

Banks (other than savings banks) are authorized to "purchase, invest in and sell stocks of corporations." (Sec. 6A(3), Banking Laws, 1935, p. 29; Sec. 17-6d(1), Comp. Stats., 1930 Supp.)

Trust companies are authorized "to purchase, invest in and sell stocks * * * and other securities." (Sec. 6 (10), Banking Laws, 1935, p. 72; Sec. 6 (10), Comp. Stats., 1910, Vol. IV, p. 5657)

Savings banks are authorized to invest in only certain listed types of bonds and securities; but the stock of banks and trust companies or corporate stocks generally are not included in this list. (Sec. 33, Savings Bank Laws, 1935; Sec. 33, Comp. Stats., 1910 Vol. IV, p. 4704, as amended by Ch. 167, Laws of 1931, p. 325)

Holding companies:

"Any corporation, other than corporations specifically exempted

from the provisions of this act, which now or hereafter owns more than ten per centum of the number of shares of the capital stock now or hereafter at any time issued and outstanding of any bank or trust company or national bank, now or hereafter doing business in this State, shall not purchase more than ten per centum of the number of shares of capital stock at any time issued and outstanding of any other bank or trust company or national bank, now or hereafter doing business in this State."

The shares of bank or trust company stock now or hereafter owned by any such corporation must be registered on the books of the bank or trust company in the name of the corporation, and certain reports must be furnished by the corporation to the bank or trust company before the stock of such bank or trust company may be transferred into the name of the corporation, and before such stock may be voted by the corporation, or before dividends will be paid to the corporation on such stock. Provision is also made for enforcing these laws.

"The provisions of this act and the penalties thereof shall not apply to the following corporations, viz.; Banks and trust companies organized under the laws of this State and national banks doing business in this State, nor to such banks, trust companies and national banks while acting in a fiduciary capacity representing any individual or individuals or the estate of any individual; nor to any other corporation the entire capital stock of which is owned by or held in trust for the shareholders of any bank or trust company organized under the laws of this State, or any national bank doing business in this State,

in the same relative proportion as the stock held in said bank, trust company or national bank." (Banking Laws, 1935, pp. 185-191; Sec. 47-3a, Comp. Stats., 1930 Supp.)

NEW MEXICO

Acquisition of stocks by banks and trust companies:

There are no provisions in the banking laws of this State relating specifically to the acquisition of bank or trust company stock or corporate stocks generally by banks and trust companies. However, trust companies are authorized to purchase, invest in and sell all kinds of investment securities. (Sec. 30, Seventh, Banking Laws, 1933; Sec. 13-303, New Mex. Stats. Ann., 1929) With reference to commercial banks, the law provides that "no bank shall at any time have invested more than thirty per cent of its unimpaired capital and surplus in the notes, bonds or other securities of any person, firm or corporation." (Sec. 36, Banking Laws, 1933; Sec. 13-157, New Mex. Stats. Ann., 1929)

"Savings deposits shall not be loaned or invested except" in certain listed types of securities and neither stocks of banks or trust companies nor corporate stocks generally are included in such list. (Sec. 56, Banking Laws, 1933; Sec. 13-201, New Mex. Stats. Ann., 1929)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

NEW YORK

(The statutes quoted below were amended effective June 4, 1936, and represent the law as of that date rather than June 1, 1936, as stated in the foreword to this compilation)

Acquisition of stocks by banks and trust companies:

A bank "shall not * * * invest in and hold for its own account the stock of any corporation, provided, however, that a bank may to the extent of ten per centum of its capital and surplus purchase, acquire, hold and own and exercise in respect thereof all the rights, powers and privileges applicable to the ownership of, capital stock of each of the following:

(a) Discount Corporation of New York;

(b) Bank for International Settlements;

(c) Any other corporation in the stock of which investment is specifically authorized by this chapter or by resolution of the banking board upon a two-thirds vote of all its members.

"Nothing contained in this subdivision shall be deemed to prohibit the acquisition of stock by a bank in settlement or reduction of a loan, or advance of credit or in exchange for an investment previously made in good faith and in the ordinary course of business, where such acquisition of stock is found necessary in order to minimize or avoid loss in connection with any such loan, advance of credit or investment so made. Stock so acquired heretofore or hereafter may be held for such period as the board of directors deems advisable. A bank may likewise continue to hold any stock held by it on May eleventh, nineteen

hundred thirty-four." (Ch. 858, Laws of 1936, Sec. 1, amending Ch. 369, Laws of 1914, Sec. 108(2), as amended by Ch. 502, Laws of 1934)

A trust company "shall not invest in and hold for its own account the stock of any corporation provided, however, that a trust company may to the extent of ten per centum of its capital and surplus purchase, acquire, hold and own and exercise in respect thereof all the rights, powers and privileges applicable to the ownership of capital stock of" certain listed corporations, including a banking corporation or trust company organized under the laws of any foreign country, and "any other corporation in the stock of which investment is specifically authorized by this chapter or by resolution of the banking board upon a two-thirds vote of all its members.

"Nothing contained in this subdivision shall be deemed to prohibit the acquisition of stock by a trust company in settlement or reduction of a loan, or advance of credit or in exchange for an investment previously made in good faith and in the ordinary course of business, where such acquisition of stock is found necessary in order to minimize or avoid loss in connection with any such loan, advance of credit or investment so made. Stock so acquired heretofore or hereafter may be held for such period as the board of directors deems advisable. A trust company may likewise continue to hold any stock held by it on May eleventh, nineteen hundred thirty-four." (Ch. 858, Laws of 1936, Sec. 4, amending Ch. 369, Laws of 1914, Sec. 190(9), as amended)

Savings banks are authorized to invest in certain listed types of stocks but bank and trust company stock or corporate stocks generally

are not included in such list. (Sec. 239, Banking Laws, 1935; Sec. 239, Ch. 369, Laws of 1914, as amended)

"A savings bank may also acquire, receive, exchange and/or hold stocks, bonds, notes, securities or other property, real or personal, of any description whatsoever, heretofore or hereafter acquired or exchanged in settlements or reorganizations effected to secure loans, indebtedness, or defaulted securities." (Sec. 239-b, Banking Laws, 1935; added to Ch. 369, Laws of 1914, by Ch. 493, Laws of 1934, to continue in effect for a period of 5 years from May 11, 1934)

"The banking board may specifically authorize savings banks (1) to subscribe to and purchase and hold capital stock, capital notes and debentures of any trust company * * * all of the stock of which trust company * * * is, or is to be owned by not less than twenty savings banks of this state, * * *." (Sec. 238(14), Banking Laws, 1935; added to Ch. 369, Laws of 1914, by Ch. 255, Laws of 1934, as amended by Ch. 687, Laws of 1935)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

NORTH CAROLINA

Acquisition of stocks by banks and trust companies:

"No bank shall make any investment in the capital stock of any other state or national bank: Provided, that nothing herein shall be construed to prevent the subscribing to or purchasing of the capital

stock of * * * central reserve banks, having a capital stock of more than one million dollars, by banks doing business under this chapter, upon such terms as may be agreed upon. To constitute a central reserve bank as contemplated by this chapter, at least fifty per cent of the capital stock of such bank shall be owned by other banks. The investment of any bank in the capital stock of such central reserve bank * * * shall at no time exceed ten per cent of the paid-in capital and permanent surplus of the bank making the same. No bank shall invest more than fifty per cent of its permanent surplus in the stocks of other corporations, firms, partnership, or companies, unless such stock is purchased to protect the bank from loss. Any stocks owned or hereafter acquired in excess of the limitations herein imposed shall be disposed of at public or private sale within six months after the date of acquiring the same, and if not so disposed of shall be charged to profit and loss account, and no longer carried on the books as an asset. The limit of time in which such stocks shall be disposed of or charged off the books of the bank may be extended by the commissioner of banks if in his judgment it is for the best interest of the bank that such extension be granted; * * *". (Sec. 220(c), Banking Laws, 1935; Ch. 4, Sec. 28, Laws of 1921, as amended by Ch. 243, Sec. 5, Laws of 1931, and Ch. 81, Sec. 3, Laws of 1935)

"Bank" defined:

"The term 'bank' shall be construed to mean any corporation, partnership, firm, or individual receiving, soliciting, or accepting

money or its equivalent on deposit as a business: Provided, however, this definition shall not be construed to include building and loan associations, Morris plan companies, industrial banks or trust companies not receiving money on deposit." (Sec. 216(a), Banking Laws, 1935; Ch. 4, Sec. 1, Laws of 1921, as amended by Ch. 47, Sec. 1, Laws of 1927; and Ch. 243, Sec. 5, Laws of 1931)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this state relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

NORTH DAKOTA

Acquisition of stocks by banks and trust companies:

No bank shall "invest any of its assets or funds in the stock of any corporation, bank * * *" (Sec. 33, Banking Laws, 1935, p. 35; Sec. 33, Ch. 96, Session Laws of 1931)

"Every corporation organized under the laws of this State for state banking associations or savings banks, and corporations or other associations excepting national banks and trust companies, whose business in whole or in part consists of the taking of money on deposit shall be held and are hereby declared to be state banking associations, and as thus defined shall be subject to the provisions of this Act." (Sec. 6, Banking Laws, 1935, p. 16; Sec. 6, Ch. 96, Session Laws of 1931)

Savings banks "shall be subject to and governed by all the

provisions of this act." (Sec. 49(i), Banking Laws, 1935, p. 67; Sec. 49(i), Ch. 96, Session Laws of 1931)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

OHIO

Acquisition of stocks by banks and trust companies:

A bank is specifically authorized to purchase and invest in certain kinds of stocks but not of the kinds contemplated by this digest. (Secs. 710-5 and 710-111a, Banking Laws, 1935; Secs. 710-5, 710-111a, Gen. Code of Ohio) However, laws of this State also contain the following provision: "Not more than twenty per cent of the capital and surplus of a bank doing business under this charter (chapter) shall be invested in any one stock * * * " (Sec. 710-121, Banking Laws, 1935; Sec. 710-121, Gen. Code of Ohio)

"A savings bank (including mutual savings banks) may invest its funds in:

* * * * *

"(b) Stocks of companies, upon which or the constituent companies comprising the same, dividends have been earned and paid for five consecutive years next prior to the investment and stocks of companies taken on a refinancing plan involving an original investment, which was legal at the time it was made, provided, every such investment

shall be authorized by an affirmative vote of a majority of the board of directors of such savings bank.

"No purchase or investment shall be made in the stock of any other corporation organized or doing business under the provisions of section 710-41 or section 710-180 (commercial bank, savings bank, trust company, special plan bank or combination of two or more thereof) of the General Code or of the national banking act of the United States." (Secs. 710-140 and 710-148d, Banking Laws, 1935; Sec. 710-140 and 710-148d, Gen. Code of Ohio)

"A trust company may invest in * * * stocks and bonds of corporations when authorized by the affirmative vote of the board of directors or of the executive committee of such trust company." (Sec. 710-186, Banking Laws, 1935; Sec. 710-186, Gen. Code of Ohio)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

OKLAHOMA

Acquisition of stocks by banks and trust companies:

"No bank shall * * * invest any of its funds in the stock of any other bank or corporation, * * *." (Sec. 11, Banking Laws, 1926; Sec. 9135 Okla. Stats., 1931)

Trust companies are authorized "to buy and sell * * * all kinds of * * * stocks and other investment securities." (Sec. 119, Ninth, Banking

Laws, 1926; Sec. 9206, Okla. Stats., 1931)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

OREGON

Acquisition of stocks by banks and trust companies:

"Hereafter no bank or trust company shall invest any of its assets in the capital stock of any other corporation except * * * in such stock as it may acquire or purchase to save loss on a preexisting debt; such stock to be sold, however, within 12 months of the date acquired or purchased, or within such further time as may be granted by the superintendent of banks; * * *." (Sec. 12, Ch. 227, 1933, Laws, amending Sec. 22-911, Oregon Code of 1930)

"Upon the written application of the board of directors filed with the superintendent of banks and subject to his written approval and in accordance with such further instructions and limitations as he may prescribe," any bank or trust company whose deposits are or hereafter may be insured, in whole or in part, by the government of the United States "may carry fully paid up and nonassessable capital stock of any other corporation as an asset, provided:

(1) That such stocks shall be acquired for the purpose of strengthening the bank's or trust company's capital structure or the elimination of undesirable assets;

(2) That the aggregate amount of such stocks carried on the books as an asset shall not be in excess of 20 per centum of the bank's or trust company's unimpaired capital and surplus;

(3) That such bank or trust company shall not thereafter make a loan, directly or indirectly, to any such corporation unless the obligation is fully secured;

(4) That such stock may be held for such period as the superintendent of banks may determine, but in no event longer than that provided by law for the holding of real estate, other than banking premises;

(5) That the book value of such asset shall be amortized in the same manner as provided by law for the reduction of the book value of real estate other than banking premises.

"The provisions of this section shall not be applicable to any stock that may be acquired by such bank or trust company in connection with the insurance of deposits, or in connection with stock that may be purchased as a part of any transaction whereby any such bank or trust company shall borrow from the United States or any agency thereof or instrumentality created thereby nor shall the provisions of this section repeal or in any way limit or modify the provisions of chapter 69, Oregon Laws, 1933, second special session," authorizing banks and trust companies to subscribe to the capital stock of the Federal Deposit Insurance Corporation. (Sec. 7, Ch. 57, 1935 Amendments to Oregon Code of 1930; Sec. 22-3207, 1935 Supplement to Oregon Code of 1930)

"Assets of the savings department of any savings bank or of any bank or trust company maintaining a savings department may be invested

in" certain listed "classes of securities, and not otherwise," but neither bank or trust company stock nor corporate stocks generally are included in such list. (Sec. 2, Ch. 67, 1933 Laws, Second Special Session, amending Sec. 22-1109, Oregon Code of 1930)

"Bank" defined:

"The word 'bank,' as used in this act, shall be construed to mean any incorporated banking institution which shall have been incorporated to conduct the business of receiving money on deposit, or transacting a trust business as herein defined. * * * Banks are divided into the following classes:

(a) Commercial banks;

(b) Savings banks.

(c) Trust companies." (Sec. 22-102, Banking Laws, 1930; Sec. 22-102, Oregon Code of 1930)

Holding companies:

Any corporation organized in this state, or licensed to do business herein may own, hold or control the stock of any bank or trust company but while so owning, holding or controlling such stock the corporation is subject to the following restrictions:

(1) It shall not borrow money or otherwise secure credit directly or indirectly, from such bank or trust company, unless the loan or credit is adequately secured by collateral other than stock or evidences of indebtedness of any corporation which it controls.

(2) It shall not sell any stock, securities or other evidences of indebtedness of any other corporation which it controls, to or through the bank or trust company in which it owns or holds stock; nor can it use such bank or trust company as an agent for the purpose of selling or otherwise disposing of such stock, securities or other evidences of indebtedness without first obtaining permission from the Oregon Corporation Commissioner.

(3) It shall not carry as an asset any expenses incident to organization or to the sale of stock after organization.

Penalties are prescribed for violations of this act by corporations or their officers or employees. (Ch. 444, Oregon Laws 1929, p. 671; Secs. 25-501 to 25-507, Oregon Code 1930)

PENNSYLVANIA

Acquisition of stocks by banks and trust companies:

"Any bank or bank and trust company may purchase or invest in the shares of a * * * national banking association, or any bank, bank and trust company, or trust company, incorporated under the laws of this Commonwealth, * * *." (Act No. 169 of June 21, 1935, P. L. 382, amending Sec. 1009, Banking Code of 1933, Act No. 112 of May 15, 1933, P. L. 624)

No savings bank shall purchase or "invest in the shares of capital of any corporation whatsoever, * * *." (Act of May 15, 1933, P. L. 624, Secs. 1208-B, 1209, as amended by Act No. 140 of June 11, 1935, P. L. 306)

Holding companies:

"An incorporated institution or any other corporation owning shares in a bank, a bank and trust company, or a trust company, or an incorporated institution owning shares in any other corporation, may vote them by its president * * * ." (Sec. 608, Banking Laws, 1933; Sec. 608, Banking Code of 1935, Act No. 112 of May 15, 1933, P. L. 624)

RHODE ISLAND

Acquisition of stocks by banks and trust companies:

"All deposits in savings banks and in the savings or participation departments of, or received as savings deposits or on participation by banks and trust companies, and in the case of savings banks the income derived from investments held, hereafter received shall be invested only as follows:

* * * *

"In the capital stock of any bank or trust company incorporated under the laws of any of the New England states, or of the state of New York, or of any national banking association doing business in any of said states" or "in the capital stock of any bank or trust company incorporated under the laws of any other state and doing business in any other state, or of any national banking association doing business in such other state, if such corporation is a member of the federal reserve system, and has a principal office located in a city of at least two hundred thousand inhabitants, according to the most recent United States census, and has an aggregate capital, surplus and undivided profits of

at least \$5,000,000, and has been in active business for at least ten years next preceding the date of investment, including in the computation of said ten years, if such corporation results from a consolidation of two or more such corporations, the time during which any constituent corporation has been in active business." However, a "savings bank or trust company shall not hold, either for investment or as security for loans or for both investment and security, an aggregate of more than twenty-five per centum of its savings and participation deposits in" such stocks "at their par value, nor more than three per centum of such deposits in the capital stock of any one such corporation at its par value, nor more than one-quarter of the capital stock of any one such corporation." (Sec. 1, Clause VII, Ch. 272, Banking Laws, 1934; Ch. 272, Sec. 1, Gen. Laws of R. I., as amended by P. L. 1927, Ch. 1034)

While there are no other provisions in the banking laws of this State relating to the acquisition of bank or trust company stock or corporate stocks generally by banks and trust companies, a trust company is authorized to "invest its capital stock and moneys in its hands in such bonds, obligations, or property, real, personal, or mixed, as it may deem prudent, subject, however, to any duties, restrictions, or limitations imposed by the provisions of this title." (Sec. 4(a), Ch. 271, Banking Laws, 1934; Sec. 4(a), Ch. 271, Gen. Laws of R.I.) While this does not appear to be a specific grant of power to purchase bank stocks, it is understood that, in practice, trust companies purchase and hold stocks, including bank stocks, apparently without objection by the

State banking authorities.

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

SOUTH CAROLINA

Acquisition of stocks by banks and trust companies:

Every corporation, organized for any purpose or purposes whatsoever, is authorized to acquire "shares of stock in other corporations, possessing the same powers in such respects as individuals now enjoy." (Nos. 1, 10, Banking Laws, 1930; Secs. 7726, 7745, Civil Code of 1932)

"Every banking corporation may deal in * * * public and other securities, and stocks of other corporations; * * * may purchase and hold such * * * personal property, as may be conveyed to it to secure debts to the corporation, * * * and as may be deemed necessary or convenient for the transaction of its business, and may sell and dispose of the same at pleasure; * * * ." (No. 71, Banking Laws, 1930; Sec. 7862, Civil Code of 1932)

Trust companies are authorized to "buy, * * * invest in and sell all kinds of * * * stocks or other investment securities." (No. 391(10), Banking Laws, 1930; Sec. 7886(10), Civil Code of 1932)

The law provides that trust companies "shall not make any loan secured by the stock of another bank or trust company if by the making of such loan the total stock of such bank or trust company and held as

collateral security by it will exceed fifteen per centum (15%) of the total capital stock of such bank or trust company." (No. 394(2), Banking Laws, 1930; Sec. 7889(2), Civil Code of 1932) However, another provision provides that a trust company shall not "purchase or continue to hold stock of another bank or trust company if by such purchase or continued investment the total stock of such other bank or trust company owned or held by it as collateral will exceed twenty-five per centum (25%) of the stock of such other bank or trust company; Provided, However, that this limitation shall not apply to the ownership * * * of a part or all of the capital stock of one bank organized under the laws of the United States or of this State, nor to the ownership of a part or all of the capital of one corporation, organized under the laws of this State, for the principal purpose of receiving savings deposits * * * " (No. 394 (7), Banking Laws, 1930; Sec. 7889(6), Civil Code of 1932)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

SOUTH DAKOTA

Acquisition of stocks by banks and trust companies:

No bank shall "invest any of its funds in the stock of any other bank or corporation, * * * nor be the purchaser or holder of any such shares unless such security or purchase shall be necessary to prevent

loss upon a debt previously contracted in good faith; stock so purchased or acquired shall, within six months of the time of its purchase, be sold or disposed of at public or private sale; and after the expiration of six months any such stock shall not be considered as part of the assets of such bank. * * * " (Sec. 8983, Banking Laws, 1932; Sec. 8983, Comp. Laws of 1929)

No trust company shall "invest any of its funds in the stock of any other trust company or corporation, * * * nor be the purchaser or holder of any shares unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall, within six months of the time of its purchase, be sold or disposed of at public or private sale; and after the expiration of six months any such stock shall not be considered as a part of the assets of any trust company; * * * " (Sec. 9050, Banking Laws, 1932; Sec. 9050, Comp. Laws of 1929)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

TENNESSEE

Acquisition of stocks by banks and trust companies:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock or corporate stocks generally by banks or trust companies.

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

TEXAS

Acquisition of stocks by banks and trust companies:

Banks and trust companies are authorized "to purchase, invest in * * * and sell stocks * * * and other securities." (Art. 396(9), Ch. 3, Banking Laws, 1933; Art. 396(9), Rev. Stats. of 1925)

Savings banks are authorized to invest in certain listed "classes of securities, and not otherwise" but neither bank or trust company stock nor corporate stocks generally are included in such list. (Art. 416, Ch. 4, Banking Laws, 1933; Art. 416, Rev. Stats. of 1925, as amended)

"Every trust company organized under the laws of the State with a capital of not less than five hundred thousand dollars shall * * * have the power * * * to purchase and sell * * * stocks, bonds, securities * * * ." (Art. 1513, Ch. 3, Banking Laws, 1933; Acts of 3rd Called Session of 1920)

"It shall be unlawful for any State bank or bank and trust company to own more than ten per cent of the capital stock of any other banking corporation, or to make a loan secured by the stock of any other banking corporation, if by the making of such loan the total stock of such other banking corporation held by it as collateral will exceed,

in the aggregate, ten per cent of the capital stock of such other banking corporation, unless the ownership or the taking of a greater percentage of such capital stock as collateral shall be necessary to prevent loss upon a debt previously contracted in good faith; and any such excess so taken as collateral or owned by such bank shall not be held as collateral nor owned by it for a longer period than six months."

(Art. 513, Ch. 6, Banking Laws, 1933; Acts of 1909, 2d Called Session)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

UTAH

Acquisition of stocks by banks and trust companies:

A bank is not authorized to acquire bank or trust company stock or corporate stocks generally, unless "acquired by such bank in satisfaction of or on account of debts previously contracted in the course of its business." (Sec. 7-3-33, Banking Laws, 1935; Sec. 7-3-33, Rev. Stats. of Utah, 1933, as amended by Ch. 12, Laws of 1935)

"All the * * * general restrictions and limitations, provided for in this chapter and applying to the corporations organized and regulated hereunder, under the general designation 'banks' shall be understood and construed to apply to and govern commercial banks and savings banks, and those combining both of such branches of the banking business." (Sec. 7-3-2, Banking Laws, 1935; Sec. 7-3-2, Rev. Stats.)

"Any loan and trust corporation may purchase, own, hold and sell or otherwise dispose of shares of stock of any other corporation; provided, that such purchase is authorized by the board of directors, and, in case the purchase is of stock of any bank, the purchase must be approved by the bank commissioner. * * * " (Sec. 7-4-7, Banking Laws, 1935; Sec. 7-4-7, Rev. Stats.)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

VERMONT

Acquisition of stocks by banks and trust companies:

The assets of "banks" may be invested "in the stock of any national bank in the New England states or the State of New York, or in the stock of any banking association or trust company incorporated under the authority of and located in such states, or in the stock of any bank incorporated under the authority of and located in such states, or in the stock of any bank incorporated under the authority of and located in the Dominion of Canada; but a bank shall not hold bank stock both by the way of investment and as security for loans in excess of ten per cent of its assets, nor, in any one bank, more than five per cent of its assets, or more than one hundred thousand dollars, or more than ten percent of the capital stock of any one bank." (Sec. 6703-VI (a), Banking Laws, 1934; Sec. 6706-VI (a), Ch. 272, Pub. Laws of Vt.)

"Bank" defined:

"'Bank' shall refer to and include savings banks, saving institutions and savingsbanks and trust companies, commonly known as trust companies; * * * ." (Sec. 6664, Banking Laws, 1934; Sec. 6664, Ch. 272, Pub. Laws of Vt.)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

VIRGINIA

Acquisition of stocks by banks and trust companies:

"Nor shall any bank invest any of its funds in the shares of the common stock, or its equivalent, of any other corporation, except such shares of stock as national banks are permitted to purchase for their own account, * * * this provision shall not, however, prevent any bank from acquiring any such stock, * * * to protect itself or any fund in its custody or possession against loss from debts theretofore contracted" nor from acquiring stock of a building corporation or an agricultural credit corporation "provided the total amount of such stock shall not exceed twenty per centum of the amount of the capital stock of such bank actually paid in and unimpaired, plus the amount of its unimpaired surplus fund." (Sec. 4149(13), Banking Laws, 1936; Acts of 1928, pp. 1313, 1314, as amended by Acts of 1936, p. 130)

"The word 'bank' wherever it shall appear in this act, shall

include banks of deposit and discount, savings banks, savings societies, savings institutions and trust companies * * *." (Sec. 4149(1), Banking Laws, 1936; Acts of 1928, p. 1308, as amended by Acts of 1936, p. 124)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.

WASHINGTON

Acquisition of stocks by banks and trust companies:

No bank or trust company shall "be the purchaser or holder of any * * * shares" of any other bank, trust company or national banking association "unless such * * * purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; in which case the stock so purchased or acquired shall be sold" or disposed of within two years. "Nor shall any such corporation subscribe for or purchase the stock of any other bank or trust company or a national banking association * * * ." (Sec. 9, Ch. 42, Laws of 1935, amending Sec. 3243, Rem. Comp. Stats.)

"A mutual savings bank shall have the power to invest its funds in the manner hereinafter in this act specified and not otherwise" but neither bank or trust company stocks nor corporate stocks generally are so specified. (Sec. 156, Banking Laws, 1929; Ch. 74, Laws of 1929, p. 103)

"Bank" defined:

"The term 'bank' where used in this act, unless a different meaning appears from the context, means any corporation organized under the laws of this state engaged in banking, other than a trust company or a mutual savings bank.

* * * * *

"The term 'savings bank' shall include (a) any bank whose deposits shall be limited exclusively to savings accounts, and (b) the department of any bank or trust company that accepts, or offers to accept, deposits for savings accounts in accordance with the provisions of this act relative to segregated savings." (Sec. 2, Ch. 42, Laws of 1933, amending Sec. 5221, Rem. Comp. Stats.)

Holding companies:

"A corporation or association organized under the laws of this state, or licensed to transact business in the state, shall not hereafter acquire any shares of stock of any bank, trust company or national banking association which, in the aggregate, enable it to own, hold or control more than twenty-five per centum of the capital stock of such bank, trust company or national banking association: * * * ." (Adding Sec. 3243-1, to Rem. Comp. Stats.; Sec. 10, Ch. 42, Laws of 1933)

WEST VIRGINIA

Acquisition of stocks by banks and trust companies:

"Every banking institution organized under the provisions of

this chapter and authorized to engage in the business of a trust company shall have and exercise the following powers: * * * (d) To buy, hold, sell and deal in * * * the stocks or bonds of any business corporation; * * * ." (Sec. 7(d), Banking Laws, 1931; Ch. 31, Art. 4, Sec. 3129, W. Va. Code of 1932)

"The total liabilities to any banking institution of any * * * corporation * * * including in the liabilities of any corporation an investment by such banking institution in the stock of such corporation shall at no time exceed ten per cent of the unimpaired capital stock, including debentures and surplus fund of such banking institution: * * * ." (Act of Feb. 25, 1935, Laws of 1935, Regular Session, amending Sec. 3200, Ch. 31, Art. 8, W. Va. Code of 1932)

"Banking Institutions" defined:

"The term 'banking institution' shall include every company chartered under this chapter and authorized to do business in the State of West Virginia under the provisions of this article, with authority to engage in the banking business as defined in sections six and seven of this article; and every such company chartered under the provisions hereof, shall have, as a part of its corporate name or title, one or more of the following words indicative of the business which it is authorized to conduct, namely, 'bank,' 'banking company,' 'banking association,' 'savings bank,' or 'trust company.'" (Sec. 1, Banking Law, 1931; Sec. 3125, Ch. 31, Art. 4, W. Va. Code of 1932)

Holding companies:

"It shall be unlawful for any person to purchase and hold stock

in any banking institution organized or authorized to transact business hereunder for the purpose of selling, negotiating or trading participation in the ownership thereof either for the purpose of perfecting control of one or more such banking institutions or for the purpose of inducing other persons, firms or corporations or the general public to become participating owners therein. Nothing herein shall prevent the ownership of stock in any such banking institution by any person for investment purposes." (Sec. 38, Banking Laws, 1931; Ch. 21, Art. 8, Sec. 3220, W. Va. Code of 1932)

WISCONSIN

Acquisition of stocks by banks and trust companies:

There are no provisions in the banking laws of this state, except the following, relating to the acquisition of bank or trust company stock or corporate stocks generally by banks or trust companies.

"No mutual savings bank shall invest any part of its deposits in the stock of any corporation * * * ." (Sec. 322.13, Banking Laws, 1935; Ch. 222, Wis. Stats., as amended by Ch. 27, Laws of 1931, and Ch. 245, Laws of 1935)

Any trust company "shall have power, in and by its corporate name, to take, receive, hold, pay for, reconvey, and dispose of any effects and property, real or personal, which may be granted, committed, transferred, or conveyed to it with its consent, upon any terms * * * ." (Sec. 223.03(6), Banking Laws, 1935; Ch. 222, Wis. Stats.)

Holding companies:

"Any domestic corporation, investment trust, or other form of trust which shall own, hold or in any manner control a majority of the stock in a state bank or trust company shall be deemed to be engaged in the business of banking and shall be subject to the supervision of the state banking department. * * * " There are also provisions requiring such holding companies to file reports of financial condition with commissioner of banking; providing for examinations of such holding companies by the banking authorities; authorizing such authorities to require the correction of unsound practices of such holding companies; and subjecting such holding companies to double liability on the bank or trust company stock owned. (Sec. 221.56, Banking Laws, 1935; Ch. 221, Wis. Stats., as amended by Ch. 393, Laws of 1935)

"No bank when more than ten per cent of the stock is owned, held or controlled by any corporation, or by an association, investment trust or other form of trust or by a chain bank or holding company, shall be permitted to establish a receiving and paying station." (Sec. 221.255(5), Banking Laws, 1935; Ch. 221, Wis. Stats., as amended by Ch. 215, Laws of 1935)

"Any corporation organized under chapter 180 of the statutes may subscribe for, and take or hold stock in any other corporation except as herein provided. The consideration for such purchase may be paid in the stock or bonds, or both, of the purchasing company; but no corporation organized under chapter 180 of the statutes may subscribe for, take or hold more than ten per cent of the capital stock of any

state bank or trust company, unless seventy-five per cent of the stock of both corporations shall vote in favor thereof at a meeting especially called for that purpose, but no state bank or trust company may vote to authorize a foreign corporation to purchase stock in such bank or trust company unless such foreign corporation shall have filed its articles of incorporation with the secretary of state and is authorized to do business in Wisconsin as provided in section 226.02 of the statutes." (Sec. 182.01(9), Laws relating to banks and holding companies, as amended by Ch. 445, Laws of 1929) (Ch. 180 referred to above provides for the organization of domestic corporations, but banks and trust companies are organized under Chapters 221, 222 and 223 of the Wisconsin statutes. Sec. 226.02 also referred to above provides for the admission of foreign corporations to transact business in the State of Wisconsin)

WYOMING

Acquisition of stocks by banks and trust companies:

"Hereafter no state bank shall invest any of its assets in the capital stock of any other corporation * * * except such as it may acquire or purchase to save a loss on a pre-existing debt, and stocks so acquired or purchased shall be sold within twelve months from the date acquired or purchased; provided, that a further time may be granted by the State Examiner." (Sec. 10-153, Banking Laws, 1935; Sec. 10-153, Wyo. Rev. Stats., 1931)

There are no provisions in the banking laws of this State

relating specifically to the acquisition of bank or trust company stock or corporate stocks generally by trust companies.

"Bank" defined:

"Every bank, banker or corporation in this state doing a banking business under the provisions of this chapter, shall be known as a state bank; * * * ." (Sec. 10-105, Banking Laws, 1935; Sec. 10-105, Wyo. Rev. Stats., 1931)

"Any person, firm or corporation (except national banks) having a place of business within this state where credits are opened by the deposit or collection of money or currency or negotiable paper subject to be paid or remitted upon draft, receipt, check, or order, shall be regarded as a bank or banker, and as doing a banking business under the provisions of this chapter." (Sec. 10-110, Banking Laws, 1935; Sec. 10-110, Wyo. Rev. Stats., 1931)

Holding companies and chain or group banking:

There are no provisions in the banking laws of this State relating to the acquisition of bank or trust company stock by holding companies or relating to chain or group banking.