

STUDY BY SYSTEM COMMITTEE ON BRANCH, GROUP,
AND CHAIN BANKING.

On October 28, 1929, the Board requested the Federal Advisory Council to consider the following topic at its meeting on November 19, 1929, and to submit to the Board such recommendation as the Council saw fit to make with respect thereto:

"Developments in branch, chain and group banking with particular reference to the effects of bank stock ownership by investment trusts and holding corporations."

As a result of its meeting, the Council submitted the following recommendation to the Board:

"The Federal Advisory Council recommends that the Federal Reserve Board appoint a committee to study the merits of the branch banking system as practiced in this and other countries, (conditions in Canada being apparently more comparable with our own), the group or chain banking system as developed in this country and elsewhere, and the unit banking system of this and other countries; and further, the effect of ownership of bank stocks by investment trusts and holding corporations, in order that the Federal Reserve Board may be in possession of accurate and authoritative information on this important subject."

The Federal Reserve Agents' Conference and the Governors' Conference on December 11 and 12, 1929, respectively, voted to concur in the recommendation of the Federal Advisory Council.

On December 12, 1929, the Board voted "that in order to expedite the assembling of data on branch, group and chain banking that is being carried on in the Board's Division of Bank Operations, a committee of five be appointed by the Board, as recommended by the Federal Advisory Council and the Conference of Federal Reserve Agents, to assemble and digest information on branch banking as practiced in the United States, group and chain banking systems as developed in the United States and elsewhere, the unit banking system of this and other countries and the effect of ownership of bank stocks by investment trusts and holding corporations, in order that the Board may be in possession of accurate and authoritative information on the subject."

At the meeting of the Board on February 26, 1930, Governor Young stated that "he met this morning with the committee recently appointed to make a study of the subject of member bank reserves

and had suggested to the committee that the Board may find it desirable to also appoint the members of the committee on reserves as a committee to study the development of chain, group and branch banking in the United States. He stated that, inasmuch as the committee would have to give considerable thought to this subject, in connection with its study on reserves, the members would be willing to serve on both committees should the Board desire to take such action." In accordance with this suggestion Messrs. Goldenweiser and Smead, of the Board's staff, and Messrs. Rounds, Fleming and Clerk, representing the Federal reserve banks, were appointed as members of the committee on branch, group and chain banking.

On April 24, 1930, the Federal reserve banks were advised that the Board had voted, subject to approval of the Federal reserve banks (which was promptly given), to change the committee on branch, group and chain banking from a Board to a Federal reserve bank committee, its expenses to be borne pro rata by the Federal reserve banks.

The total expenses involved in connection with the preparation of the report, exclusive of certain overhead expenses including principally the salaries of the members of the committee, were \$151,000. The last of the eleven volumes comprising the report was completed in final form in June 1933 so that approximately three years were required for the study.

The subjects covered by the report and the number of pages contained in each study, exclusive of appendices, are as follows:

<u>Subject</u>	<u>Number of pages, exclusive of appendices.</u>
Changes in the Number and Size of Banks in the United States, 1834-1931	85
Banking Groups and Chains	214
The Dual Banking System in the United States	133
225 Bank Suspensions, Case Histories from Examiners' Reports	219
Bank Suspensions in the United States, 1892-1931	130
Banking Profits, 1890-1931	101
Branch Banking in the United States	241
Branch Banking in California	132
Branch Banking in England	95
Branch Banking in Canada	125
Summary of the Reports	<u>87</u>
Total	1,562

Copies of the report (exclusive of the summary) were sent to Senator Glass, as the volumes were completed in April and May 1933, to all Federal reserve banks under date of August 8, 1933, to Mr. R. H. Sparkman, Acting Clerk of the Senate Committee on Banking and Currency on September 22, 1934, and to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, on October 2, 1934. The copy of the report at the Chicago bank was made available to the Secretary of the Federal Advisory Council in August 1933. On June 29, 1934, Mr. Goldenweiser was authorized by the Board to make a copy of the report available to Dr. Viner, Assistant to the Secretary of the Treasury. The parties outside the System were advised that the report had not been passed upon by the Board.

The minutes of the Board for August 1, 1933, indicate that Mr. Riddle, who had been executive secretary of the committee on branch, group and chain banking, and who was then employed by the Reserve City Bankers Association, advised that the Association would like very much to see the report published, and that, in the event the Board did not wish to have the report printed at its own expense the Association would be glad to defray the expenses of publication. The minutes also indicate that Mr. Goldenweiser, as Chairman of the committee, felt that the report should be published. The Board, however, requested its secretary to advise Mr. Riddle that the Board was not prepared to publish the report at that time, and that if and when the report was published it should be at the expense of the Board as an official Board publication and not at the expense of any other organization. Subsequently a similar request was also received from Mr. H. Lane Young, a member of the Commission on Banking Law and Practice appointed by the Association of Reserve City Bankers, for permission to have the report published for the use of the various subcommittees of the Commission and the general public, and Mr. Young was advised that the Board felt it should not grant such permission.

At the meeting on August 1, 1933, Mr. Morrill called attention to the fact that the report had never been passed upon by the Board, and that he had been informed that the copy of the report which was furnished to Senator Glass for the information of his subcommittee of the Senate Banking and Currency Committee was being made available to anyone who desired to see the report in Senator Glass' office.

At the meeting of the Governors' Conference with the Federal Reserve Board on October 12, 1933, it was reported that the Conference had voted to recommend to the Board the reconstituting

of the committee on branch, group and chain banking, for the purpose of amending the report in the light of events which had transpired since the report was prepared. The Board advised Governor Calkins, as Chairman of the Governors' Conference, on November 9, 1933, that the Board had given careful consideration to the recommendation of the Conference and had decided that it should be held in abeyance until after the then present emergency was past, and that further consideration would be given to the matter when the Board was in a position, in the light of later circumstances, to determine whether further revision of, and addition to, the committee report would be desirable. There is nothing in the files or the minutes of the Board to indicate that any further action was ever taken by the Board with respect to the recommendation of the Governors' Conference.