

January 31, 1945.

TO: Board of Governors

Subject: Revision of Regulation P  
and Standard Application for Voting  
Permit by Holding Company Affiliates

FROM: Messrs. Dreibelbis and Leachman

*ADD N.L.F.*

We have prepared and submit herewith:

1. A suggested form of letter to all holding company affiliates having voting permits;
2. A suggested revision of the Board's Regulation P which reflects the proposed changes and revisions; and
3. A suggested revision of the Board's standard form of Application for a Voting Permit which would combine the present Application and Agreement and which reflects the proposed changes and revisions.

The adoption of a program such as is embraced in the foregoing would involve a termination of all outstanding permits and a reconsideration of each case in which the holding company affiliate elected to apply for a new permit. This would involve certain administrative problems concerning which the Division of Examinations is better able to advise. It has the merit, however, of setting up rules of general application under which no holding company could validly complain that it was being singled out for special treatment. Moreover (recognizing that holding companies are not required to obtain voting permits), we believe that it goes about as far as the Board can go within the framework of section 5144 of the Revised Statutes toward achieving the objectives outlined in its Annual Report for 1943.

The effectiveness of the program, as stated, depends upon the need which a particular holding company might have for a voting permit. No company is required to obtain a permit, but if it does obtain one,

it will be required to make certain agreements which we believe will accomplish much along the lines of the Board's expressed objectives. Also, we point out that, under the program, a holding company which insists on engaging in a nonbanking business will lose its exemption from the "Investment Company Act of 1940" whether or not it applies for a voting permit.

The high lights of the proposed changes are as follows:

#### REGULATION P

1. A "Foreword" to the Regulation is suggested. This constitutes a declaration of policy to serve as notice to all holding company affiliates that the Board, in granting voting permits, will consider and undertake to meet its responsibilities for the enforcement of section 7 of the Clayton Act; that voting permits will be granted, other requirements being met, only where the holding company affiliate would have a voting permit for all subsidiary member banks; and that no holding company affiliate will be determined by the Board to be primarily engaged in managing or controlling banks and thus be made exempt from the "Investment Company Act of 1940" if a substantial or important part of its business is unrelated thereto.

2. The Regulation will be shortened materially by the elimination of mere restatements of the statute.

3. The specific provision for "limited" voting permits will be eliminated - although it will still be possible to grant a limited permit if the occasion requires such.

4. Provision is made for the surrender, termination or revocation of a voting permit. So far as we have been able to ascertain, the circumstances under which a holding company affiliate may surrender a voting permit or the Board terminate one (as distinguished from revoking it after hearing) has never been definitively stated.

#### STANDARD APPLICATION FOR VOTING PERMIT

1. We have combined the standard Application and standard Agreement into one document, eliminating that which seemed to us to be surplusage.

2. We have inserted a paragraph requiring every holding company affiliate which obtains a permit to agree that it will not thereafter acquire the stock of any bank unless it has made an affirmative

showing to the Board that the acquisition will not violate the Clayton Act and has obtained the approval of the Board. Assuming that the Board has responsibilities under the Clayton Act and that section 7 is applicable to bank holding companies, both of which assumptions we believe to be correct, we believe that under the recent decisions of the Supreme Court<sup>1/</sup> the foregoing requirement is clearly within the Board's authority. Violation of this provision would result in the automatic termination of the voting permit.

3. A corresponding paragraph relating to the acquisition of nonbanking subsidiaries also has been inserted.

4. We have inserted a paragraph requiring every holding company affiliate which obtains a permit to agree not to lend in excess of \$2,500 to its own executive officers or those of its subsidiary banks. This, in a measure, would write section 22(g) of the Federal Reserve Act into the holding company affiliate's agreement.

5. A provision regarding dealing or trading in or lending upon its own stock or any of its subsidiaries has been inserted.

6. The circumstances under which a holding company affiliate may surrender a permit are defined. It would permit surrender at the option of the holding company affiliate but a surrender of a permit covering one subsidiary bank would operate as a surrender of all permits held by such company. This would represent a distinct change in the existing situation.

7. We have inserted a provision which would require a holding company affiliate obtaining a permit to agree that the retention of such permit is conclusive evidence that the bank covered by the permit is in fact a subsidiary.

8. Finally, we have inserted a provision requiring every holding company affiliate which obtained a permit to agree that all of its undertakings with the Board, as evidenced by its Application and any special agreement, are considered inseparable. Consequently, if one provision falls, all would fall; the permit would be terminated and the company would have to file a new application if it wishes to have a permit.

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1/ Federal Communications Commission vs. Pottsville Broadcasting Company, 309 U.S. 134, 138; Federal Radio Commission vs. Nelson Brothers Company, 289 U.S. 266, 285; United States vs. Crescent Amusement Co., et al., December 11, 1944, 65 Sup. Ct. Reporter 254 (Advance Sheets)

In the light of our comprehensive study of the subject we believe that all of these proposed measures can be defended both as to their soundness and as to the Board's legal authority.

The Board's authority to terminate voting permits is crucial to the entire program recommended herein; and it may be that such authority will be questioned, because such right was not expressly reserved when a particular voting permit was granted or for some other reason. We do not believe such an attack would be sustained by the courts.

Under section 5144, Revised Statutes, the Board of Governors of the Federal Reserve System may, in its discretion, grant or withhold a voting permit to or from a holding company affiliate "as the public interest may require." This is a legally sufficient criterion.<sup>2/</sup> There is no requirement that the Board shall grant voting permits for an indefinite or for any particular period of time. The Board's statutory duty in this respect would seem to require that it retain rather than surrender jurisdiction over all such permits "as the public interest might require" even in absence of violation of any of the provisions of the Banking Act of 1933 or any agreement made pursuant to section 5144, Revised Statutes. The power to withhold the permit in the first instance in the public interest would imply that the Board

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<sup>2/</sup> Federal Communications Commission vs. Pottsville Broadcasting Company, 309 U.S. 134, 138; Federal Radio Commission vs. Nelson Brothers Company, 289 U.S. 266, 285.



has the power to and should terminate outstanding permits should the public interest require it.

The applicant is required by statute to make certain representations and agreements in its application. In acting upon an application, the Board must, under such statute, consider certain specified matters; and if such permit is granted, the Board must impose certain specified conditions.

Procedure is provided by section 5144, Revised Statutes, for the "revocation" of such permit in the discretion of the Board should it appear that the holding company affiliate "has violated any of the provisions of the Banking Act of 1933 or of any agreement made pursuant to this section" (Sec. 5144). Certain statutory penalties flow from a "revocation" of such permit.

These statutory requirements however are not considered as a limitation upon the exercise by the Board of its discretion for the touchstone provided by Congress is the requirements of the public interest. Congress did give the Board a mandate to consider certain specified matters and to impose certain specified conditions in the exercise of the Board's discretion; but in so doing it did not attempt an itemized catalogue of the specific manifestations of the general problems for the solution of which it gave to the Board discretion to be exercised in the public interest.

Section 5144 refers to "the period that the permit remains in force," indicating the right on the part of the Board to fix an expiration date either at the time the permit is issued or thereafter.

Throughout the form of Application, the same term is used. Thus, in paragraph 6, the prohibited participation by the Applicant in the management or direction of securities companies is limited to the time "that such permit remains in force." Paragraph 7 of the form of Application provides that, "until the termination of any permit which may be granted hereunder, by revocation or otherwise," it will not directly or indirectly pay dividends except out of actual net earnings.

Paragraph 8 of the Board's standard form of Application for Voting Permit, which we understand has been filed by all holding company affiliates having general voting permits, provides as follows:

"The Applicant expressly agrees that the permit applied for hereunder may be granted for such period and for such purposes as the Board may determine, and that, before the date of expiration of such period, or before such other date as the Board may fix, the Applicant, if so requested by the Board, will file a new application or applications, in form prescribed by the Board, for a permit or permits to vote the stock owned or controlled directly or indirectly by the Applicant, or held by any trustee for the benefit of the shareholders or members of the Applicant, in any subsidiary member bank."

The protection of the public interest by the Board is a continuing duty which cannot be completely and finally discharged or abdicated by the Board on any specific date by granting a voting permit to a holding company affiliate on such specific date for an indeterminate period subject only to termination by revocation proceedings upon conviction of violations above referred to. Should this be true, the measure of the public interest would be narrowed down to such violations, and the public interest would thus become static.

A distinction is therefore drawn between (a) a termination of the voting permit pursuant to the provisions of paragraph 8 of the Application for a Voting Permit or the exercise by the Board of its inherent power over voting permits and (b) a "revocation" of said permit for convicted violations of the Banking Act of 1933 or agreements made in the application pursuant to the provisions of section 5144, U.S.R.S.

It seems apparent that where the public interest may require it the Board may terminate permits without revocation proceedings. This is implicit in the power of the Board to issue the permit. This power is limited only by good faith on the part of the Board in the exercise of it in the requirements of the public interest. Stated differently, such power may not be exercised purely as a subterfuge to bring about or as a substitute for proceedings leading to a revocation of a permit where the complaint is a violation of the Banking Act of 1933 or of agreements made pursuant to section 5144, Revised Statutes.

Moreover, if, contrary to the above conclusion, it be assumed that the Board does not have the inherent power to terminate voting permits except by revocation proceedings, there would still remain the question of a holding company's obligation under paragraph 8 of the Application already quoted. If this paragraph is given any meaning, it would seem that a holding company will have breached its agreement when, after the Board has requested the company to file a new application within a fixed date, the company shall have failed to do so. At most, therefore, a holding company's choice would seem to be between

termination with the prospect of securing a new permit under a new application on the one hand and revocation with the resulting sanctions and without prospect of a new permit on the other.

The documents herewith submitted have been prepared without the technical advice of the Division of Examinations. If the Board looks with favor on the program embraced in the documents, they should be reviewed by that Division. Also, the Board may wish to submit them to the Federal Reserve Banks for their comments and to deal with the holding company affiliates involved through the Federal Reserve Banks. Subject to this, we recommend the adoption of the program.

Attachments

DRAFT FOR DISCUSSION OF A PROPOSED LETTER TO ALL  
HOLDING COMPANY AFFILIATES HAVING VOTING PERMITS

This letter is addressed to you because of the voting permit which the Board has heretofore granted authorizing you to vote the shares held in the bank or banks named in the permit. Similar letters are being addressed to all "holding company affiliates" which have been granted voting permits.

The Board's experience in administering bank holding company legislation has now extended over approximately a ten-year period. As you perhaps know, the Board's observation of the operations and policies of bank holding companies over this period led it, in its Annual Report for the year 1943, to point out certain developments in the bank holding company field and to express certain conclusions which it had reached. These developments have continued seriously to concern the Board.

As a result, in addition to recommending the enactment of comprehensive legislation in its Annual Report, the Board has devoted itself to a special review of the terms, conditions and undertakings which prevail under the present voting permit arrangements in their relation to the Board's responsibilities under court decisions and the statutes which it is specifically authorized to administer.

The question is now raised whether, in the public interest, it is not timely and appropriate for the Board now to revise its existing Regulation P and the terms and conditions under which voting permits will be granted to "holding company affiliates". Accordingly, the Board,



under its discretionary authority, is considering terminating all present voting permits and requiring each "holding company affiliate", pursuant to paragraph 8 of its application, to file a new application.

The Board contemplates prescribing new forms to be used in applying for a voting permit and fixing the date within which the new application should be made. Likewise, certain revisions and changes in the standard requirements which the Board would impose incident to granting a voting permit are contemplated. The revisions and changes now under consideration are set out in the two enclosures. The first reflects the changes which would be made in the Board's Regulation P. The second, with the changes therein reflected, would combine the existing standard application for a permit and the standard agreement into one document. The Board believes that both drafts are self-explanatory and need no comment.

Following the Board's usual policy in such matters, they are being submitted to you for such recommendations and comments as you may wish to make. In order that none may be overlooked, the Board suggests that any such comments or recommendations be submitted by letter as promptly as possible within the next two weeks.

Very truly yours,

Chester Morrill,  
Secretary.

Enclosures

Draft of Regulation P Revised for Discussion

FOREWORD

SECTION 5144 OF THE REVISED STATUTES OF THE UNITED STATES PROVIDES THAT THE BOARD MAY, IN ITS DISCRETION, GRANT OR WITHHOLD A VOTING PERMIT TO OR FROM A HOLDING COMPANY AFFILIATE AS THE PUBLIC INTEREST MAY REQUIRE.

IN ACTING UPON AN APPLICATION FOR A VOTING PERMIT THE BOARD IS REQUIRED TO 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 THE BANK FOR WHICH THE VOTING PERMIT IS SOUGHT. IN ADDITION, IT IS THE POLICY OF THE BOARD, ACTING UNDER ITS DISCRETIONARY AUTHORITY, TO IMPOSE CERTAIN UNIFORM CONDITIONS AND REQUIREMENTS INCIDENT TO GRANTING A VOTING PERMIT TO ANY HOLDING COMPANY AFFILIATE. THESE REQUIREMENTS ARE CONTAINED IN THE STANDARD FORM OF APPLICATION WHICH THE BOARD HAS PRESCRIBED.

IT IS CONTRARY TO THE PUBLIC INTEREST FOR ANY HOLDING COMPANY AFFILIATE TO ACQUIRE OR TO RETAIN THE STOCK OF TWO OR MORE BANKS IF SUCH ACQUISITION OR RETENTION WOULD BE IN VIOLATION OF SECTION 7 OF THE CLAYTON ACT. SECTION 7 OF THE CLAYTON ACT GOVERNS THE ACQUISITION BY CORPORATIONS OF STOCK IN TWO OR MORE CORPORATIONS ENGAGED IN COMMERCE WHERE THE EFFECT MAY BE TO SUBSTANTIALLY LESSEN COMPETITION BETWEEN SUCH CORPORATIONS, OR TO RESTRAIN SUCH COMMERCE IN ANY SECTION OR COMMUNITY, OR TEND TO CREATE A MONOPOLY. SECTION 11 OF THAT ACT VESTS AUTHORITY TO ENFORCE COMPLIANCE OF SECTION 7 IN THE BOARD WHERE APPLICABLE TO BANKS, BANKING ASSOCIATIONS AND TRUST COMPANIES. ACCORDINGLY,

THE POLICY OF THE BOARD IS TO WITHHOLD A VOTING PERMIT UNTIL THE APPLICANT HAS MADE AN AFFIRMATIVE SHOWING SATISFACTORY TO THE BOARD THAT THE RETENTION OR USE OF THE STOCK HELD BY THE APPLICANT IN ANY BANK IS NOT AND WILL NOT BE IN VIOLATION OF SUCH SECTION. ANY HOLDING COMPANY AFFILIATE WHICH APPLIES FOR A VOTING PERMIT WILL BE REQUIRED, AS AN INCIDENT TO THE RETENTION OF THE PERMIT, IF ONE IS GRANTED, TO AGREE THAT IT WILL NOT THEREAFTER ACQUIRE ANY STOCK OF ANY BANK WITHOUT HAVING FIRST MADE AN AFFIRMATIVE SHOWING TO THE BOARD, SATISFACTORY TO IT, THAT SUCH ACQUISITION OR USE THEREOF WILL NOT BE IN VIOLATION OF SECTION 7 AFORESAID AND WITHOUT HAVING OBTAINED THE PRIOR APPROVAL OF THE BOARD.

IT IS NOT THE POLICY OF THE BOARD TO GRANT A VOTING PERMIT TO A HOLDING COMPANY AFFILIATE EXCEPT UNDER SUCH CIRCUMSTANCES AS WOULD RESULT IN SUCH HOLDING COMPANY AFFILIATE HAVING A VOTING PERMIT FOR ALL OF ITS SUBSIDIARY MEMBER BANKS. WHEN IT DEEMS IT IN THE PUBLIC INTEREST SO TO DO, THE BOARD, IN CONSULTATION WITH OTHER APPROPRIATE SUPERVISORY AUTHORITIES, MAY REQUIRE ANY NONMEMBER SUBSIDIARY BANKS TO BECOME MEMBERS AS AN INCIDENT TO THE BOARD GRANTING AND THE HOLDING COMPANY AFFILIATE RETAINING A VOTING PERMIT.

SECTION 3(C)(4) OF THE INVESTMENT COMPANY ACT OF 1940 EXCLUDES FROM THE DEFINITION OF INVESTMENT COMPANIES OTHERWISE SUBJECT TO SUCH ACT, ANY HOLDING COMPANY AFFILIATE, WHICH IS UNDER THE BOARD'S SUPERVISION BY REASON OF THE FACT THAT IT HOLDS A GENERAL VOTING PERMIT AND WHICH IS DETERMINED BY THE BOARD TO BE PRIMARILY ENGAGED IN THE BUSINESS OF MANAGING OR CONTROLLING BANKS. WHERE A SUBSTANTIAL OR IMPORTANT PART

OF THE BUSINESS OF AN ORGANIZATION IS UNRELATED TO THE OPERATION AND MANAGEMENT OF CONTROLLED BANKS AND IS OF SUCH A TYPE AS OTHERWISE TO CAUSE IT TO BE SUBJECT TO THE INVESTMENT COMPANY ACT OF 1940, THE BOARD CANNOT DETERMINE THAT SUCH ORGANIZATION IS PRIMARILY ENGAGED IN THE BUSINESS OF MANAGING OR CONTROLLING BANKS.

THE BOARD, IN PARTICULAR CASES, WILL IMPOSE SUCH SPECIAL CONDITIONS AND REQUIREMENTS AS IT MAY DETERMINE ARE NECESSARY OR APPROPRIATE IN THE PUBLIC INTEREST.

ANY INQUIRY RELATING TO THIS REGULATION SHOULD BE ADDRESSED TO THE FEDERAL RESERVE BANK OR THE FEDERAL RESERVE BRANCH BANK OF THE DISTRICT IN WHICH THE INQUIRY ARISES.

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Regulation P

Revised, Effective January MAY 1, 1936 1945

(Superseding Regulation P, Series of 1933)

Holding Company Affiliates--

Voting Permits

Statutory Provisions

This regulation is ~~based-upon-and~~ issued pursuant to AUTHORITY VESTED IN THE BOARD BY LAW INCLUDING ~~various-provisions-of~~ section 5144 of the Revised Statutes of the United States, ~~and-of~~ SECTIONS 7 AND 11 OF THE CLAYTON ACT (TITLE 15 U.S.C.A., SECS. 18 AND 21), AND the Federal Reserve Act ~~the-most-important-of-which,-together-with-related-provisions of-law,-are-published-in-the-Appendix-hereto.~~

Section 1. Definitions

For the purposes of this regulation--

(a) Holding company affiliate.--The term "holding company affiliate" shall have the meaning given to it by section 2(c) of the Banking Act of 1933.<sup>1/</sup> ~~(See-Appendix,-page-8-)~~

(b) Affiliate.--The term "affiliate" shall have the meaning given to it by section 2(b) of the Banking Act of 1933. ~~(See-Appendix,-page-8-)~~<sup>2/</sup>

(c) Subsidiary.--The term "subsidiary" means any corporation, business trust, association, or other similar organization engaged in any kind of business whatsoever (including any member or nonmember bank)--

<sup>1/</sup> An organization is not a holding company affiliate of a bank (national or State) unless the bank is a member of the Federal Reserve System.

<sup>2/</sup> For the purposes of certain provisions of sections 9 and 23A of the Federal Reserve Act and section 5211 of the Revised Statutes of the United States, the term "affiliate" also includes any "holding company affiliate."

(1) Of which any corporation, business trust, association, or other similar organization owns or controls, directly or indirectly, a majority of the shares of capital stock; or

(2) Of which any corporation, business trust, association, or other similar organization owns or controls, directly or indirectly, more than 50 per centum of the number of shares voted for the election of the directors, trustees, or other persons exercising similar functions at the preceding election; or

(3) Of which any corporation, business trust, association, or other similar organization controls in any manner the election of a majority of the directors, trustees, or other persons exercising similar functions; or

(4) Of which all or substantially all the capital stock is held by trustees for the benefit of the shareholders or members of any corporation, business trust, association, or other similar organization.

(d) Affiliated.---Any corporation, business trust, association, or other similar organization (including any member or nonmember bank) shall be deemed to be "affiliated" with another such organization:

(1) If either organization owns or controls, directly or indirectly, a majority of the shares or of the voting shares of the other or more than 50 per centum of the number of shares of the other voted for the election of directors, trustees, or other persons exercising similar functions at the preceding election; or

(2) If either controls in any manner the election of a majority of the other's directors, trustees, or other persons exercising similar functions; or

(3) If control of either is held, directly or indirectly, through stock ownership or in any other manner, by shareholders of the other who also own or control a majority of the shares of the latter or more than 50 per centum of the number of shares of the latter voted for the election of directors, trustees, or other persons exercising similar functions at the preceding election; or

(4) If control of either is held, directly or indirectly, through stock ownership or in any other manner, by trustees for the benefit of the shareholders of the other; or

(5) If a majority of the directors, trustees, or other persons exercising similar functions of either have similar connections with the other.

(e) Member bank.--The term "member bank" means any national bank, State bank, savings bank, trust company, Morris Plan bank, mutual savings bank, or other banking institution which is a member of the Federal Reserve System.

(f) Nonmember bank.--The term "nonmember bank" means any banking institution which is not a member of the Federal Reserve System.

~~(g) General voting permit.--The term "general voting permit" means any voting permit entitling a holding company affiliate to vote the stock which it owns or controls of a subsidiary member bank at all meetings of the shareholders of such bank and for all purposes.~~

~~(h) Limited-voting-permit.--The term "limited-voting-permit"~~  
means any voting permit authorizing a holding company affiliate to vote  
the stock which it owns or controls of a subsidiary member bank only at  
a designated meeting or meetings of the shareholders of such bank or at  
a meeting or meetings held within a designated period of time and for  
only such purposes as are stated in the permit.

~~(i)~~ (G) Board.--The term "Board" means the Board of Governors of  
the Federal Reserve System.

Section 2. Organizations Not Engaged As a Business in Holding  
Stock of, Or Managing Or Controlling, Banks

The term "holding company affiliate" does not include (except for  
the purposes of Sec. 23A of the Federal Reserve Act) any organization  
which is determined by the Board not to be engaged, directly or indirect-  
ly, as a business in holding the stock of, or managing or controlling,  
banks, banking associations, savings banks, or trust companies. The  
Board will consider this matter in acting upon applications for voting  
permits and if, on the basis of the available information, it determines  
that an applicant is not so engaged within the meaning of the law, it  
will advise such applicant accordingly.

If any organization which does not have a voting permit application  
pending before the Board desires that the Board determine that it is not  
engaged, directly or indirectly, as a business in holding the stock of,  
or managing or controlling, banks, banking associations, savings banks,  
or trust companies, it shall file a request for such determination.

Any such request shall be accompanied by full information concern-  
ing all matters having a bearing on the question, including the purpose

for which the organization filing the request was organized, the nature and purpose of its present activities, the description and value of its various classes of assets, its relationships with affiliated organizations (including name and address of each such organization, the character of its business or other activities, and the nature of the relationship), and the bank stocks which it directly or indirectly owns or controls (including the number and value of the shares owned or controlled of each bank, the total number of outstanding shares of each bank, and the manner in and purpose for which such stock, or control thereof, was acquired and is held).<sup>3/</sup>

Any such request and the supporting information shall be in writing and shall be filed in duplicate with the Federal Reserve ~~agent-at-the~~ Federal-Reserve bank of the district in which the principal office of such organization is located. The Federal Reserve ~~agent~~ BANK shall forward to the Board the original thereof together with ~~his~~ ITS recommendations and the opinion of ITS counsel ~~for-the-Federal-Reserve-bank-of-such~~ district.

Section 3. ~~State Member Banks Must Obtain and File Agreements by~~  
~~Holding-Company-Affiliates~~

Each State member bank which is or hereafter becomes a subsidiary of a holding company affiliate shall obtain from such holding company affiliate an agreement (Form P-5) that such holding company affiliate

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<sup>3/</sup> If the organization filing the request has previously been granted a general voting permit, it need only file such information as is necessary to supplement and bring up to date the information contained in its application for such permit.



will be subject to the same conditions and limitations as are applicable to holding company affiliates of national banks under the provisions of section 5144 of the Revised Statutes. Such agreement shall be obtained within 90 days after such member bank shall have become a subsidiary of the holding company affiliate.<sup>4/</sup>

The original and one copy of such agreement must be filed promptly with the ~~Federal-Reserve-agent-at-the~~ Federal Reserve bank of the district in which the holding company affiliate's principal office is located, and the original of such agreement shall be sent by such Federal Reserve agent BANK to the Board.

Any State banking institution applying for membership in the Federal Reserve System will be required to obtain and file a similar agreement (Form P-6) by any corporation, business trust, association, or other similar organization which will become a holding company affiliate of such banking institution upon the latter's admission to membership in the Federal Reserve System.

~~Section-4---Necessity-for-Obtaining-Voting-Permits~~

~~No-holding-company-affiliate-of-a-national-bank-or-of-a-State member-bank-which-has-executed-the-agreement-required-by-section-3-of this-regulation-may-lawfully-vote-any-share-of-stock-of-such-bank-for~~

4/ Upon the failure of a State member bank which is now or hereafter becomes a subsidiary of a holding company affiliate to obtain the requisite agreement within the time prescribed, the law makes it the duty of the Board to require such bank to surrender its stock of the Federal Reserve bank and to forfeit all rights and privileges of membership in the Federal Reserve System.

any-purpose,-other-than-to-place-such-bank-in-voluntary-liquidation-or  
to-take-any-other-action-pertaining-to-the-voluntary-liquidation-of-such  
bank,-unless-such-holding-company-affiliate-shall-have-first-obtained-a  
voting-permit,-pursuant-to-the-provisions-of-section-5144-of-the-Revised  
Statutes-and-of-this-regulation,-and-unless-such-voting-permit-shall-be  
in-force-at-the-time-such-shares-are-voted.

No State banking institution will be admitted to membership in the  
Federal Reserve System until each corporation, business trust, associa-  
tion, or other similar organization which will become a holding company  
affiliate of such banking institution upon the latter's admission to  
membership in the Federal Reserve System has filed an application for a  
voting permit TO VOTE SUCH STOCK IN SUCH BANKING INSTITUTION. At-its  
discretion,-the-Board-will-either-(a)-require-that-each-such-applicant  
for-a-voting-permit-comply-with-all-conditions-to-the-granting-of-a-gen-  
eral-voting-permit-prior-to-the-admission-of-the-bank-to-membership,  
or-(b)-admit-the-bank-to-membership-subject-to-the-condition-that-each  
such-applicant-obtain-a-general-voting-permit-within-a-reasonable-time.

#### Section-5.--Granting-of-Voting-Permits

Any-holding-company-affiliate-of-a-member-bank,-and-any-such-organi-  
zation-of-which-a-nonmember-bank-applying-for-membership-in-the-Federal  
Reserve-System-is-a-subsidiary,-may-make-application-to-the-Board-for-a  
voting-permit-entitling-it-to-vote-the-shares-owned-or-controlled-by-it  
at-any-or-all-meetings-of-shareholders-of-each-of-its-subsidiary-member  
banks-or-entitling-the-trustee-or-trustees-holding-the-shares-for-its-ben-  
efit-or-the-benefit-of-its-shareholders-or-members-so-to-vote-such-shares.

In acting upon an application for a voting permit, the Board is required to 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 each of its subsidiary member banks. The Board is vested with discretionary authority to grant or withhold any voting permit applied for as the public interest may require, provided, however, that no voting permit shall be granted except upon certain conditions prescribed by law. Accordingly, each applicant for a voting permit will be required to execute certain agreements which are contained in Form P-1 (the application form) and the Board, in granting voting permits, will prescribe such additional conditions as it may, in the circumstances, deem reasonable and proper and in the public interest.

#### Section 6 4. Procedure Relating to Applications for Voting Permits

An applicant for a voting permit need file only one application notwithstanding the fact that it may desire permission to vote shares of more than one bank. The application A HOLDING COMPANY AFFILIATE WILL NOT BE GRANTED A VOTING PERMIT FOR A SUBSIDIARY MEMBER BANK IF, AFTER THE GRANTING OF SUCH PERMIT, IT WOULD CONTINUE TO HAVE SUBSIDIARY MEMBER BANKS FOR WHICH IT WOULD HAVE NO VOTING PERMIT. APPLICATIONS MAY COVER MORE THAN ONE BANK AND shall be submitted on Form P-1 and the applicant shall furnish the exhibits referred to therein as a part of its application. Exhibits C, L, N, P, and Q shall be furnished on Forms P-2, P-3, P-4, P-5, and P-6, respectively. All forms (except signatures of persons executing same) should be filled out by typewriter. Instructions concerning the preparation of the other exhibits should be obtained from the Federal Reserve agent BANK.

The application and the exhibits referred to in the application blank shall be executed and filed in duplicate with the Federal Reserve agent-at the Federal Reserve bank of the district in which the applicant's principal office is located and-a-copy-thereof-shall-be-filed with-the-Federal-Reserve-agent-at-the-Federal-Reserve-bank-of-each-other district-in-which-a-subsidiary-member-bank-or-subsidiary-nonmember-bank applying-for-membership-is-located. The Federal-Reserve-agent-at-the Federal Reserve bank of the district in which the applicant's principal office is located will forward the original application to the Board, with his ITS recommendation and that of the ITS executive committee of the-Federal-Reserve-bank-of-his-district---The-Federal-Reserve-agent-at the-Federal-Reserve-bank-of-any-other-district-in-which-a-subsidiary member-bank-or-a-subsidiary-nonmember-bank-applying-for-membership-is located-will-forward-to-the-Board-his-recommendation-and-that-of-the executive-committee-of-the-Federal-Reserve-bank-of-such-district.

HOLDING COMPANY AFFILIATES, IN MAKING APPLICATION FOR A VOTING PERMIT, WILL BE REQUIRED TO ASSUME CERTAIN UNIFORM OBLIGATIONS: AND, IN PARTICULAR CASES, SPECIAL CONDITIONS AND REQUIREMENTS WILL BE IMPOSED AS MAY BE FOUND TO BE NECESSARY OR APPROPRIATE IN THE PUBLIC INTEREST.

THE GRANTING OF ANY VOTING PERMIT SHALL BE SUBJECT TO THE CONDITION THAT IT SHALL REMAIN IN FORCE AND EFFECT ONLY FOR SUCH PERIOD AND FOR SUCH PURPOSES AS IT MAY BE GRANTED AND, IN ANY EVENT, ONLY UNTIL (1) IT HAS BEEN SURRENDERED IN ACCORDANCE WITH SUCH TERMS AND CONDITIONS AS MAY HAVE BEEN PROVIDED WHEN IT WAS GRANTED OR (2) IT HAS BEEN TERMINATED BY OPERATION OF LAW OR BY OPERATION OF ANY OF THE PROVISIONS

OF THE TERMS AND CONDITIONS UNDER WHICH IT WAS GRANTED OR (3) IT HAS BEEN REVOKED IN THE MANNER PROVIDED IN SECTION 5144 OF THE REVISED STATUTES OF THE UNITED STATES.

If a holding company affiliate, which has filed an application for a voting permit, desires to vote shares of a subsidiary member bank at any meeting of the bank's shareholders before the Board grants it a general voting permit, such holding company affiliate may request the Board to grant a limited permit entitling it to vote the shares at such meeting. The request shall be in writing and shall be signed by a duly authorized officer of the applicant. It shall state the approximate date of the meeting and shall contain full information concerning the matters to be acted upon at such meeting. ~~It shall be filed in duplicate with the Federal Reserve agent with whom the application for a voting permit has been filed and the Federal Reserve agent shall forward the original of such request to the Board with his recommendation.~~

#### Section 7. -- Reserve Requirements

~~Beginning June 16, 1938, every holding company affiliate must, during the life of any voting permit granted to it, comply with the provisions of section 5144 of the Revised Statutes relating to reserves of readily-marketable assets other than bank stock (see Appendix, page 10). The assets required to be maintained as reserves may be used by the holding company affiliate for replacement of capital in banks affiliated with it and for the elimination of losses incurred in such banks; but any deficiency in such assets resulting from such use must be made~~



up within a period of two years after the date such assets are so depleted, unless the Board, in its discretion, extends such period for cause.

#### Section 8. -- Revocation of Permit

If it appears to the Board that any holding company affiliate has violated any of the provisions of the Banking Act of 1933 or of any agreement made pursuant to section 5144 of the Revised Statutes, the Board may, in its discretion, revoke any voting permit theretofore granted to such holding company affiliate after giving 60 days' notice by registered mail of its intention to the holding company affiliate and affording it an opportunity to be heard.

#### Section 9 5. Participation by Subsidiary Member Banks in Nomination Or Election of Directors of Federal Reserve Banks

Whenever two or more member banks within the same Federal Reserve district are subsidiaries of the same holding company affiliate, only one such bank may participate in any nomination or election of directors of the Federal Reserve bank for such district, and the holding company affiliate of such subsidiary member banks may designate the particular subsidiary member bank which is to participate in such nomination or election. A holding company affiliate may designate one of its subsidiary member banks in each of the three groups into which member banks of each Federal Reserve district are divided for electoral purposes to participate in the nomination and election of each director chosen by the group of which such bank is a member.

Section 40 6. Forms

All forms referred to in this regulation and all such forms as they may be amended from time to time shall be a part of this regulation.

APPLICATION

OF

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(Name)

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(Address)

FOR A VOTING PERMIT UNDER AUTHORITY OF  
SECTION 5144, REVISED STATUTES

This application and all exhibits should be forwarded in duplicate to the Federal-Reserve-agent-at-the Federal Reserve bank of the district in which Applicant's principal office is located and-a-copy-thereof should-be-forwarded-to-the-Federal-Reserve-agent-at-the-Federal-Reserve bank-of-each-other-district-in-which-a-subsidiary-member-bank-or-sub-sidiary-nonmember-bank-applying-for-membership-is-located.

Exhibits C, L, N, P, K, M, N, and Q O should be furnished on Forms P-2, P-3, P-4, P-5, and P-6, respectively. Instructions concerning the preparation of Exhibits D, E, F, G, H, and K should be obtained from the Federal-Reserve-agent-at-the Federal Reserve bank of the district in which Applicant's principal office is located.

APPLICATION FOR VOTING PERMIT

\_\_\_\_\_  
(Name of Applicant)

(hereinafter called the Applicant), a \_\_\_\_\_  
(Here Indicate Whether Corporation,

\_\_\_\_\_, organized  
Business Trust, Association, or Other Similar Organization)

and existing under the laws of \_\_\_\_\_, and regis-  
tered and/or licensed to do business in \_\_\_\_\_

\_\_\_\_\_,  
and having its principal place of business at \_\_\_\_\_,

\_\_\_\_\_, hereby applies to the Board of Governors  
of the Federal Reserve System (hereinafter called the Board) for a per-  
mit entitling \_\_\_\_\_

(Applicant or Trustee--Indicate and Name Trustee, If Any)

\_\_\_\_\_  
\_\_\_\_\_  
to vote, at any or all meetings of shareholders of the banking institu-  
tions listed in Exhibit A attached hereto and made a part hereof, the  
stock of each such banking institution directly or indirectly owned or  
controlled by the Applicant, or held by any trustee for the benefit of  
the shareholders or members of the Applicant. For the purpose of ob-  
taining such permit, the Applicant represents and agrees as follows:

1. The Applicant expressly agrees to submit to examination by  
examiners duly authorized to examine banks with which it is affiliated;  
that such examinations may be made on dates identical with those fixed  
for the examination of such banks or at such other times as the Board,

the Federal Reserve agent BANK, the Comptroller of the Currency, the appropriate State authority, or other duly constituted authority may decide; that such examiners may make such examinations of the Applicant, and that the reports of such examinations shall contain such information as shall be necessary to disclose fully the relations between the Applicant and such banks, its other subsidiaries, and other corporations, business trusts, associations, or other organizations with which the Applicant or its subsidiaries may be affiliated, and the effect of such relations upon the affairs of such banks, subsidiaries, and other organizations; that such reports shall contain such other and additional information as the Board, the Federal Reserve agent BANK, the Comptroller of the Currency, the appropriate State authority, or other duly constituted authority may require; that the Applicant will do everything necessary to facilitate such examinations and will make available to the examiners all information which they may require; and that the Applicant will pay the expenses of all such examinations as determined by the Board, the Federal Reserve agent BANK, the Comptroller of the Currency, the appropriate State authority, or other duly constituted authority, and at such times as it may be called upon to pay such expenses.

2. The Applicant expressly agrees that examiners duly authorized to examine banks with which the Applicant is affiliated may examine every bank or other organization owned or controlled by the Applicant either individually or in conjunction with other banks or other organizations owned or controlled by the Applicant in any manner whatsoever, and at such times as may be fixed by the Board, the Federal Reserve

agent BANK, the Comptroller of the Currency, the appropriate State authority, or other duly constituted authority, as the case may be; and that, when called upon to do so, the Applicant will pay the expenses of all such examinations as determined by the Board, the Federal Reserve agent BANK, the Comptroller of the Currency, the appropriate State authority, or other duly constituted authority.

3. The Applicant expressly agrees that it will publish or cause to be published, if required by the Board, either individual or consolidated statements of banks with which it is affiliated and of any other corporation, business trust, association, or other organization with which it or any of its subsidiaries is affiliated, and that publication of such statements will be made at such times and in such manner and in such form as may be prescribed by the Board, and without expense to the Board.

4. The Applicant expressly agrees that reports of examinations of duly constituted authorities, and any other information they may have relating to the Applicant, its subsidiaries, or other organizations with which the Applicant or any of its subsidiaries is affiliated, may be furnished by any such authority to the Board, the Federal Reserve agent BANK, the Comptroller of the Currency, the appropriate State authority, or other duly constituted authority upon request therefor, and the Applicant authorizes the interchange of such reports and information among such authorities.

5. The Applicant represents that it does not directly or indirectly own, control, or have any interest in, and is not directly or indirectly 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, or otherwise, of stocks, bonds, debentures, notes, or other securities of any sort (hereinafter referred to as "securities company") ~~except such securities companies, if any, as may be listed in Exhibit-O attached hereto and made a part hereof; and the Applicant expressly agrees that, within 5 years after the date of this application, it will divest itself of all its ownership, control, and interest in the securities company or companies, if any, listed in Exhibit-O hereof, and will cease to participate in the management and direction thereof, and will not thereafter, during the period that any permit granted hereunder remains in force, directly or indirectly retain or acquire any further ownership, control, or interest in any such securities company, or participate in the management or direction thereof, in any manner whatsoever.~~

6. The Applicant expressly agrees that, in the event a voting permit is granted hereunder, the Applicant will not directly or indirectly acquire any ownership, control, or interest in any securities company, and will not directly or indirectly participate in the management or direction of any securities company ~~not listed in Exhibit-O hereof, during the period that such permit remains in force, and the Applicant further expressly agrees that, between the date of filing of this application and the issuance or refusal of a voting permit hereunder, or the withdrawal of said application, it will not acquire any ownership, control, or interest in any securities company in any manner whatsoever.~~

7. THE APPLICANT AGREES THAT IT WILL TAKE SUCH ACTION WITHIN ITS POWER AS MAY BE NECESSARY TO CAUSE THE MANAGEMENT OF APPLICANT AND OF EACH OF ITS SUBSIDIARIES TO BE CONDUCTED UNDER SOUND POLICIES GOVERNING FINANCIAL AND OTHER OPERATIONS, INCLUDING STATEMENTS ISSUED RELATING THERETO; THAT APPLICANT WILL MAINTAIN A SOUND FINANCIAL CONDITION; AND THAT ITS NET CAPITAL AND SURPLUS FUNDS SHALL BE ADEQUATE IN RELATION TO THE CHARACTER AND CONDITION OF ITS ASSETS AND TO ITS LIABILITIES AND OTHER CORPORATE RESPONSIBILITIES. The Applicant expressly FURTHER agrees that from the date of the filing of this application until the termination of any permit which may be granted hereunder, by revocation or otherwise, it will not directly or indirectly, by any device whatsoever, declare, pay, or set aside any dividend other than a stock dividend, or order or make any distribution, whether in cash, property, or otherwise, on any shares of its capital stock unless and except to the extent that the actual net earnings of the Applicant are sufficient therefor, and unless provision has first been made for any impairment in its capital, and such reserves have been established and such transfers have been made to surplus as may be required by law or provided for herein.

8. The Applicant expressly agrees that the permit applied for hereunder may be granted for such period and for such purposes as the Board may determine, and that, before the date of expiration of such period, or before such other date as the Board may fix, the Applicant, if so requested by the Board, will file a new application or applications, in form prescribed by the Board, for a permit or permits to vote the stock owned or controlled directly or indirectly by the Applicant, or held by

any trustee for the benefit of the shareholders or members of the Applicant, in any subsidiary member bank.

9. The Applicant represents that no certificate representing stock of the Applicant represents stock of any other corporation, and that neither the ownership, sale, nor transfer of any certificate representing the stock of the Applicant is conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except to the extent and in the manner, if any, set forth in Exhibit M L attached hereto and made a part hereof.

10. THE APPLICANT REPRESENTS THAT, IF THE PERMIT HEREIN APPLIED FOR IS GRANTED, APPLICANT WILL HAVE NO SUBSIDIARY MEMBER BANKS FOR WHICH IT DOES NOT HAVE A VOTING PERMIT. THE APPLICANT AGREES THAT IT WILL NOT HEREAFTER ACQUIRE, DIRECTLY OR INDIRECTLY, THE WHOLE OR ANY PART OF THE STOCK OF ANY BANK, BANKING ASSOCIATION OR TRUST COMPANY UNLESS IT SHALL HAVE FIRST (1) MADE AN AFFIRMATIVE SHOWING TO THE BOARD, SATISFACTORY TO THE BOARD, THAT THE ACQUISITION OF SUCH STOCK WOULD NOT BE IN VIOLATION OF SECTION 7 OF THE CLAYTON ACT (TITLE 15, SEC. 18, U.S.C.A.); (2) OBTAINED THE APPROVAL OF THE BOARD TO SUCH ACQUISITION; AND (3) IF THE ACQUISITION WILL RESULT IN THE APPLICANT HAVING A SUBSIDIARY MEMBER BANK FOR WHICH IT WILL NOT HAVE A VOTING PERMIT, APPLIED FOR AND OBTAINED A PERMIT FROM THE BOARD ENTITLING IT TO VOTE THE STOCK WHEN ACQUIRED. THIS PARAGRAPH SHALL NOT APPLY TO THE ACQUISITION OF ANY ADDITIONAL STOCK IN ANY SUBSIDIARY BANK LISTED IN EXHIBIT A OF THIS APPLICATION. THE APPLICANT FURTHER AGREES THAT THE ACQUISITION BY IT OF ANY STOCK IN ANY BANK, BANKING ASSOCIATION OR TRUST COMPANY, WHICH ACQUISITION HAS NOT BEEN AUTHORIZED PURSUANT TO THIS PARAGRAPH, SHALL, IN ADDITION TO BEING A VIOLATION OF THE APPLICANT'S

AGREEMENTS AND UNDERTAKINGS HEREIN, OPERATE AS AN AUTOMATIC TERMINATION OF ANY VOTING PERMIT GRANTED BY THE BOARD PURSUANT TO THIS APPLICATION.

11. THE APPLICANT AGREES THAT IT WILL TAKE SUCH ACTION WITHIN ITS POWER AS MAY BE NECESSARY TO CAUSE EACH OF ITS SUBSIDIARY BANKING INSTITUTIONS TO MAINTAIN A SOUND FINANCIAL CONDITION AND TO CAUSE THE NET CAPITAL AND SURPLUS FUNDS OF EACH SUCH SUBSIDIARY BANKING INSTITUTION TO BE ADEQUATE IN RELATION TO THE CHARACTER AND CONDITION OF ITS ASSETS AND TO THE DEPOSIT LIABILITIES AND OTHER CORPORATE RESPONSIBILITIES OF SUCH SUBSIDIARY BANKING INSTITUTION. SUCH ACTION SHALL INCLUDE CAUSING EACH OF ITS SUBSIDIARY BANKING INSTITUTIONS TO MAKE CHARGE-OFFS OF ITS ESTIMATED LOSSES AND ADJUST THE CARRYING VALUE OF ITS ASSETS IN ACCORDANCE WITH THE SUPERVISORY PROCEDURE FOLLOWED BY THE SUPERVISORY AUTHORITY HAVING JURISDICTION OVER EACH SUCH BANKING INSTITUTION. THE APPLICANT ALSO AGREES THAT IT WILL TAKE ALL NECESSARY ACTION WITHIN ITS POWER TO CAUSE ALL OF ITS SUBSIDIARY BANKS AND ANY OTHER BANKS WITH WHICH IT OR ANY OF ITS SUBSIDIARIES IS AFFILIATED TO COMPLY WITH THE PROVISIONS OF SECTION 23A OF THE FEDERAL RESERVE ACT TO THE SAME EXTENT AS IF THEY WERE MEMBER BANKS.

10 12. The Applicant expressly agrees that ~~if, during the life of any permit granted hereunder, it shall appear to the Board that any State nonmember banking institution is a subsidiary of the Applicant, and that the continuance of the relationship of the Applicant and its subsidiary member banks to any such subsidiary nonmember bank is not compatible with the public interest, the Applicant, if so requested IN WRITING by the~~

Board, IT will cause any such ELIGIBLE subsidiary nonmember bank to apply for AND OBTAIN membership in the Federal Reserve System, ~~or will forthwith surrender any voting permit granted to the Applicant by the Board upon the failure of any such bank to make such application and become a member of the Federal Reserve System, or will divest itself of its ownership or control of such bank; and, for failure so to do, any and all rights under any voting permit granted to the Applicant by the Board may be forfeited.~~ THE APPLICANT FURTHER AGREES THAT IF AT THE EXPIRATION OF 90 DAYS FROM THE DATE OF THE BOARD'S REQUEST, THE APPLICANT HAS NEITHER CAUSED SUCH SUBSIDIARY NONMEMBER BANK TO APPLY FOR AND OBTAIN SUCH MEMBERSHIP NOR HAS DIVESTED ITSELF OF ITS <sup>OWNERSHIP</sup> ~~MEMBERSHIP~~ OR CONTROL OF SUCH SUBSIDIARY, ANY VOTING PERMIT GRANTED BY THE BOARD PURSUANT TO THIS APPLICATION SHALL AUTOMATICALLY TERMINATE UNLESS THE BOARD, BY ORDER, SHALL HAVE EXTENDED THE PERIOD WITHIN WHICH THE APPLICANT MAY TAKE EITHER OF SUCH ACTIONS.

13. THE APPLICANT REPRESENTS THAT IT HAS NO NONBANKING SUBSIDIARIES OTHER THAN THOSE LISTED IN EXHIBIT G OF THIS APPLICATION. THE APPLICANT AGREES THAT IT WILL NOT HEREAFTER, DIRECTLY OR INDIRECTLY, ACQUIRE ANY NONBANKING SUBSIDIARY UNLESS IT SHALL HAVE FIRST OBTAINED THE APPROVAL OF THE BOARD TO SUCH ACQUISITION. THE APPLICANT FURTHER AGREES THAT THE ACQUISITION BY IT OF ANY NONBANKING SUBSIDIARY, WHICH ACQUISITION HAS NOT BEEN AUTHORIZED PURSUANT TO THIS PARAGRAPH, SHALL OPERATE AS AN



AUTOMATIC TERMINATION OF ANY VOTING PERMIT GRANTED BY THE BOARD PURSUANT TO THIS APPLICATION.

14. THE APPLICANT AGREES THAT IT WILL NOT MAKE ANY LOAN OR EXTEND ANY CREDIT IN ANY OTHER MANNER TO ANY OF ITS EXECUTIVE OFFICERS NOR TO ANY EXECUTIVE OFFICER OF ANY OF ITS SUBSIDIARY BANKS IN AN AMOUNT EXCEEDING \$2500.

11 15. The Applicant represents that it is not engaged ~~principally~~, AS A BUSINESS, in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail or through syndicate participation, or otherwise, of stocks, bonds, debentures, notes, or other securities of any sort, and AGREES that it will not, during the life of any permit granted hereunder, engage ~~principally~~ in any such business ~~in-any-manner whatsoever~~. THE APPLICANT FURTHER AGREES THAT IT WILL NOT DEAL IN NOR TRADE IN NOR MAKE LOANS ON THE SECURITY OF STOCK IN THE APPLICANT OR ANY OF ITS SUBSIDIARIES. THIS PARAGRAPH SHALL NOT APPLY TO THE INITIAL SALE FOR CASH OF ANY NEW STOCK IN APPLICANT OR ANY OF ITS SUBSIDIARIES ISSUED PURSUANT TO AN AUTHORIZED INCREASE OF CAPITAL NOR TO THE DISPOSITION, FOR CASH OR ON CREDIT, OF ANY STOCK ACQUIRED IN THE LIQUIDATION OF A BONA FIDE DEBT PREVIOUSLY CONTRACTED.

12 16. The Applicant expressly agrees that if it acquires the ownership or control of any organization of any kind whatsoever by any device whatsoever during the life of any permit granted hereunder, it will forthwith



notify the Board in writing of the acquisition of the ownership or control of any such organization.

13 17. The Applicant submits herewith as part of this application the following documents and represents that the information contained therein is true and complete to the best of its knowledge and belief:

Exhibit A--Two copies of list of all subsidiary member banks and all subsidiary nonmember banks ~~applying-fer-membership~~, showing the address of each.

Exhibit B--Two certified copies of charter or article of incorporation and by-laws of Applicant, with all amendments to date.

Exhibit C--Two certified copies of resolution of Applicant's Board of Directors (Form P-2).

Exhibit D--Two copies of statement of financial condition of Applicant as of date of application or a date not in excess of 60 days prior thereto, together with the required supplemental schedules and information in duplicate.

Exhibit E--Two copies of report of last audit of Applicant by independent auditors and of last report of examination, if any, of Applicant (unless Applicant is a member bank) by State authority ~~together-with-the-required-supplemental-information-in-duplicate~~.

Exhibit F--Two copies of detailed statement regarding management and personnel of Applicant, including names, addresses and principal business connections of all directors and officers and a list of the principal shareholders.

Exhibit G--Two copies of list of all of Applicant's subsidiaries and all other corporations, business trusts, associations, and other similar organizations with which Applicant or any of its subsidiaries is affiliated, together with the required information in duplicate regarding their functions, financial condition, and relationships.

Exhibit H--Two copies of statement of financial condition of each subsidiary bank as of the date of the statement of financial condition of Applicant contained in Exhibit D, together with the required supplemental schedules and information in duplicate.

Exhibit I--Two copies of report of last examination, if any, by State authorities of each of Applicant's subsidiaries and of each other corporation, business trust, association, or other similar organization with which Applicant or any of its subsidiaries is affiliated (other than a member bank).

Exhibit J--Two copies of report of last examination, if any, by or for Applicant of each of its subsidiaries and of each other corporation, business trust, association, or other similar organization with which Applicant or any of its subsidiaries is affiliated.

Exhibit K--Two copies of detailed statement of any plan of reorganization involving any subsidiary or any other corporation, business trust, association, or other similar organization with which Applicant or any of its subsidiaries is

~~affiliated,--effected--since--last--examination--of--any  
such--organization,--and--of--any--such--reorganization--pro-  
posed--or--pending.~~

Exhibit-L-K--Two copies of agreement by each subsidiary nonmember bank and by each other corporation, business trust, association, or other similar organization with which Applicant or any of its subsidiaries is affiliated (other than a member bank) to submit to examinations and furnish reports of condition (Form P-3).

Exhibit-M-L--Two copies of statement whether certificate representing stock of Applicant represents stock of any other corporation, and effect of ownership, sale, or transfer of stock of Applicant on ownership, sale or transfer of stock of any other corporation.

Exhibit-N-M--Two copies of authorization to other authorities and organizations to furnish information to Board and authorization to Board to interchange information (Form P-4).

~~Exhibit-O---Two--copies--of--complete--list--of--securities--companies  
which--Applicant--owns--or--controls,--or--in--the--management  
or--direction--of--which--it--participates,--and--full--in-  
formation--as--to--nature--of--such--ownership,--control,--or  
participation.~~

Exhibit-P-N--Two copies of agreement (Form P-5) by Applicant to accept provisions of section 5144, Revised Statutes.  
(This exhibit is not required unless Applicant is holding company affiliate of a State member bank.)

Exhibit-Q-0--Two copies of agreement (Form P-6) by Applicant to  
accept provisions of section 5144, Revised Statutes.

(This exhibit is not required unless Applicant is  
holding company of a subsidiary nonmember bank apply-  
ing for membership in the Federal Reserve System.)

14 18. The Applicant expressly agrees that it will comply at all  
times with all the provisions of section 5144 of the Revised Statutes,  
and with any and all regulations issued by the Board pursuant thereto,  
and with all other applicable provisions and requirements of law, includ-  
ing but not limited to the establishment and maintenance of requisite  
reserves of readily marketable assets; that it will require its subsidiary  
banks to comply with all provisions and requirements of law applicable  
thereto; that it will not violate or participate in the violation of any  
such provision or requirement; and that, if the Board so requires, it  
will eliminate from its employ any officer or employee who shall be  
guilty of doing any act prohibited by section 5209 of the Revised Statutes,  
the provisions of which are made applicable to officers and employees of  
the Applicant by law.

~~15--The Applicant expressly agrees that if at any time it shall ap-  
pear to the Board that the Applicant has violated or failed to comply  
with any of the provisions of the Banking Act of 1933 or of any agreement  
made pursuant to section 5144 of the Revised Statutes or of any regula-  
tion issued by the Board pursuant thereto, or upon default in performance  
under this application or any other obligation of the Applicant to the  
Board, or upon default in performance by the obligor under any other  
agreement required hereunder, the Board may, in its discretion, revoke~~

~~any voting permit granted pursuant to this application and any other voting permit granted by the Board to the Applicant; Provided, however, That the Board shall first give the Applicant 60 days' notice by registered mail of its intention to revoke such permit and afford it an opportunity to be heard.~~

16 19. It is expressly understood and agreed that the terms "Board," "member bank," "nonmember bank," "subsidiary," and "affiliate," shall have the meanings assigned to them, respectively, in Regulation P, issued by the Board and in force on the date of this application, which regulation is expressly incorporated by reference herein and made a part hereof.

~~17. In case a permit is granted hereunder, this application and any agreements required hereunder and any conditions imposed by the Board in granting such permit shall be and become binding upon the Applicant and the other parties executing such agreements. It is expressly understood and agreed that the voting privileges under any such permit shall not extend to the successors or assigns of the Applicant.~~

~~If any part or provision of the contract so created shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such adjudication shall not impair or invalidate the remainder of such contract, but shall be confined in its operation directly to the part or provision involved in the controversy in which such adjudication shall have been rendered.~~

20. THE REPRESENTATIONS, AGREEMENTS, AND UNDERTAKINGS OF THE APPLICANT SET OUT IN THIS APPLICATION, AND ANY OTHER REPRESENTATIONS, AGREEMENTS OR UNDERTAKINGS MADE BY THE APPLICANT AS AN INCIDENT TO THE GRANTING OF A VOTING PERMIT PURSUANT TO THIS APPLICATION, SHALL, IF SUCH PERMIT IS

GRANTED, BE EFFECTIVE AND BINDING UPON THE APPLICANT AS OF THE DATE OF THIS APPLICATION AND SHALL CONTINUE TO BE SO UNTIL THE PERMIT (OR PERMITS IF THERE BE MORE THAN ONE) SHALL HAVE BEEN SURRENDERED BY THE APPLICANT, OR TERMINATED OR REVOKED. THE APPLICANT AGREES THAT THE CONTINUED RETENTION OF A VOTING PERMIT ENTITLING IT TO VOTE ITS STOCK IN A PARTICULAR BANK SHALL BE CONCLUSIVE EVIDENCE THAT APPLICANT IS A HOLDING COMPANY AFFILIATE OF SUCH BANK AND THAT THE SURRENDER OF SUCH PERMIT SHALL OPERATE AS A SURRENDER OF ANY AND ALL VOTING PERMITS WHICH THE BOARD HAS GRANTED THE APPLICANT. THE APPLICANT UNDERSTANDS AND AGREES THAT THE VOTING PRIVILEGES GRANTED UNDER ANY SUCH PERMIT ARE GRANTED TO THE APPLICANT PERSONALLY AND SHALL NOT RUN TO ANY SUCCESSOR OR ASSIGNEE. THE APPLICANT FURTHER UNDERSTANDS AND AGREES THAT ALL OF ITS AGREEMENTS AND UNDERTAKINGS HEREIN, AS WELL AS ANY SPECIAL AGREEMENTS OR UNDERTAKINGS WHICH ARE REQUIRED OF IT AS AN INCIDENT TO THE GRANTING OF THE VOTING PERMIT APPLIED FOR HEREIN, ARE INSEPARABLE AND THE INVALIDATION OF ANY SUCH AGREEMENT OR UNDERTAKING BY LEGAL PROCEDURE OR OTHERWISE SHALL TERMINATE ANY VOTING PERMIT OR PERMITS GRANTED PURSUANT TO THIS APPLICATION.

Executed this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_

[Seal]

By \_\_\_\_\_  
(Authorized Officer)

Attest:

\_\_\_\_\_  
Secretary.