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80TH CONGRESS
1ST SESSION

S. 829

IN THE SENATE OF THE UNITED STATES

MARCH 10 (legislative day, FEBRUARY 19), 1947

MR. TOBEY introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

[Omit the part struck through and insert the part printed in *italic*]

A BILL

To provide for control and regulation of bank holding companies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the Bank Holding Company
4 Act of 1947.

5 SEC. 2. DECLARATION OF POLICY.—It is hereby de-
6 clared to be the policy of Congress, in accordance with
7 which policy all of the provisions of this Act shall be inter-
8 preted, to control the creation and expansion of bank holding
9 companies; to separate their business of managing and con-
10 trolling banks from unrelated businesses; and generally to

1 maintain competition among banks and to minimize the
2 danger inherent in concentration of economic power through
3 centralized control of banks; to subject the business and
4 affairs of bank holding companies to the same type of exami-
5 nation and regulation as the banks which they control;
6 and otherwise to provide for more effective regulation and
7 supervision of bank holding companies to the end that their
8 influence and control shall be directed toward the continued
9 pursuit of sound policies and the continued maintenance of
10 sound financial conditions by their subsidiary banks.

11 Before the expiration of five years following the passage
12 of this Act the Board of Governors of the Federal Reserve
13 System shall report to Congress the results of the administra-
14 tion of this Act, stating what, if any, substantial difficulties
15 have been encountered in carrying out the purposes of this
16 Act, and any recommendations as to changes in the law
17 which in the opinion of the Board would be desirable.

18 SEC. 3. DEFINITIONS.—(a) “Bank holding company”
19 means (1) any company which directly or indirectly owns,
20 controls or holds with power to vote ~~40~~ 15 per centum or
21 more of the voting shares of each of two or more banks, *or*
22 *any company which is a bank and which directly or indirectly*
23 *owns, controls, or holds with power to vote 15 per centum*
24 *or more of the voting shares of one or more other banks, or*
25 *any company which directly or indirectly owns, controls, or*

1 *holds with power to vote 15 per centum or more of the voting*
2 *shares of one bank provided such bank operates one or more*
3 *branches, unless the Board as hereinafter provided by order*
4 *declares such company not to be a bank holding company;*
5 *and (2) any company which the Board determines, after*
6 *notice and opportunity for hearing, directly or indirectly*
7 *exercises (either alone or pursuant to an arrangement or*
8 *understanding with one or more other persons) such a con-*
9 *trolling influence over the management or policies of two or*
10 *more banks as to make it necessary or appropriate in the*
11 *public interest or for the protection of investors or depositors*
12 *that such company be subject to the obligations, duties and*
13 *liabilities imposed in this Act upon bank holding companies.*

14 The Board, upon application, shall by order declare that
15 a company is not a bank holding company under clause (1)
16 above if the Board finds that the applicant does not, either
17 alone or pursuant to an arrangement or understanding with
18 one or more other persons, exercise such a controlling
19 influence over the management or policies of ~~two or more~~
20 *the stated number of* banks as to make it necessary or appro-
21 priate in the public interest or for the protection of investors
22 or depositors that such company be subject to the obligations,
23 duties, and liabilities imposed in this Act upon bank holding
24 companies.

25 (b) "Bank" means any national bank, or any State

1 bank, banking association, savings bank, or trust company.
2 “State member bank” means any State bank which is a
3 member of the Federal Reserve System. “District bank”
4 means any State bank organized or operating under the Code
5 of Law for the District of Columbia.

6 (c) “Company” means any bank, corporation, partner-
7 ship, joint-stock company, business trust, voting trust, associa-
8 tion, or an organized group of persons, whether incorporated
9 or not, or any receiver, trustee, or other liquidating agent of
10 any of the foregoing in his capacity as such; excluding, how-
11 ever, any such company which is owned by the United States.

12 (d) “Board” means the Board of Governors of the Fed-
13 eral Reserve System.

14 (e) “Subsidiary” with respect to a specified bank hold-
15 ing company, means (1) any company ~~40~~ 15 per centum or
16 more of whose outstanding voting shares (excluding shares
17 owned by the United States or by any company wholly
18 owned by the United States) is owned or controlled by such
19 bank holding company, unless the Board as hereinafter pro-
20 vided by order declares such company not to be a subsidiary
21 of such bank holding company; or (2) any company the
22 management and policies of which the Board determines,
23 after notice and opportunity for hearing, are subject to a con-
24 trolling influence by the specified bank holding company.

25 The Board, upon application, shall by order declare

1 that a company is not a subsidiary company of a specified
2 bank holding company under clause (1) above if the Board
3 finds that the management or policies of the applicant are
4 not subject to a controlling influence, directly or indirectly,
5 by such bank holding company (either alone or pursuant
6 to an arrangement or understanding with one or more other
7 persons).

8 *(f) For the purposes of this section there shall be ex-*
9 *cluded from consideration all voting shares of banks or*
10 *other companies acquired or held by a bank in a fiduciary*
11 *capacity, except where such voting shares are acquired or*
12 *held for the benefit of all or a majority of the persons bene-*
13 *ficially interested in such bank or except where the Board,*
14 *after notice and opportunity for hearing, finds that such*
15 *acquisition or holding is being employed as a device for*
16 *avoiding the provisions of this Act.*

17 SEC. 4. REGISTRATION REPORTS AND EXAMINA-
18 TIONS.—(a) Within ninety days after the effective date of
19 this Act, or within ninety days after becoming a bank
20 holding company, whichever is later, every bank holding
21 company shall register with the Board on forms prescribed
22 by the Board, which shall include, with such other informa-
23 tion as the Board may require, statements showing (1) its
24 financial condition at the end of its fiscal year last preced-
25 ing the date of registration, including therein the amount

1 of its accumulated net income at such time; (2) name and
2 address of each of the bank holding company's subsidiary
3 banks and address of each branch of each such bank; (3)
4 name and address of each other bank of which the bank
5 holding company owns shares; (4) number of shares of
6 each class of stock of each bank owned by the bank holding
7 company; (5) information concerning the manner in which
8 such shares are owned; (6) name, address, and nature of
9 business of each of the bank holding company's subsidiaries,
10 other than banks, and the manner in which the relationship
11 arises; and (7) such information as the Board may deem
12 necessary or appropriate.

13 The Board may, in its discretion, extend the time within
14 which a bank holding company shall register and file the
15 requisite statement.

16 (b) Each bank holding company shall furnish to the
17 Board from time to time such reports as may be required by
18 the Board and in such form and detail as the Board may
19 prescribe. Such reports shall contain such information con-
20 cerning the bank holding company and its subsidiaries as
21 the Board shall deem necessary to disclose fully the relations
22 among such companies, the effect of such relations upon the
23 affairs of the subsidiary banks, and whether the provisions of
24 this Act have been complied with.

25 (c) Each bank holding company and each subsidiary

1 thereof shall be subject to such examinations by examiners
2 selected or approved by the Board as shall be necessary to
3 disclose fully the relations between such bank holding com-
4 pany and its subsidiaries, the effect of such relations upon the
5 affairs of the subsidiary banks, and whether the provisions
6 of this Act or of the Board's orders, rules, or regulations have
7 been complied with; and the examiner making such an
8 examination shall have power to administer oaths and to
9 examine any of the officers, directors, employees, and agents
10 of such bank holding company or subsidiary under oath.
11 The expenses of any such examination may, in the discretion
12 of the Board, be assessed against the bank holding com-
13 pany and, when so assessed, shall be paid by such bank
14 holding company.

15 SEC. 5. INTERESTS IN NONBANKING ORGANIZA-
16 TIONS.—(a) Except as otherwise provided in this Act it
17 shall be unlawful for any bank holding company, after two
18 years after the effective date hereof, to own any voting
19 shares or other securities or obligations of any company other
20 than a bank or to engage in any business other than that of
21 *banking or* managing or controlling subsidiary banks. The
22 Board is authorized to extend this period from time to time
23 for not more than one year at a time if, in its judgment, such
24 an extension would not be detrimental to the public interest.

25 (b) The prohibitions in this section shall not apply to

1 voting shares or other securities or obligations owned or ac-
2 quired by a bank holding company in any company engaged
3 solely in holding and operating property in which the bank
4 premises are located, or engaged solely in conducting a safe-
5 deposit business, *or engage in the business of furnishing*
6 *managerial, auditing, supervisory, purchasing, and other*
7 *similar services solely to such bank holding company and its*
8 *subsidiaries, or in the business of procuring and servicing*
9 *solely for such bank holding company and its subsidiaries*
10 *investments and paper eligible for bank investment, or in the*
11 *business of liquidating assets acquired from such bank*
12 *holding company and its subsidiaries, or in any other com-*
13 *pany the activities of which the Board has determined are*
14 *so closely related to the business of managing, operating, or*
15 *controlling banks as to be a proper incident thereto.*

16 (c) Nor shall the prohibitions in this section apply to
17 voting shares or securities or obligations acquired by a bank
18 holding company from any of its subsidiaries ~~at the request~~
19 ~~of~~ *which have been requested to dispose of such voting shares,*
20 *securities or obligations by any Federal or State authority*
21 *having statutory power to examine such subsidiaries or*
22 *which have been acquired from such subsidiaries with the*
23 *prior approval of the Board; but such bank holding com-*
24 *pany shall dispose of such shares, securities, or obligations*
25 *within a reasonable time. If, while such bank holding*

1 company owns or controls such shares, securities, or obliga-
 2 tions, the Board, after notice and opportunity for hearing,
 3 determines that the ownership or control of such shares,
 4 securities, or obligations is resulting in the violation or
 5 evasion of any of the provisions of this Act, it may by
 6 order require such bank holding company to dispose of all
 7 or any part thereof forthwith.

8 *(d) Nor shall the prohibitions of this section apply to*
 9 *voting shares or other securities or obligations which are*
 10 *held or acquired by a bank, which is a bank holding com-*
 11 *pany, in a fiduciary capacity or which are otherwise law-*
 12 *fully owned by such bank or any of its wholly owned sub-*
 13 *sidaries on the effective date of this Act; nor shall the pro-*
 14 *hibitions in this section apply to investment securities of the*
 15 *kinds and amounts eligible for investment by national banks*
 16 *under the provisions of section 5136 of the Revised Statutes.*
 17 *If, while such bank or bank holding company owns or controls*
 18 *such shares, securities or other obligations, the Board, after*
 19 *notice and opportunity for hearing, determines that the owner-*
 20 *ship or control of such shares, securities or obligations is*
 21 *being employed as a device for avoiding the provisions of this*
 22 *Act, it may by order require such bank or bank holding*
 23 *company to dispose of all or any part thereof forthwith.*

24 SEC. 6. ACQUISITIONS OF BANK SHARES OR BANK

1 ASSETS.— (a) No plan, undertaking, or agreement by or on
2 behalf of any company which would result in that company
3 owning, either directly or indirectly, ~~10~~ 15 per centum or
4 more of the voting shares of each of two or more banks, and
5 no plan, undertaking, or agreement by or on behalf of any
6 bank holding company to acquire either directly or indirectly
7 any voting shares of a bank, shall be consummated, effec-
8 tuated, and completed except with the prior approval of the
9 Board: *Provided, however, That nothing herein contained*
10 *shall be construed to apply to the acquisition by a bank hold-*
11 *ing company of any additional voting shares of a bank in*
12 *any case where such bank holding company, prior to such*
13 *acquisition, owned a majority of the voting shares thereof.*

14 (b) No plan, undertaking, or agreement by or on be-
15 half of any bank holding company or any of its nonbanking
16 subsidiaries to acquire all or substantially all of the assets of
17 any bank shall be consummated, effectuated, or completed
18 except with the prior approval of the Board.

19 (c) No plan, undertaking, or agreement by or on behalf
20 of a banking subsidiary of a bank holding company to acquire
21 all or substantially all of the assets of any bank shall be
22 consummated, effectuated, or completed except with the
23 prior approval of (1) the Comptroller of the Currency if
24 the acquiring bank is a national bank or district bank; or (2)
25 the Board if the acquiring bank is a State member bank; or

1 (3) the Federal Deposit Insurance Corporation in the case
2 of any other acquiring bank.

3 (d) In determining whether to approve any acquisition
4 subject to paragraphs (a), (b), or (c) of this section con-
5 sideration shall be given to the financial history and condi-
6 tion of the applicant and the banks concerned; their prospects;
7 the character of their management, the convenience, needs,
8 and welfare of the communities and the area concerned; and
9 the national policy against restraint of trade and undue con-
10 centration of economic power and in favor of the maintenance
11 of competition in the field of banking: *Provided, however,*
12 *That nothing herein contained shall be construed to authorize*
13 *the approval of any acquisition subject to paragraphs (a),*
14 *(b), or (c) of this section where, regardless of its competitive*
15 *or other aspects, the effect of such acquisition may be to expand*
16 *the size and extent of a bank holding company system beyond*
17 *limits consistent with adequate and sound banking and the*
18 *public interest. The factors stated in this section shall likewise*
19 *be considered by the Board, the Comptroller of the Currency*
20 *or the Federal Deposit Insurance Corporation in determining*
21 *whether to approve an application of any bank, which is a*
22 *part of a bank holding company system, to establish a branch*
23 *or branches of such bank.*

24 SEC. 7. BORROWING BY BANK HOLDING COMPANY OR
25 ITS SUBSIDIARIES.—(a) No bank shall invest any of its

1 funds in the capital stock of (1) a bank holding company
2 of which it is a subsidiary, or (2) a subsidiary of such bank
3 holding company.

4 (b) No bank shall accept the capital stock of (1) a
5 bank holding company of which it is a subsidiary, or (2) a
6 subsidiary of such bank holding company as collateral se-
7 curity for advances made to any person, partnership, asso-
8 ciation, or corporation: *Provided, however, That any bank*
9 *may, with the prior approval of the Board, accept such*
10 *capital stock as a security for debts previously contracted.*

11 (c) No bank shall (1) make any loan or any extension
12 of credit to, or purchase securities under repurchase agree-
13 ment from, (a) a bank holding company of which it is a
14 subsidiary, or (b) a subsidiary of such bank holding com-
15 pany; or (2) invest any of its funds in the bonds, debentures,
16 or other such regulations of any such bank holding company
17 or subsidiary; or (3) accept the bonds, debentures, or other
18 such obligations of any such bank holding company or sub-
19 sidiary as collateral security for loans or advances made to
20 any person, partnership, association, or corporation, if the
21 aggregate amount of such loans, extensions of credit, re-
22 purchase agreements, investments, and advances against such
23 collateral security will exceed ~~10~~ 20 per centum of the
24 capital stock and surplus of such bank. *Non-interest-bearing*
25 *deposits to the credit of a bank shall not be deemed to be*

1 a loan or advance to the bank of deposit, nor shall the
2 giving of immediate credit to a bank upon uncollected items
3 received in the ordinary course of business be deemed to be
4 a loan or advance to the depositing bank. Within the fore-
5 going limitations, each loan or extension of credit of any kind
6 or character to such bank holding company or subsidiary
7 shall be secured by collateral in the form of stocks, bonds,
8 debentures, or other such obligations having a market value
9 at the time of making the loan or extension of credit of at
10 least 20 per centum more than the amount of the loan or
11 extension of credit, or of at least 10 per centum more than
12 the amount of the loan or extension of credit if it is secured
13 by obligations of any State or of any political subdivision or
14 agency thereof: *Provided*, That no margin of collateral shall
15 be required when such loan or extension of credit is secured
16 by obligations of the United States Government, the Fed-
17 eral Intermediate Credit banks, the Federal land banks, the
18 Federal home loan banks, or the Home Owners' Loan Cor-
19 poration, or by such notes, drafts, bills of exchange, or
20 bankers' acceptances as are eligible for rediscount or for
21 purchase by Federal Reserve banks.

22 (d) The provisions of this section shall not apply to (1)
23 any company of the types described in section 5 (b) of this
24 Act, or (2) any company whose subsidiary status has arisen

1 out of a bona fide debt to the bank contracted prior to the
2 date of the creation of such status, or (3) any company
3 whose subsidiary status exists by reason of the ownership or
4 control of voting shares thereof by the bank as executor,
5 administrator, trustee, receiver, agent, or depositary, or in
6 any other fiduciary capacity, except where such shares are
7 held for the benefit of all or a majority of the stockholders
8 of such bank.

9 SEC. 8. SERVICE FEES OR BENEFITS.—The Board is au-
10 thORIZED, if in its opinion such action is necessary or appro-
11 priate for the protection of depositors or investors and after
12 appropriate notice and opportunity for hearing, to determine
13 the reasonableness of any service, management or similar
14 charge or fee or benefit obtained by a bank holding company
15 or any of its subsidiaries from a subsidiary bank of such bank
16 holding company, and to order that all or any part of such
17 charges or fees or benefits which it finds to be unreasonable
18 shall be discontinued. It shall be unlawful for such bank
19 holding company or any of its subsidiaries thereafter to as-
20 sess or obtain any such charge or fee or benefit in contraven-
21 tion of the Board's order.

22 SEC. 9. RESERVE FUND.—After the effective date of this
23 Act, every corporate bank holding company shall use all
24 its net earnings over and above 6 per centum per annum
25 of the ~~par~~ book value of its own shares to accumulate a fund,

1 and every noncorporate bank holding company shall accumu-
2 late a fund in accordance with the terms prescribed by the
3 Board, in an amount equal to at least 12 per centum of the
4 aggregate par value of all bank shares owned by it. Such
5 fund shall consist of readily marketable assets and shall be
6 identified in an appropriate manner and kept free and clear of
7 any lien, pledge, or hypothecation of any kind or nature.
8 Such assets may be used by the bank holding company to
9 replace capital of its subsidiary banks and to eliminate losses
10 and depreciation from the assets of such banks, *and, with*
11 *the prior approval of the Board, to increase the capital or*
12 *surplus of its subsidiary banks*, but, except as permitted by
13 the Board, shall not be used by the bank holding company
14 for any other purpose, and any deficiency in such assets
15 resulting from such use shall be replaced in the same manner
16 as above provided.

17 SEC. 10. REGULATIONS.—The Board shall have the
18 authority to make and issue such rules, regulations, and
19 orders, not inconsistent with the provisions of this Act, as
20 may be necessary to enable it to administer and carry out the
21 purposes of this Act and prevent evasions thereof and it shall
22 likewise have authority to amend, modify, or rescind any such
23 rules, regulations, or orders so made or issued. All powers
24 and functions of the Board prescribed by this Act, other than
25 the issuance, amendment, modification, or rescission of rules,

1 regulations, and orders and the determination of matters of
2 general policy, may be performed through such members of
3 the Board or such officers and employees thereof or such
4 Federal Reserve banks or officers or employees thereof as
5 the Board may deem advisable in order to facilitate the
6 administration of this Act.

7 SEC. 11. HEARINGS, INVESTIGATIONS, AND COURT
8 REVIEW OF ORDERS.—

9 (a) In addition to the hearings authorized in this Act,
10 the Board also shall have authority to make such investiga-
11 tions as may be necessary to determine whether any pro-
12 ceeding under this Act should be instituted against a particular
13 person or persons, or with respect to a particular transaction
14 or transactions; and the Board shall keep appropriate records
15 of all hearings and investigations.

16 (b) For the purpose of any hearing or investigation
17 under this Act, any member of the Board, or any officer
18 thereof designated by it, is empowered to administer oaths
19 and affirmations, subpoena witnesses, compel their attendance,
20 take evidence, and require the production of any books,
21 records, or other papers which are relevant or material to
22 the inquiry. Such attendance of witnesses and the production
23 of any such papers may be required from any place in any
24 State or in any Territory or other place subject to the juris-

1 diction of the United States at any designated place where
2 such a hearing is being held or investigation is being made.

3 (c) In case of refusal to obey a subpoena issued to, or
4 contumacy by, any person, the Board may invoke the aid
5 of any court of the United States within the jurisdiction of
6 which such hearing or investigation is carried on, or where
7 such person resides or carries on business, in requiring the
8 attendance and testimony of witnesses and the production of
9 books, records, or other papers. And such court may issue
10 an order requiring such person to appear before the Board
11 or member or officer designated by the Board, there to pro-
12 duce records, if so ordered, or to give testimony touching
13 the matter under investigation or in question; and any failure
14 to obey such order of the court may be punished by such
15 court as a contempt thereof. All process in any such case
16 may be served in the judicial district whereof such person
17 is an inhabitant or wherever he may be found. No person
18 shall be excused from attending and testifying or from pro-
19 ducing books, records, or other papers in obedience to a sub-
20 pena issued under the authority of this Act on the ground
21 that the testimony or evidence, documentary or otherwise,
22 required of him may tend to incriminate him or subject him
23 to a penalty or forfeiture; but no individual shall be prose-
24 cuted or subject to any penalty or forfeiture for or on account

1 of any transaction, matter, or thing concerning which he is
2 compelled to testify or produce evidence, documentary or
3 otherwise, after having claimed his privilege against self-
4 incrimination, except that such individual so testifying shall
5 not be exempt from prosecution and punishment for perjury
6 committed in so testifying. Any person who without just
7 cause shall fail or refuse to attend and testify or to answer
8 any lawful inquiry or to produce books, records, or other
9 papers in obedience to the subpoena of the Board, if in his
10 or its power so to do, shall be guilty of a misdemeanor and
11 upon conviction shall be subject to a fine of not more than
12 \$1,000 or to imprisonment for a term of not more than one
13 year, or both.

14 (d) Any person or party aggrieved by an order issued
15 by the Board under this Act may obtain a review of such
16 order in the circuit court of appeals of the United States
17 within any circuit wherein such person resides or has his
18 principal place of business, or in the United States Court
19 of Appeals for the District of Columbia, by filing in such
20 court, within sixty days after the entry of such order, a
21 written petition praying that the order of the Board be
22 modified or set aside in whole or in part. A copy of such
23 petition shall be forthwith served upon any member of the
24 Board or upon the Board's secretary at its offices in the
25 city of Washington, and thereupon the Board shall certify

1 and file in the court a transcript of the record upon which
2 the order complained of was entered. Upon the filing of
3 such transcript such court shall have exclusive jurisdiction
4 to affirm, modify, or set aside such order in whole or in
5 part. No objection to the order of the Board shall be con-
6 sidered by the court unless such objection shall have been
7 urged before the Board or unless there were reasonable
8 grounds for failure so to do. The finding of the Board as
9 to the facts, if supported by substantial evidence, shall be
10 conclusive. If application is made to the court for leave
11 to adduce additional evidence, and it is shown to the satis-
12 faction of the court that such additional evidence is material
13 and that there were reasonable grounds for failure to adduce
14 such evidence in the proceeding before the Board, the court
15 may order such additional evidence to be taken before the
16 Board and to be adduced upon the hearing in such manner
17 and upon such terms and conditions as to the court may
18 seem proper. The Board may modify its findings as to
19 the facts by reason of the additional evidence so taken, and
20 it shall file with the court such modified or new findings,
21 which, if supported by substantial evidence, shall be con-
22 clusive, and its recommendation, if any, for the modifica-
23 tion or setting aside of the original order. The judgment
24 and decree of the court affirming, modifying, or setting
25 aside, in whole or in part, any such order of the Board

1 shall be final, subject to review by the Supreme Court of
2 the United States upon certiorari or certification as provided
3 in sections 239 and 240 of the Judicial Code, as amended.
4 The commencement of proceedings to review an order of
5 the Board issued under this Act shall not operate as a stay
6 of the Board's order unless the court otherwise orders.

7 SEC. 12. PENALTIES.—(a) If, after notice and oppor-
8 tunity for hearing, the Board finds that a bank holding com-
9 pany has willfully violated any of the provisions of this Act,
10 or of any rules, regulations, or orders of the Board issued
11 pursuant thereto, or has knowingly permitted or assented to
12 or participated in any such violation by any subsidiary, the
13 Board may issue an order, effective for such period as may be
14 fixed by the order and containing any one or more of the
15 following prohibitions: (i) That such bank holding company
16 shall not pay any salary or other remuneration to any officer
17 or director of the company found by the Board to have will-
18 fully participated in such violation or violations and who was
19 made a party to such hearing by the Board; (ii) that no
20 subsidiary bank of such bank holding company shall pay divi-
21 dends on shares owned by such bank holding company or pay
22 or become liable to pay to such bank holding company or any
23 of its subsidiaries any service, management, or similar charges
24 or fees, or render any specified benefit; and (iii) that such
25 bank holding company shall not directly or indirectly vote the

1 shares owned by it or otherwise participate in the manage-
2 ment or control of any subsidiary bank.

3 (b) Any person who willfully violates any provision of
4 this Act or any rule, regulation, or order issued by the Board
5 pursuant thereto shall upon conviction be fined not more than
6 \$10,000 or imprisoned not more than two years, or both.
7 Every officer, director, agent, and employee of a bank holding
8 company shall be subject to the same penalties for false
9 entries in any book, report, or statement of such bank holding
10 company as are applicable to officers, directors, agents, and
11 employees of member banks for false entries in any books,
12 reports, or statements of member banks under section 5209
13 of the Revised Statutes, as amended.

14 SEC. 13. TECHNICAL AMENDMENTS.—(a) The last
15 sentence of the sixteenth paragraph of section 4 of the
16 Federal Reserve Act, as amended, is amended by striking
17 out all of the language therein which follows the colon and
18 by inserting in lieu thereof the following: “*Provided, That*
19 whenever any member banks within the same Federal Re-
20 serve district are subsidiaries of the same bank holding
21 company within the meaning of the Bank Holding Company
22 Act of 1947, participation in any such nomination or election
23 by such member banks, including such bank holding com-
24 pany if it is also a member bank, shall be confined to one

1 of such banks, which may be designated for the purpose by
2 such bank holding company.”

3 (b) (1) The eighteenth paragraph of section 9 of the
4 Federal Reserve Act is amended by striking out the last
5 sentence of such paragraph.

6 (2) The twenty-first paragraph of section 9 of the Fed-
7 eral Reserve Act is repealed.

8 (c) Subsection (c) of section 2 of the Banking Act of
9 1933, as amended, is repealed.

10 (d) ~~(1)~~ Section 5144 of the Revised Statutes, as
11 amended, is amended to read as follows:

12 “SEC. 5144. In all elections of directors, each share-
13 holder shall have the right to vote the number of shares
14 owned by him for as many persons as there are directors to
15 be elected, or to cumulate such shares and give one candi-
16 date as many votes as the number of directors multiplied by
17 the number of his shares shall equal, or to distribute them
18 on the same principle among as many candidates as he shall
19 think fit; and in deciding all other questions at meetings of
20 shareholders, each shareholder shall be entitled to one vote
21 on each share of stock held by him; except that (1) this
22 shall not be construed as limiting the voting rights of holders
23 of preferred stock under the terms and provisions of articles
24 of association, or amendments thereto, adopted pursuant to
25 the provisions of section 302 (a) of the Emergency Banking

1 and Bank Conservation Act, approved March 9, 1933, as
 2 amended, (2) in the election of directors, shares of its own
 3 stock held by a national bank as sole trustee, whether regis-
 4 tered in its own name as such trustee or in the name of its
 5 nominee, shall not be voted by the registered owner unless
 6 under the terms of the trust the manner in which such shares
 7 shall be voted may be determined by a donor or beneficiary
 8 of the trust and unless such donor or beneficiary actually
 9 directs how such shares shall be voted, and (3) shares of
 10 its own stock held by a national bank and one or more per-
 11 sons as trustees may be voted by such other person or persons,
 12 as trustees, in the same manner as if he or they were the sole
 13 trustee. Shareholders may vote by proxies duly authorized
 14 in writing; but no officer, clerk, teller, or bookkeeper of such
 15 bank shall act as proxy; and no shareholder whose liability
 16 is past due and unpaid shall be allowed to vote. Whenever
 17 shares of stock cannot be voted by reason of being held by the
 18 bank as sole trustee, such shares shall be excluded in de-
 19 termining whether matters voted upon by the shareholders
 20 were adopted by the requisite percentage of shares.”

21 (e) The second paragraph of section 5211 of the Re-
 22 vised Statutes is amended by striking out the second sentence
 23 of such paragraph.

24 (f) ~~(1) Subdivision (1) (C) of subsection (a) of~~

1 section 14 of the Revenue Act of 1936, as amended, is
2 amended to read as follows:

3 “~~(C)~~ In the case of a bank holding company (as
4 defined in the Bank Holding Company Act of 1947), the
5 amount allowed as a credit under section 26 ~~(d)~~.”

6 ~~(2)~~ (1) Subsection (d) of section 26 of the Revenue
7 Act of 1936, *Internal Revenue Code*, as amended, is amended
8 to read as follows:

9 “(d) BANK HOLDING COMPANIES.—In the case of
10 a bank holding company (as defined in the Bank Holding
11 Company Act of 1947), the amount of the earnings or
12 profits which the Board of Governors of the Federal Reserve
13 System certifies to the Commissioner has been devoted by
14 such company during the taxable year to the acquisition
15 of cash or readily marketable assets of the kinds eligible
16 for investment by national banks under the provisions of
17 section 5136 of the United States Revised Statutes, in com-
18 pliance with section 409 of the Bank Holding Company Act
19 of 1947. The aggregate of the credits allowable under
20 this subsection for all taxable years shall not exceed the
21 amount required to be devoted under such section 409 to
22 such purposes, and the amount of the credit for any taxable
23 year shall not exceed the adjusted net income for such year.”

24 ~~(3)~~ (2) Subdivision ~~(1)~~ ~~(D)~~ (3) of subsection ~~(e)~~ (b)

1 of section ~~102~~ of the ~~Revenue Act of 1936~~, 27 of the *Internal*
 2 *Revenue Code*, as amended, is amended to read as follows:

3 “~~(D)~~ **BANK HOLDING COMPANIES.**—In the case of
 4 a bank holding company (as defined in the **Bank Holding**
 5 **Company Act of 1947**), the amount allowed as a credit
 6 under section 26 ~~(d)~~.”

7 “(3) *The bank holding company credit provided in sec-*
 8 *tion 26 (d).*”

9 (3) *Section 112 (b) of the Internal Revenue Code (re-*
 10 *lating to the recognition of gain or loss upon certain ex-*
 11 *changes) is amended by inserting at the end thereof the*
 12 *following:*

13 “(11) **DISTRIBUTION PURSUANT TO BANK HOLD-**
 14 **ING COMPANY ACT OF 1947.**—*In the case of a distribution*
 15 *of stock, securities, or other obligations held by a bank*
 16 *holding company on the date of the enactment of the **Bank***
 17 ***Holding Company Act of 1947** or thereafter lawfully*
 18 *acquired pursuant to such Act, made pursuant to the*
 19 *order of the Board of Governors of the Federal Reserve*
 20 *System directing, approving, or permitting such distri-*
 21 *bution as tending to effectuate the policy of the **Bank***
 22 ***Holding Company Act of 1947**, to a shareholder in a*
 23 *corporation which is a bank holding company as defined*
 24 *in such Act, without the surrender by such shareholder*

1 *of stock or securities in such corporation, no gain to the*
 2 *distributee shall be recognized.”*

3 *(4) Section 113 (a) of the Internal Revenue Code is*
 4 *amended by inserting at the end thereof the following:*

5 *“(23) PROPERTY ACQUIRED IN DISTRIBUTION*
 6 *PURSUANT TO BANK HOLDING COMPANY ACT OF 1947.—*
 7 *If stock, securities, or other obligations were acquired in*
 8 *a distribution subject to the provisions of section 112 (b)*
 9 *(11), then the basis in the case of the stock in respect*
 10 *of which the distribution was made shall be apportioned,*
 11 *under rules and regulations prescribed by the Commis-*
 12 *sioner with the approval of the Secretary, between such*
 13 *stock and the stock, securities, and other obligations*
 14 *acquired in such distribution.’*

15 (g) (1) Paragraph 4 of subsection (c) of section 3
 16 of the Investment Company Act of 1940 is amended to
 17 read as follows:

18 “(4) Any bank holding company which is registered
 19 with the Board of Governors of the Federal Reserve System
 20 pursuant to the Bank Holding Company Act of 1947, or
 21 any subsidiary thereof as defined in said Act.”

22 (2) Paragraph (11) of subsection (a) of section 202
 23 of the Investment Advisers Act of 1940 is amended by
 24 changing the words “or any holding company affiliate, as
 25 defined in the Banking Act of 1933” to read “or any bank

1 holding company, as defined in the Bank Holding Company
2 Act of 1947, or any subsidiary thereof as defined in said
3 Act”

4 (h) Subsection (b) of section 2 of the Banking Act of
5 1933, as amended, is amended by adding the following
6 paragraphs:

7 “(4) which owns or controls, directly or indirectly,
8 either a majority of the shares of capital stock of a
9 member bank or more than 50 per centum of the number
10 of shares voted for the election of directors of any one
11 bank at the preceding election, or controls in any manner
12 the election of a majority of the directors of any one
13 bank; or

14 “(5) for the benefit of whose shareholders or mem-
15 bers all or substantially all of the capital stock of a
16 member bank is held by trustees.”

17 SEC. 14. SEPARABILITY OF PROVISIONS.—If any pro-
18 vision of this Act, or the application of such provision to any
19 person or circumstance, shall be held invalid, the remainder
20 of the Act, and the application of such provision to persons
21 or circumstances other than those to which it is held invalid,
22 shall not be affected thereby.

[COMMITTEE PRINT NO. 2]

JUNE 13, 1947

80TH CONGRESS
1ST SESSION

S. 829

A BILL

To provide for control and regulation of bank
holding companies, and for other purposes.

By Mr. TOBEY

MARCH 10 (legislative day, FEBRUARY 19), 1947
Read twice and referred to the Committee on
Banking and Currency