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March 10, 1947.

Honorable Charles W. Tobey, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington, D. C.

Dear Senator Tobey:

As you know, a portion of the Banking Act of 1933 was addressed to the subject of bank holding companies. For reasons which were fully developed in the extensive hearings preceding the passage of this legislation Congress sought to place bank holding companies under effective Federal regulation, and the Board was given the responsibility, among others, of administering that portion of the Act.

However, the legislation as drafted has not proven as effective as was intended and the bank holding company problem has continued to be one of serious concern to the Board, as well as to the other Federal banking agencies. The principal reasons why existing laws are ineffective are set out in the Board's Annual Report to Congress for 1945, a copy of which is enclosed for your information. You will find the Board's discussion of this matter together with its recommendations beginning on page 34 of this Report.

Since the Board's 1945 Report was filed with Congress, numerous individual banks and associations of banks have requested the Board to offer to the Congress a precise bill for making effective the Board's supervision and regulation of bank holding companies. Representatives in Congress have made similar requests. And such a proposed bill was in fact submitted to the last Congress. At the Board's request S. 792 was introduced on March 26, 1945, and later a revised version of this bill was offered on April 25, 1946, by way of substitution for the earlier bill. The revised bill was introduced in the House (H. R. 6225) but was not introduced in the Senate. The pressure of war and reconversion matters, however, quite naturally precluded the possibility of any serious consideration of this legislation by the 79th Congress.

Meanwhile, however, there has been neither improvement nor change in the situation sufficient to lessen the concern which the

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Board has felt in respect of this troublesome matter. The abuses described in the Board's 1943 Report continue unabated and uncontrolled. Accordingly, the Board has asked that I deliver to you copies of a draft of proposed legislation which is designed to carry out the recommendations made in the Board's Annual Report for 1943, with the hope that such a bill will be introduced by you and will receive favorable consideration by the Congress. They are enclosed herewith. The Board will be glad to respond to any request for further information and to assist you and your Committee in any appropriate way.

I am also enclosing a statement of the purposes of this bill which may be helpful to you if and when you introduce the proposed legislation.

Sincerely yours,

M. S. Eccles,
Chairman.

Enclosures

JLT:fcc
1/7/47