PENNSYLVANIA BANKERS ASSOCIATION

OFFICE OF THE SECRETARY

HUNTINGDON, PA.
June 9, 1947

Hon. Marriner S. Eccles, Chairman
Board of Governors
Federal Reserve System
Washington 25, D. C.

Dear Marriner:

I have read and re-read your May 26 statement on the subject of full control of bank holding companies before the Senate Banking and Currency Committee, in the Commercial and Financial Chronicle. This is a concise and convincing presentation. I had not heretofore grasped some of the implications which S. 829 would correct.

From the start of holding company purchases of national bank shares, I have seen the ultimate threat to our American or democratic system of local bank ownership and management. As holding company ownership has expanded, the chances of making a practical application of the basic principle stated in the Lehman Opinion as to corporate ownership of national bank shares, have gradually faded out. Hence, in view of the difficulty of invoking this principle, the only remaining course is to make the best of the situation and proceed with S. 829. Unless this is done, we shall soon witness a similar breakdown in our present controls of branch banking under state laws, just as failure to uphold the validity of the Lehman Opinion has resulted in bank holding companies getting out of hand.

For many years I have looked upon the promotion methods of A. P. Giannini as our greatest menace, and therefore I trust that the Federal Reserve Board will continue the fight for the full control of bank holding companies. We must either win this contest or face the tragedy of eventual socialization of American banking.

Is there any help we can give?

Sincerely yours,

Charles F. Zimmerman
Secretary.

CFZ/ebz

June 18, 1947.

Mr. Charles F. Zimmerman, Secretary,
Pennsylvania Bankers Association,
First National Bank,
Huntingdon, Pennsylvania.

Dear Charlie:

Your letter of June 9 is certainly gratifying. The argument in the second and third paragraphs is so well stated and convincing that I am sure it would be effective with members of Congress, especially coming from you. So taking advantage of your question as to whether there is any help you can give, my answer is emphatically yes.

The Holding Company Bill, S. 829, was favorably reported to the Senate today by the Senate Banking and Currency Committee. This will put it on the Senate calendar in a day or two. However, it can only be taken up thereafter by unanimous consent, or on motion, or by having the Steering Committee make it the unfinished business. Anything you felt you might appropriately do, such as writing to your Senators who, in turn, might take up the matter with Senator Taft, Chairman of the Steering Committee, or other members of that Committee would be most helpful. We do not anticipate any difficulty in its passing the Senate once it is considered.

If it does pass without difficulty, there is a reasonable chance of getting it through the House provided enough interest is shown, especially from those like yourself who strongly favor the bill and recognize the need for it. The House bill, H.R. 3551, has been introduced by Chairman Wolcott of the Banking and Currency Committee, but has not been reported out by the Committee. A word from you to him recommending its passage, if you felt that was in order, would help. It would be even better if your Association, possibly through its executive or legislative committee, would reinforce your stand.

As you no doubt know, three Pennsylvania Congressmen are members of the House Banking and Currency Committee - John C. Kunkel of Harrisburg; Hardie Scott of Philadelphia; and Frank Buchanan of McKeesport. Anything you or the Association could do to interest them in getting the bill acted on by the Committee and by the House would be very worthwhile.

With kindest personal regards,

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b

PENNSYLVANIA BANKERS ASSOCIATION

OFFICE OF THE SECRETARY

HUNTINGDON, PA.
June 21, 1947

Hon. Marriner S. Eccles, Chairman
Board of Governors
Federal Reserve System
Washington, D. C.

Dear Marriner:

Many thanks for your favor of June 18 received this morning. It is a privilege for me to fall in with your welcome suggestion. The enclosed copy of my letter today to Jesse Wolcott is self explanatory, and I trust you will approve.

Other copies are going to Senators Martin and Myers, to all members of our Pennsylvania delegation, to Maple Harl and Lee Wiggins. In addition a copy is going to Sam Needham, who of course is unable to get on the firing line - and we understand this.

Bankers who know about the developments in recent years and months are united behind the Federal Reserve Board's position and are most anxious that this legislation be placed on the statute books.

I am asking Senator Martin, my personal friend, to use his best influence to have Senator Taft have S. 829 taken up in the Senate as unfinished business at the first opportunity after it has been placed on the Calendar. I am certain that he will render his best service in this connection. I have the opinion that Senator Myers will also be happy to assist.

Again thanking you, and awaiting further developments, I am

Sincerely yours,

Charlie

CFZ/ebz Secretary.

P.S.: This morning I learned that the Independent Bankers Association of Minnesota has sent to all banks in the United States, a letter enclosing a copy of my letter to you dated June 9, 1947. I gave them this concession in the hope of aiding your courageous efforts behind S.829.

C. F. Z.

Mimeo Copy

PENNSYLVANIA BANKERS ASSOCIATION

OFFICE OF THE SECRETARY

COPY

Huntingdon, Penna.
June 21, 1947

Hon. Jesse P. Wolcott, Chairman
House Banking and Currency Committee
Washington, D. C.

Holding Company Bill H.R. 3551

Dear Jesse:

I wish to thank you for your kindness in introducing H.R. 3551. This is a most constructive move for the good of American banking at this crucial time. Needless to say, if this Nation is to avoid the eventual breakdown of our democratic system of local bank ownership and management, Congress must now recognize the pressing need for regulating the further expansion and operations of bank holding companies, as proposed.

Bankers everywhere share the earnest hope that the House and Senate will give these bills their approval, based on the concise and convincing statement of Chairman Eccles on S. 829, before the Senate Committee on May 26, 1947.

From the start of holding company purchases of national bank shares, I have seen the ultimate threat to our American system. As holding company ownership has expanded, the chances of making a practical application of the basic principle stated in the Lehman Opinion as to corporate ownership of national bank shares, have gradually faded out. Hence, in view of the difficulty of invoking this principle, the only remaining course is to make the best of the situation and proceed with S. 829 and H.R. 3551. Unless this is done, we shall soon witness a similar breakdown in our present controls of branch banking under state laws, just as failure to uphold the validity of the Lehman Opinion has resulted in bank holding companies getting out of hand.

For many years I have looked upon the promotion methods of Transamerica Corporation as our greatest menace. Should further expansion of bank holding companies remain uncontrolled, the way is open for the destruction of states rights governing branch banking within their own borders, because although there would remain a distinction in terms, there would still be no difference in the practical use or application of the basic principle involved, as against states rights in branch banking. We are all aware that domination of banking resources on a large scale, either through group banking or branch banking, will lead to the tragedy of eventual socialization of American banking.

I trust that this measure will soon clear the Senate and that the House Banking and Currency Committee will then proceed with hearings, at which time I should consider it an honor to testify in line with the above viewpoint.

Sincerely yours,

PENNSYLVANIA BANKERS ASSOCIATION

OFFICE OF THE SECRETARY

Huntingdon, Penna.
June 21, 1947

Hon. Jesse P. Wolcott, Chairman
House Banking & Currency Committee
Washington, D. C.

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From the start of holding company purchases of national bank shares, I have seen the ultimate threat to our American system. As holding company ownership has expanded, the chances of making a practical application of the basic principle stated in the Lehman Opinion as to corporate ownership of national bank shares, have gradually faded out. Hence, in view of the difficulty of invoking this principle, the only remaining course is to make the best of the situation and proceed with S. 829.* Unless this is done, we shall soon witness a similar breakdown in our present controls of branch banking under state laws, just as failure to uphold the validity of the Lehman Opinion has resulted in bank holding companies getting out of hand.

For many years I have looked upon the promotion methods of Transamerica Corporation as our greatest menace. Should further expansion of bank holding companies remain uncontrolled, the way is open for the destruction of states rights governing branch banking within their own borders, because although there would remain a distinction in terms, there would still be no difference in the practical use or application of the basic principle involved, as against states rights in branch banking. We are all aware that domination of banking resources on a large scale, either through group banking or branch banking, will lead to the tragedy of eventual socialization of American banking.

*And H.R.3551.

I trust that this measure will soon clear the Senate and that the House Banking and Currency Committee will then proceed with hearings, at which time I should consider it an honor to testify in line with the above viewpoint.

Sincerely yours,

(SIGNED) CHARLES F. ZIMMERMAN

CFZ/ebz

Secretary.

PENNSYLVANIA BANKERS ASSOCIATION

OFFICE OF THE SECRETARY

Huntingdon, Penna.
June 26, 1947

Hon. Richard M. Simpson
c/o House Office Building
Washington, D. C.

Bank Holding Company bills

Dear Dick:

Thank you very much for your favor of June 24, referring to your interview with Congressman Wolcott, concerning hearings on H.R. 3551. In my letter to Congressman Wolcott some days ago, I told him I would testify in favor of this bill, should this be found desirable.

May I say that in the fact that the companion bill S. 829 was reported out by unanimous vote of the Senate Committee, there is good ground for thinking that substantial opposition to the bank holding company bill is no longer to be reckoned with, and that the holding companies - with one or two exceptions - have accepted the bill as being a thoroughly justifiable compromise for them, respecting certain promotional phases which are badly in need of control at this time. Hence it is my thought that the hearings might well be expedited and kept within bounds, so that the Committee could take final action in time for enactment of the bill at this session of Congress.

Congressman Wolcott probably knows that the Michigan Bankers Association has adopted a resolution favoring control of bank holding companies. The California Bankers Association likewise adopted a resolution favoring supervision and control of bank holding companies at their recent convention. The Independent Bankers Association of California, and the Independent Bankers Association of Minnesota are a unit behind the bill.

In view of the above I am not certain as to the advisability of having many acceptable witnesses attend the hearings of the House Committee. Perhaps if you were to mention my views to Chairman Wolcott, the whole situation could be expedited.

My feeling is that it would be very helpful if the hearings were to be scheduled at once by the House Committee. Whatever word you can send me in reply will be appreciated.

Sincerely yours,

(SIGNED) CHARLES F. ZIMMERMAN

July 3, 1947.

Dear Charlie:

Thank you for sending me a copy of your excellent letter to Representative Simpson. It is right on the beam and especially helpful going to him. I would, of course, be interested to know what his reply may be.

Let me say again that your effective efforts in behalf of both the bank holding company and guarantee bills are greatly appreciated.

Sincerely yours,

Mr. Charles F. Zimmerman, Secretary,
Pennsylvania Bankers Association,
Huntingdon, Pennsylvania.

ET:b

C
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P
Y

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

July 7th, 1947

Mr. Charles F. Zimmerman,
Huntingdon, Pennsylvania.

Dear Mr. Zimmerman:

I chanced to talk with Jesse Wolcott several days ago. He told me that it is his hope the Senate will iron some of the difficulties in the Holding Company Bill and presently consider it. He is of the opinion that the Bill which reaches the House will be substantially what is desired and in this connection, was pleased to have your letter of June the 26th, pointing out several items with which you are not in accord.

With best personal regards, I am

Sincerely,

(Signed) Dick.

Richard M. Simpson

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

For immediate release June 10, 1947

STATEMENT OF CHAIRMAN ECCLES
IN REPLY TO CRITICISM BY MR. MUIR AND MR. CRAVENS ON H.R. 3268
BEFORE THE BANKING AND CURRENCY COMMITTEE OF THE HOUSE

During hearings before this Committee on June 4, 1947, on H.R. 3268, which would continue and improve the authority of Federal Reserve Banks to guarantee in part loans by private banks, particularly to small business, two witnesses representing committees of the American Bankers Association presented statements which are so misleading and unfair that I would appreciate having this reply placed in the record.

One witness was Mr. Earl R. Muir of Louisville, Kentucky, a member of the Small Business Credit Commission of the ABA, whose prepared statement was strikingly similar to previous attacks made on this legislation by Mr. Walter B. French, who is employed as Deputy Manager of the ABA. As this Committee is doubtless aware, though the general public is not, these attacks are not representative of a very large body of banking opinion in this country. The Board and, no doubt, members of Congress have received various communications from individual banks as well as from local banking organizations endorsing the bill, and I placed in the record the resolution in support of this measure by the Federal Reserve System's Advisory Council, which is composed of one leading banker from each of the Federal Reserve districts in the country. While Mr. Muir speaks for an ABA committee on small business, it is interesting to note that the Small Business Advisory Committee to the Secretary of Commerce, which is composed of businessmen who have given consideration to this legislation, strongly endorses it and expects shortly to issue a formal statement of approval. Likewise, I understand that the research committee of the Committee for Economic Development, in reporting on the needs of small business, among other recommendations endorses this type of credit program administered by the Federal Reserve System.

In an effort to stir up animosities, Mr. Muir echoed a wholly untrue assertion previously made by Mr. French that the bill would tend to destroy the dual banking system. This is a familiar red herring. It is repeatedly dragged out by the opponents of the Federal Reserve System, and it is utterly false. Congress gave the Reserve System authority in 1934 to make industrial loans directly or to participate in them with private banks. Under this authority some 3500 applications for commitments and advances, aggregating 566 million dollars, were approved by the Federal Reserve Banks and their branches. That did not threaten the dual banking system. During the war the Reserve Banks and branches under the so-called V-loan program made 8771 guarantees of war-production loans, aggregating nearly 10.5 billion dollars. That did not threaten the dual banking system. Nor will continuation of this same general authority as proposed in the pending bill.

Mr. Muir stated that the dual banking system had more than once been under attack by me. That is absolutely untrue. I am and have long been in favor of wider membership in the Federal Reserve System. I have urged unification in that sense and only in that sense. This does not mean doing away with State chartering or the State banking authorities, with whom the Federal Reserve System has long worked very closely. We have in the Federal Reserve System nearly 2000 State member banks having aggregate deposits of 40 billion dollars, or approximately two-thirds of the total deposits of all State commercial banks. It is preposterous to contend that continuance of this guarantee authority can or would affect in any way the established dual banking system in this country or that the Reserve Board or the Reserve Banks have any such purpose in mind in this or any other legislation.

You will recall that when the legislation was passed by Congress creating the Federal Deposit Insurance Corporation it required that all insured banks were to become members of the Federal Reserve System. Senator Glass' support of this legislation was predicated on that requirement. Opponents of the Reserve System were successful later on in getting this removed from the law as a requirement and this, in my opinion, was a backward step. The point is, however, that the charge of Reserve System hostility to the dual banking system is baseless and contradicted by the facts.

Mr. Muir likewise echoed Mr. French's fears that the Reserve Banks would approve unsound loans. As I stated recently in a letter answering Mr. French:

> "Such assertions impugn the judgment and good faith not only of the Reserve Board but of the officers and staffs of the Reserve Banks and branches who have had responsibility for the 11 billions of similar credit operations in the past and who would have the responsibility for them in the future. The interest and fees collected in connection with the 566 million dollars of operations under 13b exceeded all expenses and losses entailed. Likewise, interest and fees collected in connection with nearly 10.5 billion dollars of credit operations under the V-loan program were sufficient to cover all expenses and losses and to result in a substantial profit. This is hardly a record of 'loose lending'."

Mr. Muir professes to be very solicitous of the interests of small business, but appears to be unaware of the fact that it is the smaller concerns which are greatly handicapped in obtaining needed financing because they cannot go to the capital markets, as can the big companies, and frequently the local banks do not feel that they can extend long-term credits up to 10 years, which this bill would enable them to do by authorizing the Reserve Banks, for a fee, to guarantee a percentage of the risk.

Congress has recognized the importance of the smaller business enterprises in this country and has sought to help and encourage them. This is one practical and tested way of helping. The service would be available to all banks, State or national, member or nonmember, without discrimination, just as was the case in the System's thirteen years of experience with 13b and later with V loans.

The other witness, representing the Credit Policy Commission of the ABA, who took much the same line as Mr. Muir, was Mr. Kenton R. Cravens, who reflects the opposition of some of the large banks. He conjured up another fear, namely, that in case of a severe depression, losses on guaranteed loans would have to be paid out of public funds collected in taxation of the people. Such an assertion, as applying to the proposed legislation, is false. Any losses sustained would first come out of the guarantee fees collected, and secondly out of earnings of the Reserve Banks, and finally, if the losses so far exceeded what all our experience indicates, out of the Reserve Banks' surplus.

Mr. Cravens' statement is ambiguous because he does not make clear in his criticisms whether he is speaking about the pending bill or about Government lending and guaranteeing operations in general. He implies, however, because he was testifying on this measure that it would be inconsistent with the American system of free enterprise. Such a charge directed at the proposed legislation is as wide of the mark as are his equally ambiguous fears about taxing the American people to take care of the guarantees. This bill would strengthen our system of private enterprise by encouraging banks to make loans particularly to the smaller businesses which without the partial guarantee would look to direct Government lending or guaranteeing based on appropriated public funds. Under this bill the Reserve Banks would have no authority to make direct loans and would in no way be placed in competition with commercial banks. In all cases loans guaranteed would originate with local privately-owned banks. Credit judgment and responsibility would remain primarily with the local bank. The bill is thus entirely consistent with our system of private enterprise.

Both Mr. Muir and Mr. Cravens point out that bank facilities today are adequate to meet the credit demands of business. I do not believe this is true so far as the long-term credit needs of small business are concerned. Experience does not support their conclusion, and this legislation would be a practical means of affording needed help when necessary without the use of appropriated money, without competition with private enterprise, and in a way that will help in preserving our economic system.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

For immediate release June 11, 1947.

STATEMENT OF CHAIRMAN ECCLES
IN REPLY TO CRITICISM OF S. 829 BY REPRESENTATIVES OF THE MORRIS PLAN
BEFORE THE BANKING AND CURRENCY COMMITTEE OF THE SENATE

Mr. Hill, the Clerk of the Committee, called me the other day to say that the Committee wanted me to appear here this morning to discusss the testimony of certain representatives of the Morris Plan who appeared on June 2nd in opposition to S. 829. Naturally, I am glad to respond to the Committee's request although I must confess a sense of disappointment that, after discussions concerning this bill which have covered a period of almost two years with representatives of other Government agencies, the Federal Advisory Council, two Independent Bankers Associations, bankers generally, and representatives of all of the country's major bank holding companies, I find that we overlooked someone to convince about the merits of this legislation.

I have not had the time to study in detail the extensive oral testimony and elaborate printed statements which were introduced by the Morris Plan representatives. Such as I have seen, however, are so misleading and unfair, and contain so many inaccuracies, as to convince me that they were delivered merely in the hope that one or more of the random charges which they contain might result in damaging delay to the progress of this legislation in this session of Congress. I shall point out two or three of the major inaccuracies contained in these statements simply to show the Morris plan opposition for what it really is, namely, an attempt to prevent the regulation of that group of companies as bank holding companies -- a result which they have so far managed to achieve by taking advantage of one of the loopholes in the present law and causing the withdrawal from System membership of any banks which they acquire.

One of the charges which is repeatedly stressed in their statements is that S. 829 does not contain such adequate standards as to enable those who would be brought under the Act to know in advance what will be the rules of coverage and administration. This charge is made with respect to a number of the sections of the bill.

First it is charged that Section 3, which defines bank holding companies and provides the legislative machinery for obtaining exemptions from the Act, contains what Mr. Huntington, President of Morris Plan, describes as "meaningless" standards. His statement characterizes that section as providing only one "real" standard, which he states is the "arbitrary determination of the Board".

As pointed out in my previous testimony, the definitions and exemption provisions of Section 3 are patterned upon identical provisions in the Public Utility Holding Company Act of 1935. In that Act, as here, the sole criterion of coverage is that of control. In both there is a mathematical coverage based upon a percentage of stock ownership, coupled with the positive right of a company owning the critical number of shares to obtain a declaration that it is not a holding company if it can demonstrate that it does not enjoy the power of control. Similarly, both Acts provide that even if a company does not own the critical number of shares, the Government agency may declare such company to be a holding company upon a determination that control does in fact exist. The standard provided in this section is therefore a purely factual one, one which is capable of concrete proof the same as any other factual issue. Furthermore, this standard is one which has had judicial construction and interpretation in many cases which have gone to the courts from the decisions of the Securities and Exchange Commission on the definitions contained in that Act. If the Committee -- or Mr. Huntington -- desires a list of these cases, I shall be glad to supply it.

Next it is charged that the Board's power under Section 5(b) to "determine" that a business is "related" to banking is also without adequate standards.

This section allows an exemption from the positive prohibition against a holding company owning voting shares in any company other than a bank. Its purpose is to permit a holding company to keep its ownership in those companies which are "related" to the banking business. The standards for determining what is a "related" business are clear. First, under the plain terms of the section, the business must be such as to be a "proper incident" to the banking business. This in itself is a yardstick capable of specific application. Secondly, the section lists a number of specific kinds of businesses which are legislatively declared to be properly incidental to banking and these, under a legal doctrine familiar to most lawyers, limits the kinds of other businesses which may be declared to be "related" to banking to those which are of a like nature. Thirdly, these standards are subject to the further limitation appearing in that part of Section 2 of the Act which reads as follows: "It is hereby declared to be the policy of Congress, in accordance with which policy all of the provisions of this Act shall be interpreted, to control the creation and expansion of bank holding companies; to separate their business of managing and controlling banks from unrelated businesses. * * *"

It is also charged that Section 6 of the Bill lacks adequate standards for determining to what extent a bank holding company may be permitted to expand. In his oral testimony Mr. Huntington, in effect, urged the Congress to adopt a dollar figure defining "bigness".

There is no section of S. 829 which provoked a more searching inquiry for adequate and specific standards than Section 6. Neither the "death sentence" nor the so-called "freeze" seemed to be either just or in the public interest. On the other hand, it was recognized that there should be a positive prohibition against the kind of expansion which operates to the detriment of the public. I believe that the standards as now stated in Section 6 are capable of specific application to each problem of expansion which may hereafter arise. As pointed out in my previous testimony, the banking agencies, when called upon to decide whether to approve the further expansion of a bank holding company, must first consider the financial history and conditions of the applicant and the banks concerned; their prospects; character of management; and the needs of the communities involved. These are considerations which today constitute the legislative guide for administrative action in such matters as the admission of State banks to membership in the Federal Reserve System or the granting of federal deposit insurance coverage. They have been in the banking statutes for many years, without challenge or complaint. Presumably, therefore, they are understood and approved by the banking fraternity generally. Next, the banking agencies are required to take into consideration and to give effect to the national policy against restraints of trade and commerce and the undue concentration of economic power. This standard does not promulgate a new national policy; it merely gives effect to one which has long been on the statute books of this country in the Sherman and Clayton Acts. And judicial interpretation of those Acts has long since fixed the boundaries of this policy in understandable terms of precise application. Finally, there is the requirement under Section 6 that the proposed expansion shall not be inconsistent with adequate and sound banking and the public interest, all of which are familiar expressions to those whose activites are subject to supervision at the hands of banking agencies.

ALLEGED LACK OF ADEQUATE JUDICIAL REVIEW

In addition to the charge of lack of standards it has also been charged that, with very limited exceptions, no provision has been made in S. 829 for judicial review of most of the important decisions which the Board is required to make under the bill.

This charge is so obviously without foundation as scarcely to require a reply. Section 11(d), which is also patterned upon a similar section in the Utility Act, is intended to, and does in fact, grant a specific right of judicial review of any and all orders of the Board made pursuant to S. 829 to a person who is aggrieved by such action. The courts have long since determined that the scope of review provided by the judicial review section of the Utility Act, as well as many similar provisions in other regulatory acts, include the right to review any action which is of a definitive character that adversely affects the legal rights of any person. In the Utility Act the courts have even gone so far as to hold that a minority stockholder not

a party to the proceedings before the Commission is entitled, under certain circumstances to judicial review of the Commission's action affecting the corporation, even though the corporation has not sought such review itself.

ALLEGED EFFECT UPON DUAL BANKING SYSTEM

The third and final charge to which I shall refer is one which both Mr. Huntington and Mr. Morris made, namely, that S. 829 would tend to destroy the dual banking system. This is a familiar red herring. It is repeatedly dragged out by the opponents of the Federal Reserve System, and it is utterly false. Only yesterday I appeared before the House Banking and Currency Committee to answer this charge in relation to the Board's bill to authorize the Federal Reserve Banks to guarantee in part loans by private banks, particularly to small business. Whenever the Board proposes legislation of any kind, selfish opponents make use of this wholly fallacious argument because they feel that by doing so they can cause effective alarm among the senators and representatives in the Congress who have committee responsibilities for such legislation.

I am and have long been in favor of wider membership in the Federal Reserve System. I have urged unification in that sense and only in that sense. This does not mean doing away with State chartering or the State banking authorities, with whom the Federal Reserve System has long worked very closely. We have in the Federal Reserve System nearly 2,000 State member banks having aggregate deposits of 40 billion dollars, or approximately two-thirds of the total deposits of all State commercial banks. It is preposterous to contend that, by extending holding company legislation to reach all such companies, which in turn will subject a relatively few nonmember banks to regulation as a part of a holding company system, this would affect in any way the established dual banking system in this country or that the Board has any such purpose in mind in this or any other legislation.

You will recall that when the legislation was passed by Congress creating the Federal Deposit Insurance Corporation it required that all insured banks were to become members of the Federal Reserve System. Senator Glass' support of this legislation was predicated on that requirement. Opponents of the Reserve System were successful later on in getting this removed from the law as a requirement and this, in my opinion, was a backward step. The point is, however, that the charge of Reserve System hostility to the dual banking system is baseless and contradicted by the facts.

TRUST COMPANY OF GEORGIA

MEMBER FEDERAL RESERVE SYSTEM

ATLANTA 2, GA.

June 16, 1947

Mr. Marriner S. Eccles, Chairman
Federal Reserve Board,
Washington, D. C.

Dear Mr. Eccles:

I would like for you to know how much I appreciated your inviting me to lunch on last Thursday. Naturally, we are very glad that an agreement was reached on the matter we have had under discussion for so long; yet, it seems rather strange that after the many conferences the final result was achieved so quickly.

Your consideration is very much appreciated, and I hope to see you again before too long.

Most cordially,

J. D. Robinson, Jr.,
Vice President.

JDR:AM

United States Senate

COMMITTEE ON BANKING AND CURRENCY

June 18, 1947

Mr. Marriner S. Eccles
Chairman, Board of Governors
Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

Reference is made to your letter of June 13, 1947 addressed to Senator Tobey regarding the bill to provide for regulation and control of bank holding companies before the Senate Committee on Banking and Currency.

The Committee is pleased to inform you that your letter has been incorporated in the printed record of the hearings on Senate bill 829.

Very sincerely yours,

Robert C. Hill

RCH:s