

MARINE MIDLAND CORPORATION

July 21, 1947.

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

Dear Mr. Chairman:

Supplementing my letter to you of May 29th, I am writing again with respect to a suggested amendment to the Bank Holding Company Bill. Mr. Cameron Thomson tells me that in discussing three amendments to this legislation with you on the telephone recently you were not clear that the suggested amendment, having to do with prospective branches of a bank holding company bank, was not at variance with the principles of the bill.

The wording in the present Committee Print No. 2, Section 6, Paragraph (d), Page 11, Line 21, having to do with the factors to be considered in approving the branch application of a holding company bank places such a bank applying for a branch at a competitive disadvantage in relation to an applicant independent bank. Such a disadvantage, if the fundamental principles of this legislation are to be preserved, could not be avoided if the opening of a branch by a holding company bank expanded the holding company system of which it was a part in extent and size beyond limits consistent with adequate and sound banking. Inevitably, the bank owned by the holding company system will have to accept that limitation if it approves, as I do, the general principles of this legislation. However, it appears to me and to others among the bank holding company bankers who feel strongly on this point that it is not necessary, in preserving the principles of this legislation, to apply this test to a purely local situation, at a point where a branch is sought to be established and where no such test would be applicable to an independent bank's application.

If an applicant holding company bank requesting a branch meets all the tests suggested in Section 6, Paragraph (d) as they would be applied to any non-bank-holding company applicant bank, but nevertheless the granting of such a branch would "expand the size and extent of a bank holding company system beyond limits consistent with adequate and sound banking," then under the proposed amendment this application would have to be denied by the supervisory authorities. On the other hand, if comparable tests, applied to two such applicants, resulted in favor of the holding company bank and the granting of its additional branch did not "expand the size and extent of a bank holding company system beyond limits consistent with adequate and sound banking" then the authorities would be free to accede to the bank holding company bank's application with a result most favorable in the public interest.

To accomplish the foregoing and yet to preserve the principles of this legislation and, withal, to permit freedom of action of the supervisory authorities in the best interests of all concerned, it has been suggested that in Section 6, Paragraph (d), Page 11, Line 21, the following clause be inserted after the word "whether" on that line:

", having regard to the expansion of the size and extent of a bank holding company system beyond limits consistent with adequate and sound banking,".

I feel strongly on this point, and while I have no desire to offer these or other suggested amendments, if to do so were to defeat the passage of this legislation, nevertheless if other amendments, as I understand, are to be presented now or later I would like to hope that you would agree to this one and suggest the most effective ways to accomplish it.

Yours sincerely,

(Signed) Bayard F. Pope.

Chairman.

MARINE MIDLAND CORPORATION

July 28, 1947

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

Dear Marriner:

This will acknowledge your letter of July 25th with respect to certain amendments to the Bank Holding Company bill about which we have had some discussion and correspondence. I think that my suggestions still are not clear to you. As there is no haste in this matter at the moment I will look forward to discussing them with you at some time in the near future.

Yours sincerely,

(Signed) Bayard.

July 25, 1947.

Mr. Bayard F. Pope, Chairman,  
Marine Midland Corporation,  
15 Exchange Place,  
Jersey City, New Jersey.

Dear Bayard:

I have your letter of July 21st, in which you again discuss that provision of the holding company bill which requires that the federal bank supervisory authorities shall apply the same standards, which are to govern agency action in controlling the expansion of bank holding companies, in determining whether to approve an application to establish a branch by a bank in a holding company system.

When I talked with Cameron Thomson over the phone a week or so ago I did tell him, as your letter states, that the change which he proposed would, in my judgment, violate the underlying practical philosophy of the bank holding company bill. I am still of the opinion that it would be destructive of the basic purposes of S. 829 to apply one set of standards in the case of an application by a bank holding company to buy a bank, and another to an application by a bank, which is a part of a holding company system, to establish a branch.

It seems to me that the reasons which support this position are both clear and cogent. I think all will agree that it would be a futile undertaking to control the expansion of bank holding companies themselves, if at the same time a way were left open for the holding company to expand through the opening of new branches of banks already in the system. That point being conceded -- and I do not take it from your letter that you disagree -- then logic impels the conclusion that the same standards which are to control direct expansion ought to control expansion by any other means, including the establishment of branches. I have long entertained the opinion, and so stated to the Senate Committee in my testimony, that much of the branch expansion of the Transamerica system would never have been permitted to occur had the Comptroller of the Currency been required to apply the standards which are included in our proposed bill. Both Senator Buck and Senator Robertson were at some pains to point out during the Committee hearings that permission to establish branches had contributed in large part to the present size of that organization. As Senator Buck