

A STATEMENT ON BANK HOLDING COMPANY LEGISLATION

The Secretary of the Treasury and the Chairman of the Board of Governors of the Federal Reserve System heretofore have expressed themselves in favor of bank holding company legislation which is in the public interest. Similar impressions have come from the Federal Reserve Advisory Council, several state bankers associations, and other groups. The A.B.A. is in substantial agreement with the viewpoint expressed by these officials, associations, and others, subject to the comments herein set out.

The A.B.A. believes that a satisfactory solution of this problem cannot be obtained by the enactment of what may be regarded as punitive legislation.

With respect to the legislation now before the Congress, dealing with bank holding companies, the A.B.A. agrees with the principle of divorcement of non-banking affiliates of bank holding companies, giving due recognition to the merits of individual situations; also the principle that there should be provisions which permit adequate time for compliance and tax free distribution of non-eligible investments of bank holding companies. The A.B.A. agrees with the principle that there should be, in the public interest, reasonable controls over the organization of new and the expansion of existing holding companies.

On the other hand, in view of the commitments of the A.B.A. in favor of the maintenance of the dual banking system, and in opposition to branch banking across state lines as expressed in a Resolution of the Convention adopted in 1937 at Boston, Massachusetts, the A.B.A. believes that these points in relation to the present bill require further extensive study. The legislation apparently imposes additional restrictions on state banks which are holding company affiliates and, further, the legislation might deprive states of the right to control bank holding companies (operating entirely within the state's jurisdiction) controlling state-chartered institutions. The local autonomy of state banks and state bank supervisors should be preserved.

Also, the legislation now under consideration may provide for overlapping responsibilities of federal bank supervisory authorities and it might reduce the effectiveness of such federal authorities in fields where they now have statutory responsibility.

The A.B.A. has consistently favored the minimizing of discretionary authority in federal supervisory agencies, which would be increased in this bill.

These factors lead the A.B.A. to believe that further study should be given to all of the foregoing points by those concerned with this legislation.

The legislation involves a conflict of interest between members and groups of members of the A.B.A. (state banks mutual savings banks, bank holding company affiliates, both national and state). The A.B.A. will lend its efforts to the obtainment of substantial agreement among them.

Pending more substantial agreement on appropriate legislation by the interested and affected parties, the Interim Committee is directed to give consideration and study to the general questions raised in this statement so it may recommend to the Association a policy of action on the terms of any desirable legislation submitted on this subject.

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