

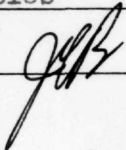
BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date May 11, 1950.

To Governor Eccles

Subject: Bank Holding Company Bill

From Mr. Baumann 

For your information, I am attaching copies of Senator Robertson's substitute bank holding company bill (S. 3547), and five amendments thereto intended to be proposed by Senator Douglas on behalf of himself and Senator Tobey.

Attachments

(4/14/50)

A B I L L

*Bank Co*  
*Holding Corp*  
To provide for control and regulation of bank holding companies, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Bank Holding Company Act of 1950".

Section 2. Definitions. (a) "Bank holding company" means any corporation, business trust, partnership, association, or other similar organization which at any time after April 15, 1950 owns or controls, directly or indirectly, 50 per centum or more of the shares of an insured bank (as defined in Section 12B(c) (8) of the Federal Reserve Act) or 50 per centum or more of the shares voted for the election of directors of an insured bank at the preceding election, or controls in any manner the election of a majority of the directors of an insured bank, or for the benefit of whose shareholders or members more than 50 per centum of the shares of an insured bank is held by trustees at any time after April 15, 1950; or a successor to any such organization. Notwithstanding the foregoing, the term "bank holding company" shall not include any corporation all of the stock of which is owned by the United States.

(b) The term "successor" shall include any organization which acquires from a bank holding company stock of an insured bank, when and if the relationship between the organization and the bank holding

company is such that the transaction effects no substantial change in the control or beneficial ownership of such stock. The Board of Governors of the Federal Reserve System may, by regulation, further define the term "successor" to the extent necessary to prevent evasion of the purposes of this Act.

Section 3. No bank holding company shall, while it owns or controls more than 5 per centum of the shares of any insured bank,

(a) acquire any shares of any bank except with the approval of

(1) the Board of Governors of the Federal Reserve System if the bank is a state member bank (other than a District bank),

(2) the Comptroller of the Currency if the bank is a national or a District bank, or

(3) the Federal Deposit Insurance Corporation if the bank is a non-member bank;

(b) acquire any shares of any bank if after such acquisition it would own shares in banks which, in the aggregate, at the end of the preceding calendar year, (1) operated more than 25 per centum of the banking offices (including branch offices) in any Federal Reserve district or (2) held more than 25 per centum of the bank deposits in any Federal Reserve district; except in exigent cases and with the prior approval of all three supervisory agencies designated in subsection (a);

(c) acquire any shares of banks located in states which are wholly outside the Federal Reserve district in which are centered its major banking interests as determined by the Board of Governors of the Federal Reserve System; except in exigent cases and with the prior approval of all three supervisory agencies designated in subsection (a).

Section 4. No bank holding company, while it owns or controls more than 5 per centum of the shares of any insured bank, shall acquire, or retain after January 4, 1953, (1) any shares or similar equity interest in any nonbanking corporations or organizations other than those engaged exclusively in conducting a safe deposit or fiduciary business, or (2) any obligations other than "investment securities" of the types and in the amounts which it could purchase or retain if it were a bank subject to the Seventh paragraph of Section 5136 of the Revised Statutes; however, this subsection shall not apply to bank holding companies which are banks of deposit organized under the laws of a state or of the United States.

Section 5. No bank holding company, while it owns or controls more than 5 per centum of the shares of any insured bank, shall, after January 4, 1953, engage in any business other than that of banking or managing or controlling banks.

Section 6. Sections 3, 4 and 5 shall not apply to good-faith transactions by banks or trust companies (a) in a fiduciary capacity, or (b) in the regular course of securing or collecting debts previously contracted.

Section 7. No bank holding company shall acquire any shares of a state bank located in a state in which such acquisition would be contrary to state law.

Section 8. In the exercise of the discretion vested in them by this Act and other provisions of law with respect to approving or permitting expansion of multiple-office banking, the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation shall take into consideration the factors specified in Section 12B(g) of the Federal Reserve Act, and also the policy of Congress, hereby declared, in favor of local ownership and control of banks and competition in the field of banking, and in opposition to excessive concentration of power in the field of banking through undue expansion of multiple-office banking systems.

Section 9. Any corporation, business trust, partnership, association, or other similar organization which wilfully violates any provision of this Act shall upon conviction be fined not more than one thousand dollars for each day during which the violation continues. Any individual who wilfully participates in a violation



of any provision of this Act shall upon conviction be fined not more than ten thousand dollars or imprisoned not more than two years, or both.