

First Bank Holding Co

POSSIBLE AMENDMENTS TO ROBERTSON
BANK HOLDING COMPANY BILL, S. 3547

There have been several substantial points of difference with respect to S. 3547, the Robertson Bank Holding Company Bill. These have related to (1) definition of bank holding company, (2) control over expansion through the purchase of bank assets, (3) authorization of investigations, regulations, and civil enforcement, (4) provision for registration, reports, and examinations of bank holding companies, and (5) diffusion of administrative authority. All of these matters are touched upon in the proposed amendments presented by Senator Douglas on behalf of himself and Senator Tobey.

Definition of bank holding company. - The definition in S. 3547 is based primarily upon the definition of holding company affiliate in existing law. This form of definition is not satisfactory; and it would be preferable at least to reduce the percentage test from 50 per cent to 25 per cent and to substitute the words "exercises a controlling influence over the management and policies of an insured bank" for the words "controls in any manner the election of a majority of the directors of an insured bank". However, if it is essential in order to obtain legislation, the definition as contained in S. 3547 could be accepted.

Purchase of bank assets. - S. 3547 does not contain any provision controlling expansion through the purchase of assets of additional banks by banks in bank holding company groups. There is a satisfactory provision on this subject in one of the Douglas-Tobey amendments. It has been suggested, however, that legislation should be adopted which would regulate or control the acquisition of assets of banks by any insured bank whether or not it is in a holding company group. This would involve separate consideration of this subject and would not need to be a part of bank holding company legislation. In the circumstances, although the control of the purchase of bank assets is desirable, the point could be omitted from the holding company legislation.

Investigation, regulation, and civil enforcement. - S. 3547 would rely solely upon criminal penalties for enforcement. It does not authorize any Government agency to conduct investigations, subpoena witnesses and records, issue regulations, or to enforce the law by administrative or civil action. Such provisions are necessary for effective administration and are contained in one of the Douglas-Tobey amendments. Some such amendment is essential. If Congress should be unwilling to grant the power to conduct investigations, however, but would include authority for civil enforcement of the law through

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injunctive proceedings in the courts to prevent violations, every effort would be made to enforce the legislation as far as possible within the limited authority given.

Registration, reports, and examinations. - S. 3547 contains no provisions with respect to registration, reports, and examinations of bank holding companies. It seems desirable that these matters be covered and, in fact, there did not appear to be any significant disagreement on this point during the hearings. The Douglas-Tobey amendment dealing with these matters is satisfactory.

Administration. - One of the fundamental questions involved in this legislation is whether its administration (and particularly approval of expansion by bank holding companies) should be vested in a single administrative agency, or diffused among the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, as provided in S. 3547. Such a diffusion might lead to the application of varying policies in similar situations, and it is believed to be necessary that there be a centralization of administrative responsibility in a single agency, as provided in the Douglas-Tobey amendments. An alternative which might possibly be considered (although it is questionable whether it would be practicable) would be to require the unanimous approval of all three Federal supervisory agencies before any action involving expansion by a bank holding company group.

Miscellaneous. - The adoption of modifications such as those indicated above would call for a few minor drafting changes in other provisions of the bill in order to conform them to the amended provisions, but these would not involve questions of policy.