

April 12, 1946

Honorable Brent Spence, Chairman,
Committee on Banking and Currency,
House of Representatives,
Washington, D. C.

Dear Mr. Chairman:

This is in response to the request contained in the letter from the Clerk of your Committee dated March 18, 1946, for a report on the bill H. R. 5630, introduced by Mr. Hays, "To amend section 5155 of the Revised Statutes, with respect to the establishment of branches by national banking associations".

In a letter dated September 27, 1944, the Board advised your Committee that it was favorable to the enactment of legislation along the lines of the bill H. R. 5258, introduced by Mr. Hays in the last Congress, the objectives of which are similar to the present bill H. R. 5630. The Board continues to hold the same views as expressed in that letter and hopes that branch banking legislation of this kind may be enacted by the Congress. For your convenient reference a copy of the Board's letter with respect to H. R. 5258 is enclosed herewith.

The present bill, H. R. 5630, differs from H. R. 5258, which was the subject of the Board's letter of September 27, 1944, in that it requires a minimum capital of \$100,000 for the establishment of out-of-town branches by national banks, and therefore also for the establishment of out-of-town branches by State member banks of the Federal Reserve System, and in addition it retains certain other somewhat restrictive provisions of the present law. Under existing law, national banks may be organized in smaller communities with a capital less than \$100,000 and State banks may become members of the Federal Reserve System with a capital less than \$100,000 in similar circumstances. There are a number of States which permit banks to establish branches with a capital of less than \$100,000, and there may be instances where the establishment of branches with such lesser capital by State member banks of the Federal Reserve System would be sound and should be permitted. Therefore the minimum capital requirement of \$100,000 contained in H.R. 5630 may well serve to prevent some State banks with out-of-town branches from becoming members of the Federal Reserve system or existing State member banks from establishing such out-of-town branches when it would be sound and proper for them to do so. Accordingly, the Board feels that the enactment of the provisions contained in the bill H.R. 5258 of the last Congress and which are now contained in the bill H.R. 726, introduced by Mr. Hays in this Congress and now pending before your Committee, would be preferable to the enactment of H. R. 5630.

There is another point in this connection to which we wish to refer. The Comptroller of the Currency, with respect to national banks, and the Federal Deposit Insurance Corporation, with respect to nonmember insured banks, must give approval for the establishment of branches by such banks, whether such branches are located within or beyond the limits of the city in which the parent bank is situated. The Board of Governors must give approval for the establishment of out-of-town branches of State member banks but such approval is not required in the case of branches established within the city in which the parent bank is located. For the same reasons that existing law requires the approval of the Comptroller of the Currency and the Federal Deposit Insurance Corporation with respect to intra-city branches of national and nonmember insured banks, the Board feels that the establishment of intracity branches by State member banks should likewise require the Board's prior approval. Accordingly, in order to accomplish this, it is suggested that an additional provision be included in the bill so as to amend the last sentence of the second paragraph of section 9 of the Federal Reserve Act (U.S.C. Title 12, section 321) by inserting after the comma following the words "February 25, 1927" the words "either within or".

Very truly yours,

(Signed) Marriner S. Eccles

M. S. Eccles,
Chairman.