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Statement by

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on

S. 72, the "Competition in Banking Act of 1977"

submitted to the

Senate Committee on Banking, Housing, and Urban Affairs
United States Senate

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We appreciate this opportunity to submit our views on S. 72, the "Competition in Banking Act of 1977."

In general terms, S. 72 would (1) prohibit any bank merger or acquisition if the resulting bank or its parent holding company would thereafter control more than 20 percent of the banking assets in a particular State except where essential to prevent a bank failure and where no feasible, less anticompetitive, alternative solution were available, (2) narrow the statutory standards under which the Federal Reserve determines what activities are permissible for bank holding companies and formalize the administrative procedures by which the Board makes these determinations, (3) prohibit national banks or their subsidiaries from engaging in activities in which the Federal Reserve does not permit bank holding companies to engage, and (4) direct the Federal Reserve to require that bank holding companies and their subsidiaries (including all banking subsidiaries) be capitalized and otherwise financed in a safe and sound manner and that bank subsidiaries refrain from discriminating in favor of their parent holding companies or affiliated subsidiaries in extending credit.

Section 2 of the bill recites congressional findings to the effect that (a) concentration of banking resources has "continued unabated," (b) the "explosive growth" of bank holding companies has contributed to this concentration, (c) bank holding companies have extended their services into areas "beyond those directly related to banking" such as selling insurance, underwriting and marketing securities, offering leasing, accounting, travel and courier services, as well as management and data processing services, and (d) the Nation's credit resources have been "misallocated by the activities of bank holding companies" without the Federal Reserve having adequately exercised its over-sight responsibilities to protect the public interest.

In my opinion, S. 72 would not effectively achieve its goal of promoting competition among financial institutions and it could, in fact, be anticompetitive to the extent that it would prevent bank holding companies from offering the types of services cited in the preceding paragraph.

In addition, by empowering the Federal Reserve to delineate the charter powers of national banks and to determine capital adequacy for all banks in a bank holding company system (including national and State nonmember banks), enactment of the bill would represent a major and fundamental departure from the present Federal bank regulatory structure. While I am not wedded to the existing bank regulatory structure, I am concerned by the changes this bill would make in the structure. Giving the Federal Reserve authority to prescribe capital adequacy for national banks and insured State nonmember banks that are affiliated with holding companies and to circumscribe indirectly the permissible activities of national banks would be a major step toward centralizing the Federal regulation of banks in the Federal Reserve. I have stated in previous testimony on the Federal Bank Commission Act before this Committee my tentative conclusion that bank supervision and regulation should be divorced from the formulation and execution of monetary policy.

BANKING CONCENTRATION

The bill's prohibition against any merger or holding company acquisition resulting in one banking institution controlling more than 20 percent of the banking assets in a given State is premised upon the "explosive growth" of bank holding companies. Evidence on the concentration of domestic deposits in the largest 100 banking organizations was presented by Samuel H. Talley in the March 18, 1975 issue of Washington Financial Reports as follows:

TRENDS IN NATIONWIDE CONCENTRATION, 1957-73

Percent of Total Domestic Deposits Held by the 100 Largest Banking Organizations					Percentage Point Change 1957-68	Percentage Point Change 1968-73
1957	1961	1966	1968	1973		
48.2	49.4	49.3	49.0	47.0	+0.8	-2.0

Source: Board of Governors of the Federal Reserve System.

Based on these figures, no trend toward increased aggregate concentration is evident. Indeed, from 1968-1973, aggregate concentration declined by two percentage points, despite the fact that this was a period of rapid holding company expansion.

Interestingly enough, while holding company acquisitions accounted for only 2.8 percent of the growth of the 20 largest banking organizations between 1968-73, 30.0 percent of the growth of the "next 80" banking organizations during this period was accounted for by holding company acquisitions. These differences may reflect the constraining influence of existing antitrust laws and bank regulatory standards on acquisitions by the nation's largest holding companies. They may also reflect the fact that during this time period the largest banks turned their attention toward foreign markets.

However, because S. 72 would limit acquisitions on the basis of Statewide concentration and is apparently motivated by a desire to stop trends toward increased concentration, it would be more instructive to examine changes in Statewide concentration in recent years. The table below presents Statewide concentration figures, based on the three largest banks or banking organizations for 1960 and for 1975, as well as changes in concentration over that period. States are grouped according to branching status at the end of 1975. Within branching categories States are ranked in descending order based on concentration in 1960.

PERCENTAGE OF STATEWIDE COMMERCIAL BANK DEPOSITS IN THREE LARGEST BANKS OR BANK GROUPS

Statewide Branching States (20)	1960	1975	Change
Arizona	95.75	86.90	-8.85
Nevada	93.52	83.07	-10.45
Rhode Island	92.81	89.91	-2.90
Hawaii	89.23	77.26	-11.97
Oregon	86.67	80.10	-6.57
Delaware	79.82	71.06	-8.76
Idaho	74.49	75.57	1.08
Alaska	68.21	70.49	2.28
California	65.72	62.42	-3.30
Utah	65.61	60.80	-4.81*
Washington	61.10	63.17	2.07
North Carolina	46.78	54.20	7.42
Connecticut	42.74	49.44	6.70*
Maryland	42.66	44.92	2.26*
South Carolina	42.39	43.47	1.08
South Dakota	37.50	38.12	0.62
Maine	34.66	46.56	11.90*
Vermont	25.59	45.00	19.41
Virginia	20.18	34.76	14.58*
New Jersey	16.81	21.04	4.23*
Limited Branching States (15)			
Massachusetts	49.29	46.64	-2.65*
Georgia	48.56	50.02	1.46*
New Mexico	42.98	48.68	5.70*
Michigan	40.75	34.74	-6.01*
New York**	40.04	42.55	2.51*
Wisconsin	31.42	28.28	-3.14*
Alabama	31.24	38.32	7.08*
Louisiana	29.33	18.99	-10.34
Tennessee	28.71	27.58	-1.13*
Pennsylvania	27.88	24.73	-3.15
Kentucky	27.63	22.28	-5.35
Mississippi	24.92	31.36	6.44
New Hampshire	24.28	35.01	10.73*
Ohio	24.15	25.72	1.57*
Indiana	23.80	19.55	-4.25
Unit Banking States (15)			
Minnesota	58.62	52.45	-6.17*
Montana	48.85	46.30	-2.55*
North Dakota	46.60	42.51	-4.09
Colorado	37.87	41.76	3.89*
Illinois	35.51	37.18	1.67
Wyoming	35.09	38.56	3.47*
Oklahoma	32.62	21.79	-10.83
Nebraska	31.60	20.55	-11.05
Missouri	26.57	28.28	1.71*
Texas	21.09	22.85	1.76*
Florida***	17.88	24.24	6.36*
Arkansas	17.27	14.32	-2.95
West Virginia	17.26	10.47	-6.79
Kansas	14.28	12.27	-2.01
Iowa	14.18	15.07	0.89*

*Denotes the presence of active multibank holding companies in individual State.
**Since January 1, 1976, Statewide branching is permitted in New York.
***On January 1, 1977, Florida went to countywide branching.

An analysis of these data indicates that there is no overall trend toward increased concentration. Between 1960 and 1975, Statewide branching States experienced an average increase in concentration of 0.80 percentage points. Limited branching States and unit banking States, in turn, experienced an average decrease of 0.035 and 1.78 percentage points, respectively. There is also no trend toward increased concentration evident in the data if States are grouped according to whether holding companies are permitted.

In general, the most concentrated States experienced declines in concentration, and the least concentrated States had increases. Each of the four instances where States had increases of more than 10 percent (Maine, New Hampshire, Vermont and Virginia) can be explained in large part by changes in the States' banking laws. Hence, S. 72's finding that concentration of banking resources has "continued unabated" clearly is not borne out by these figures. What the figures do indicate, however, is that concentration levels vary considerably among the several States. The thrust of S. 72 ignores these differences.

Another recent study in banking concentration is summarized in the May 1977 Federal Reserve Bulletin. The purpose of this study was to identify recent trends in the structure of 213 standard metropolitan statistical area (SMSA) banking markets and 233 county banking markets over the 1966-75 period.

The results of this Federal Reserve study indicate that most SMSA and county banking markets acquired a more competitive structure between 1966 and 1975. Moreover, these procompetitive changes tended to be quite sizable. This study also found that procompetitive changes in banking market concentration occurred with greatest frequency and in largest magnitude in those SMSA and county banking markets that had a relatively high concentration ratio in 1966.

Finally, the study examined changes in banking market structure according to the branching laws of the States in which the markets were located. In all three branching classifications -- unit banking, limited branching, and Statewide branching -- it was found that most markets experienced procompetitive structural changes between 1966 and 1975. The most frequent and largest procompetitive structural changes occurred in markets located in States with unit banking or with Statewide branching.

Although no alarming trend toward increased banking concentration is evident, it is true that concentration has remained high in some markets and has increased in some. Even in the Statewide branching States exhibiting the greatest declines in concentration, the three largest institutions still control about 75 percent or more of the States' banking resources.

A basic shortcoming of the proposed legislation, however, is the assumption that Statewide concentration figures are relevant measures of banking competition. The Supreme Court in the past has consistently rejected the use of Statewide deposit concentration figures when considering cases under Section 7 of the Clayton Act.[1/] In this context the State is neither a "section of the country" nor a "relevant geographic market." Aggregating assets or deposits from the many economically diversified and geographically dispersed markets across a State does not necessarily yield a meaningful measure of the banking structure and level of competition in the separate markets within that State. Furthermore, a foothold acquisition by a large banking organization in a highly concentrated market could well have procompetitive effects within that market and negligible adverse effects in other less concentrated markets throughout the State. However, such an acquisition, if it exceeded the 20 percent "cap," would be prohibited by the Competition in Banking Act.

I do not believe, therefore, that the proposed 20 percent limitation would make a meaningful contribution toward keeping the concentration of banking resources within bounds that are compatible with the maintenance of competitive banking markets.

Another problem with the proposed prohibition of a merger or acquisition where the resulting bank or holding company would control more than 20 percent of the banking assets in the State is that it would impose an arbitrary standard which would not permit consideration of such factors as competition from other financial institutions.

1/ United States v. Marine Bancorporation, 418 U.S. 602 (1974), and United States v. Connecticut Nat'l Bank, 418 U.S. 656 (1974).

Furthermore, the 20 percent of Statewide bank assets standard would give no recognition to competition presented by out-of-State banks. A significant number of Standard Metropolitan Statistical Areas include portions of more than one State. An agency reviewing a proposed bank merger affecting a bank in any of those SMSAs should be able to consider the activities of all other financial institutions in the area.

Section 102 would declare illegal any bank merger which exceeds the 20 percent of Statewide bank assets test, thus making such mergers per se illegal. No other industry is subjected by Federal statute to such a strict numerical standard for per se illegality. The Supreme Court has indicated that it does not view statistical market shares alone as conclusive indicators of anticompetitive effects, United States v. General Dynamics Corp., 415 U.S. 486, 498 (1974). In Brown Shoe Co. v. United States, 370 U.S. 294 (1962) at 322 n. 38, the court stated as follows:

> "Statistics reflecting the shares of the market controlled by the industry leaders and the parties to the merger are, of course, the primary index of market power; but only a further examination of the particular market - its structure, history and probable future - can provide the appropriate setting for judging the probable anticompetitive effect of the merger."

For the foregoing reasons, an arbitrary cutoff for acquisitions of 20 percent of Statewide assets, as suggested in the bill, is unnecessary and, in my opinion, inappropriate.

Apart from the desirability of imposing a Statewide limit on bank concentration, there is a significant technical defect in the bill as it is now written. The portion of the bill limiting bank mergers (Section 101) uses the total assets of all banks within a State as a basis for the 20 percent calculation. However, the portion applying to holding company acquisitions (Section 201) uses as a base the "total banking assets held by all banks and bank holding companies located in the State." For holding companies, this would appear to include banking assets held in other States. While such instances are not prevalent, the consequences can result in sizable inequities. In Minnesota, for example, Northwest Bancorporation had total assets of $7.5 billion as of December 31, 1975, of which $3.3 billion was held by subsidiary banks outside of Minnesota. Hence, under the bill as drafted independent banks in the State would be limited to acquisitions where the resulting bank would hold less than 20 percent of Statewide assets, while the holding company would be able to use as a base Statewide assets <u>plus</u> the $3.3 billion. The result would be that a bank would reach its asset ceiling at $3.5 billion in Minnesota while such a holding company could make acquisitions until it surpasses $4.2 billion.

A further technical defect in the bill is its use of bank assets as a basis for measuring concentration. Assets do not necessarily reflect the relative competitive strengths of banking organizations within a particular State. U. S. securities, for example, are not competed for within any localized geographic market, and loans can be made, purchased or sold irrespective of the area from which the funds were generated. A concentration ratio using total domestic deposits, however, while not a perfect measure either, would be more relevant to the bill's apparent goals. Virtually all domestic deposits are subject to competitive pressures and are more likely than assets to have been acquired in a localized area. Hence, domestic deposits would seem to be a preferable basis for measuring relative competitive strengths of banking firms operating within a given market area.

STATUTORY STANDARDS FOR BANK HOLDING COMPANIES

Section 301 of S. 72 would restrict permissible activities for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act to those "directly" related to banking -- narrowing the present "closely related" standard. Under the amended public benefit test --

(1) it would be necessary that the activity be "likely" (in lieu of "can reasonably be expected") to produce benefits to the public;

(2) it would be necessary that the activity be likely to produce increased competition over time, not just in the short run as suggested by present law;

(3) it would be necessary that the beneficial effect of the activity "clearly outweigh" adverse effects, not just "outweigh" as provided by present law;

(4) it would be necessary that the activity not have a tendency to lead to an undue concentration of "economic or financial" resources, not just "economic resources" as provided by present law;

(5) it would be necessary that the activity not lead to decreased competition over time, not just in the short run;

(6) it would be necessary that the activity not risk the financial soundness of the bank holding company or its banking subsidiaries (the present law is silent on this point); and

(7) it would be necessary that the activity not interfere with the primary responsibility of the bank holding company or its banking subsidiaries to provide banking services to the public (the present law is silent on this point).

The bill would grandfather those activities in which a bank holding company was lawfully engaged on November 1, 1975, so long as the bank holding company does not expand the scope or size (in terms of volume of business) of the grandfathered activities to any significant degree.

It should be noted that bank holding companies have provided healthy competition in areas where there had been little or no competition before, as well as convenient one-stop service for consumers of banking, travel, insurance, and other services. This has increased competition in these service markets and has afforded bank holding companies the potential to diversify risk through product diversification. Drawing a stricter public benefit test could reduce or eliminate such benefits.

Let me stress again that any anticompetitive effects of undue concentration of economic or financial resources should be considered for both banking and nonbanking functions of bank holding companies, and determinations should be based on the relevant facts in each case. While antitrust suits against bank holding companies may be time-consuming and expensive, this possibility exists for all antitrust proceedings, and should not be the basis for imposing limitations on bank holding companies which could limit competition and be detrimental to consumers.

Nor should bank holding company activities be restricted merely because a potential for abuse exists. Unfair competition and other abuses should be dealt with by the regulatory agencies, as necessary, for both banks and bank holding companies. Also, any likely adverse effects on the financial soundness of banks resulting from any banking or nonbanking activities of bank holding companies can best be dealt with by effective regulation based on the particular circumstances, rather than by across-the-board statutory restrictions.

It is my view, therefore, that Congress should consider very carefully whether legislation designed to protect various types of industries from the vigorous competition of bank holding companies is truly in the overall public interest. It may well be that such a legislative approach could have a serious anticompetitive impact.

CORPORATE POWERS OF NATIONAL BANKS AND CAPITAL ADEQUACY OF ALL BANKS CONTROLLED BY BANK HOLDING COMPANIES

Section 401 of the bill would prohibit national banks or their subsidiaries from engaging in activities found by the Federal Reserve to be prohibited to bank holding companies under section 4(c)(8) of the Bank Holding Company Act of 1956. This provision is designed to prevent situations where the Comptroller of the Currency could permit national banks to enter activities directly that the Federal Reserve had not approved under section 4(c)(8).

By requiring national banks to follow the standards of the Federal Reserve regulations, Section 401 may prohibit national banks from participating in some currently permissible bank-related activities. Thus, the section can be viewed as a device for protecting some industries from the effects of competition. Furthermore, enactment of the section in its present form cannot provide full uniformity of standards, for some of the laws governing activities of national banks are more restrictive than those governing holding company activities.

Section 501 would require that (1) bank holding companies and their subsidiaries be capitalized and otherwise financed in a safe and sound manner as determined by the Federal Reserve, (2) bank subsidiaries of bank holding companies refrain from discriminating in favor of their parent or their affiliated subsidiaries in the making of loans or in the establishing of terms and conditions of loans, and (3) bank holding companies disclose on a regular basis to the Federal Reserve the terms and conditions of all loans to or investments in bank holding company subsidiaries. The Federal Reserve in turn would be required to make this information public.

As discussed earlier, I believe that Sections 401 and 501 would be a major step toward realigning the Federal regulation of banks. While assuring uniform treatment in some areas, these sections would not eliminate the existing fragmented regulatory framework under which a bank holding company could be supervised by all three Federal banking agencies. As I indicated last September in testimony on the proposed Federal Bank Commission Act (S. 684), I believe that fragmentation of bank holding company supervision is a serious inadequacy in the present regulatory framework at the Federal level. Recent events have illustrated that the existing framework has not only been costly because of the overlapping and conflicting jurisdictions involved but also simply has not functioned properly in some instances.

In three of our largest bank failures -- the insolvencies of Hamilton National Bank of Chattanooga and the American City Bank of Milwaukee and the distress merger of the Palmer National Bank of Sarasota, Florida -- the cause was massive unsafe and unsound lending practices occurring in the essentially unsupervised environment of a non-banking holding company affiliate. The failure of the Hamilton National Bank is perhaps the most graphic case. Hamilton Mortgage Corporation, based in Atlanta, Georgia, got into difficulty during 1974 when its borrowing capacity evaporated and it was unable to fund its loans or commitments to lend. More than $130 million out of a portfolio of $200 million in real estate loans, concentrated primarily in speculative land acquisition and construction loans, was funded by Hamilton banking subsidiaries through the purchase of loan participations. Many of the loans originated by the mortgage company were of inferior quality and when the real estate market collapsed in 1974 Hamilton banking affiliates, particularly Hamilton National Bank of Chattanooga, were left holding a large volume of bad loans.

These cases illustrate two points which should be recognized by both the banking agencies and the Congress. First, one segment of a holding company system cannot easily be insulated from the remainder of the system. These cases also have shown that because a holding company tends to be operated as an integrated enterprise, it is simply a form of self-deception to assume that the lead bank, or any other holding company banking affiliate, is in a safe and sound condition because its last examination was satisfactory, if other facets of the holding company system are not undergoing equally rigorous scrutiny.

Second, it makes little sense for as many as three Federal bank regulatory agencies to have safety and soundness jurisdiction over various segments of an integrated business enterprise. Inevitably, this approach will be at times conflicting and uncoordinated.

During the congressional debate over the 1970 Amendments to the Bank Holding Company Act of 1956, holding company safety and soundness supervision was not a matter of great concern. The emphasis at that time was on providing safeguards against undue concentration of economic power stemming from bank holding company acquisitions of banking and non-banking subsidiaries. For example, in testimony before the Senate Banking and Currency Committee on the 1970 Amendments, Charls Walker, then Under

Secretary of the Treasury, stated that legislation was required to stop the trend toward the merging of banking and commerce that was taking place through the vehicle of the one-bank holding company. Federal Reserve Board Chairman Arthur Burns voiced similar concern. Although there was discussion during consideration of the 1970 Amendments about dispersing supervision and regulation of bank holding companies among the three Federal bank regulatory agencies, the emphasis on the competitive and banking structure aspects of the bank holding company movement, coupled with the Federal Reserve's responsibility for administering the 1956 Bank Holding Company Act, led the Congress ultimately to delegate responsibility for administering the 1970 Amendments to the Federal Reserve System.

That such little consideration was given to the consequences of fragmenting responsibility over the different segments of a holding company system probably reflected, in part, the prevailing theory that the respective entities within a system could be effectively insulated from troubles elsewhere in the system. It also may have reflected the notion that the larger institutions in the holding company system, like the lead bank, would be a source of strength for all the components of the system. Events since the passage of the 1970 Amendments have demonstrated flaws in these assumptions and the inherent weakness of the existing fragmented regulatory framework. In spite of the rhetoric about the legal separateness of each entity within the bank holding company, it has become more and more apparent as we have gained experience that a bank holding company should be regarded as a single, integrated unit.

In sum, I believe that Sections 401 and 501 would exacerbate the current overlapping and conflicting jurisdictional framework for the regulation and supervision of bank holding companies. By giving the Federal Reserve express, ongoing supervisory authority over the capital position of all subsidiary banks of bank holding companies and over the corporate powers of national banks, these Sections represent a significant increase in the Board's supervisory powers over banks and a significant diminution in the supervisory powers of the Comptroller, the FDIC and the States. Arguably, Section 501 could place the Federal Reserve in a preeminent position over the Comptroller and the FDIC in the matter of bank capital adequacy largely because there would be an express and continuing statutory mandate for the Federal Reserve Board to make determinations as to capital adequacy. There is no comparable express statutory provision so directing the Comptroller and the FDIC, except, of course, with respect to bank applications.

Section 501 is also objectionable because it is indefinite and provides no guidance as to how it is to be implemented and administered. There is no hint as to how the power over capital adequacy given to the Federal Reserve Board is to mesh with similar existing powers of the Comptroller or the FDIC. Nor is there any provision establishing a means or method of enforcing the Section. What happens if the Board and the Comptroller or the FDIC disagree as to the capital adequacy of a subsidiary bank? The bill is silent on both grounds.

In my judgment, the Federal bank agency charged with supervising the lead bank of a bank holding company complex should be given responsibility for supervising the entire system, including the holding company itself.

Under a lead bank arrangement, the Federal Reserve Board could function in much the same manner as it does now. That is, the Board could issue regulations and interpretations for all bank holding companies and could even retain authority to approve or disapprove applications under the Act. However, ongoing supervision of each bank holding company would rest with the Federal agency having primary jurisdiction over the lead bank. The lead bank could be determined on the basis of total deposits or total assets as of year-end preceding enactment of the amendment to the Act.

The one bank holding company would, of course, present no particular problem. However, for a multi-bank holding company situation comprised of a mixture of national and State member and nonmember banks, it would mean that the supervisor of the lead bank would supervise all banks within the bank holding company family regardless of whether the banks were national, State member or nonmember banks. Thus, there would be uniformity as to the scope of activities of bank holding companies and as to the criteria, and application of the criteria, for entry and acquisition, while at the same time the present fragmented and ineffectual supervisory framework would be eliminated and corrected.

Section 501 also provides that "bank subsidiaries of bank holding companies refrain from discriminating in favor of the parent holding company or their affiliated subsidiaries in the making of loans or in the establishing of terms and conditions of credit." In addition, Section 501 mandates the Board to require each bank holding company to file a report with the Board detailing the "terms and conditions of all inter-company loans and investments" for the 12-month period immediately preceding the report.

Rather than a flat statutory prohibition, I would prefer to see a statute drafted along the lines of the FDIC's insider regulation (§337.3), whereby insider transactions are not proscribed per se but Board review and approval is mandated, appropriate records and minutes must be maintained for examiner review, and the agency has the prerogative of taking action where abuse is present even though the statute (or regulation) has been followed.

Perhaps the best way to accomplish this would be to provide that the Federal Reserve must issue a regulation dealing with insider transactions of bank holding companies and to prescribe certain statutory guidelines which must be included in the regulation, without prohibiting insider loans including those that may be made on more favorable grounds than to outsiders of comparable creditworthiness. There may be instances where the economics of a situation may warrant making a loan on more favorable terms to a member of the bank holding company organization. Such a flexible alternative, rather than absolute prohibition, would enable the Federal Reserve to deal more effectively with the dynamics of the situation in much the same way as the FDIC can in enforcing its insider regulation.

CONCLUSION

In conclusion, let me summarize our views on S. 72.

First, I do not believe that the bill's premise of drastically increased banking concentration has been substantiated. On the contrary, objective analysis of available data suggests a net decrease of concentration in Statewide banking markets in recent years. However, the State is generally not a relevant banking market and a Statewide limitation on banking concentration would not be procompetitive in most circumstances. The bill would also tend to be anticompetitive to the extent it prevents bank holding companies from expanding their services into bank-related activities.

Furthermore, in giving the Federal Reserve power to define capital adequacy for national banks and for State-chartered banks which are not members of the Federal Reserve System as well as the power to delineate the corporate powers of national banks, the bill to a large extent prejudges the merits of consolidating the Federal bank regulatory structure without really focusing on the issues involved in such a centralization. Alternatively, I would recommend a realignment of holding company regulation along the lines suggested above. In any event, I would strongly recommend that reorganization of the Federal bank regulatory structure be approached directly and openly and not decided by indirection on a piecemeal basis.

For these reasons, I oppose enactment of S. 72.