

BANKING GROUPS AND CHAINS

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Material prepared for the information of the  
Federal Reserve System by the  
Federal Reserve Committee on  
Branch, Group, and Chain Banking

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The Committee was appointed February 26, 1930, by the  
Federal Reserve Board

" . . . to assemble and digest information on  
branch banking as practiced in the United States,  
group and chain banking systems as developed in  
the United States and elsewhere, the unit banking  
system of the country, and the effect of ownership  
of bank stocks by investment trusts and holding  
corporations."

GENERAL LETTER OF TRANSMITTAL

(To be inserted in Volume I)

To the Federal Reserve Board:

The Federal Reserve Committee on Branch, Group, and Chain Banking was appointed on February 26, 1930, by the Federal Reserve Board

" . . . to assemble and digest information on branch banking as practiced in the United States, group and chain banking systems as developed in the United States and elsewhere, the unit banking system of the country, and the effect of ownership of bank stocks by investment trusts and holding corporations."

Under the terms of its reference the Committee has prepared and is submitting reports on the following topics: (1) Branch Banking in the United States; (2) Branch Banking in California; (3) Branch Banking in England; (4) Branch Banking in Canada; (5) Banking Groups and Chains; (6) Changes in the Number and Size of Banks in the United States, 1834-1931; (7) Bank Suspensions in the United States, 1892-1931; (8) 225 Bank Suspensions, Case Histories from Examiners' Reports; (9) Banking Profits, 1890-1931; (10) The Dual Banking System in the United States.

The appointment of the Committee was prompted by the banking difficulties during the preceding ten years, which had resulted in a large number of bank suspensions, and by the growing trend towards concentration through branches, chains, and groups. When the Committee began its work, speculative activity in the securities market and in other fields had recently culminated in a collapse of security prices,

but the extent and scope of the decline in economic activity that had begun in the summer of 1929 was not then clearly defined. The decade just concluded had witnessed extraordinary activity in construction and rapid expansion of industrial plants, particularly the rapid growth of the automobile industry which has had profound effects on many phases of the country's life. Installment selling had developed on a large scale and had stimulated buying by the consuming public.

The decade was characterized by an abundance of credit, to which an inflow of gold from abroad greatly contributed, and by an extraordinarily large volume of security flotations, both domestic and foreign. It witnessed speculation in real estate, in securities, and in business enterprise. Throughout the period, however, commodity prices after a precipitous decline in 1920 and 1921 remained relatively stable around a level somewhat higher than the low point reached early in 1922.

Broadly speaking, the decade was one in which industrial and city populations were prosperous, while agriculture was going through a difficult adjustment.

While the Committee was conducting its investigation, there developed an economic depression of unprecedented depth and duration which has affected every part of the world. This subjected the banks of the country to new destructive forces. The impact of the depression on the banking system was severe by the end of 1930 and became more

serious in 1931, the last year covered by the organized material accumulated by the Committee. Its studies of bank earnings and expenses cover the five year period 1926-1930; its studies of failures are carried through 1931, but do not include the year 1932 during which the establishment of remedial agencies, such as the Reconstruction Finance Corporation, introduced entirely new elements into the situation. Developments during 1932 are reflected in the study only in a general way and in particular cases where information was available and appeared to be essential for completeness.

The Committee's investigations were organized and directed by J. H. Riddle, the Executive Secretary and Director of Research. The various reports were written under his supervision, and the major part of the editorial work was done by him. Mr. G. W. Blattner, of the Board's Division of Research and Statistics, prepared Banking Profits, 1890-1931 and collaborated in two other reports: Branch Banking in England and Banking Groups and Chains. He also assisted in the editing of other reports and was frequently consulted as to methods and procedure in other research projects.

Other members of the research staff participated in one or more projects. Mr. Guy Greer prepared Branch Banking in Canada and Branch Banking in California. He also collaborated in the preparation of The Dual Banking System in the United States. Mr. Oliver S. Powell, of the Federal Reserve Bank of Minneapolis, prepared 225 Bank Suspensions, Case Histories from Examiners' Reports. Mr. Clarence

Hammond prepared Branch Banking in the United States, and collaborated in the preparation of Changes in the Number and Size of Banks in the United States, 1834-1931. Mr. Clark Warburton collaborated in the preparation of Bank Suspensions in the United States, 1892-1931, Changes in the Number and Size of Banks in the United States, 1834-1931, and The Dual Banking System in the United States. Mr. Richard Garlock collaborated in the preparation of Bank Suspensions in the United States, 1892-1931; Mr. Cyril B. Upham in Banking Groups and Chains; Mr. Jett Lauck in The Dual Banking System in the United States; and Mrs. Louise Sissman in Branch Banking in England. Mr. J. E. Horbett, of the Federal Reserve Board's Division of Bank Operations, helped in the preparation of much of the statistical data used in some of the reports and has participated in the planning and execution of several of the statistical projects. The Committee is indebted to Mr. Carl E. Parry, Assistant Director of the Division of Research and Statistics of the Federal Reserve Board, for having read most of the reports and for many valuable suggestions. The Committee is also indebted to the counsel of the Federal Reserve Board for the preparation of digests of various laws and to members of the Board's staff for criticisms and suggestions.

The Committee expresses its appreciation to the various Federal reserve banks, the Comptroller of the Currency, and the various State banking departments for the assistance they have rendered in this investigation. Some of the projects entailed the collection of a vast amount of statistical and other factual

data, and much of these were supplied by the Federal reserve banks, or through them by the State banking departments. Without this assistance some of the projects could not have been carried out successfully.

To the various public officials, bankers, economists, and others in this country, Canada, and England, who have supplied information, given the benefit of their counsel, or rendered other assistance, the Committee expresses its thanks.

Respectfully,

E. A. Goldenweiser, Chairman  
Ira Clerk  
M. J. Fleming  
L. R. Rounds  
E. L. Smead

LETTER OF TRANSMITTAL

To the Federal Reserve Board:

The Committee on Branch, Group, and Chain Banking transmits herewith a history and statistical analysis of group and chain banking in the United States. The statistical series in this volume in most instances end with the year 1931.

Respectfully,

E. A. Goldenweiser  
Chairman

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## CHAPTER I

### BANKING CONCENTRATION THROUGH GROUPS AND CHAINS

Public policy in the United States has been opposed to centralization of the control of banking resources. With banking corporations limited to one office, as has been the tendency since the passage of the National Bank Act in 1863, concentration built on branch offices covering a wide territory has been barred. Concentration, however, has proceeded through other instrumentalities. Banking offices having separate corporate charters have been in many cases identically owned and controlled. In recent years such arrangements in the banking structure of this country have come to be referred to as group and chain banking.

While students of banking ever since the Civil War have realized that communities of interest existed in chains of banks, systematic effort to measure the extent of banking concentration represented by chain and group banking has been undertaken only in recent years. The amount of concentration existing in America through chain and group banking as shown by official tabulations is smaller, however, than might have been expected. In other fields of American business--public utilities, railroads, and various industries--concentration of control has developed much further than in the banking business.

#### Chain Banking

The characteristic form of chain banking is ownership of stock

in a number of banks by one individual, or one family, or by a small group of persons, such as the officers of a particular bank. The inter-relationship may be tenuous, such as an interlocking of directorates, with no real attempt to control, ownership being a matter of investment only, or it may be a majority or complete ownership of stock, with the purpose of control of operations. The usually accepted distinction between chain banking and group banking, as more recently developed, is that of personal ownership of stock as opposed to corporate ownership. Several of the present group bank organizations had their origin in chains. Groups and chains, however, merge into one another, in a manner that makes absolute distinctions difficult to establish.

According to the organized statistics of the Federal Reserve Board there were approximately 176<sup>(1)</sup> personal chain bank systems existent in the country at the end of 1931, each having three or more banks. They included 908 individual banks and most of them were small chains of small banks. The aggregate loans and investments of all these banks were about \$927,000,000.

#### Group Banking

The movement toward group banking cannot be fully understood

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(1) A listing of each of these appears in the appendix, Table II. In compiling these statistics mutual savings and private banks were excluded.

without background knowledge concerning unit banking, branch banking, and chain banking. Perhaps the most valid concept is that expressed by John Pole, former Comptroller of the Currency, which is based primarily on corporate ownership of stock as contrasted with personal ownership, characteristic of chain banking. Group banking, in his opinion, refers to "the ownership and some element of operating control of several banks through the medium of a bank holding company."<sup>(1)</sup>

Some persons make a distinction between minority interest, majority control, and complete ownership of bank stock as a basis for determination of whether a particular arrangement constitutes group banking or not. Mr. Frank W. Blair, chairman of the board of the Guardian Detroit Union Group, made this distinction in an address on April 28, 1930, before the Reserve City Bankers Association in Memphis, Tennessee.

Perhaps as good a statement defining the group bank concept as any is that of Lyman E. Wakefield, vice president of the First Bank Stock Corporation of Minneapolis. In his testimony before the House Banking and Currency Committee on April 16, 1930, he said: "Essentially group banking is the control through majority stock ownership of a number of banks through a holding company, patterned corporately after the modern investment trust,

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(1) United States Congress, 71st, 2nd Session, House Committee on Banking and Currency, Hearings on Branch, Chain, and Group Banking, under H. Res. 141, February 25, 1930, p. 26.

but operated as a central management institution." Mr. Wakefield filed a statement with the committee outlining the operations of the First Bank Stock Corporation, which contained the following statement on group banking:<sup>(1)</sup>

"Group banking is the name that has come into common usage for this step in the evolution of the American banking system, which has developed extensively in the Northwest, prompted by a need to meet a definite change in economic conditions. Group banking is not simply chain banking under another name. Chains of banks under common ownership or common control, usually of a single individual, have existed for generations, the majority stockholder or stockholders simply exercising that natural right to supervise the operations of all the corporations in which their holdings represented controlling interests. Chain management generally reflected a single dominant individual. Group banking, on the other hand, is the association of a number of corporately independent institutions within a single holding company for mutual advantages, the group being built around one or more large banks of a territorial nature and its management resting in the hands of the banking interests of the territory served."

The years 1927-1929 witnessed a rapid growth of "group banking." The designation of the new development was brought into use partly to escape the odium that had come to be attached in the public mind to much of the so-called "chain banking" of an earlier day; and partly to characterize and distinguish an essentially new type of banking structure--the management holding corporation, not itself engaged in banking, but owning the stock of banks, and directing, or at least coordinating, their operations.

From the incorporation of the Marine Bancorporation of Seattle, Washington, on September 10, 1927, until the end of 1931 the group banking movement developed in every section of the country and in nearly every city of any considerable size.

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(1) Ibid., p. 904.

Distinctive Features of Group Banking. - The banking groups which have taken shape in the past half decade have followed no standard pattern. Their structure and organization are exceedingly diverse. Certain features more or less common to them all, although not necessarily found in each of them, are (1) a holding company which owns the stock of a number of individual banks; (2) some centralized unification or direction of the loans, investments, trust functions, and operating methods and policies of the banks in the group; (3) an exchange of stock, whereby the shareholders of the banks in the group surrender their bank stock for shares in the holding company; and (4) announcement to the public of the existence of the group and of the names of the banks belonging to it.

The holding company may be a subsidiary of one of the banks in the group, usually regarded as the head of or motivating force in the group, owning in its turn the stock of other banks; or it may be, so far as its corporate structure is concerned, the head of the whole group, owning a controlling share of all of the banks which are associated together.

It is perhaps only natural that a corporate organization device widely used in other fields, particularly in the financial structure of public utilities, should have found its way into banking. Investment trusts had acquired substantial holdings of bank stocks, and relationships of more or less involved and intricate character had sprung up between the various trusts and financial institutions with which some of them were affiliated and allied. The bank merger or consolidation movement, pronounced in some of the larger cities, could be approximated in the rural areas only by a device like a holding company. Where branch banking was permitted, especially in the State of California, the holding company served the purpose of a temporary repository for the shares of

banks to be later absorbed into a branch bank organization.

Diversity of Groups and Their Activities. - Many variations in structure, in the degree of centralization of operations and control, and in the unification of the units are found among the group bank organizations. In some the holding company is dominant, in some one bank, in others a small group of banks. The investment trust, the investment company affiliated with a bank, and the trust company affiliate are all used as means of control. The banks which comprise the group organizations are both national and State, members of the Federal Reserve System and nonmembers, banks with branches and banks without, city banks and country banks, banks with millions of dollars of resources and banks with only a few thousand.

Business units, other than commercial banks and trust companies which are included in or affiliated with the group bank organizations, are equally diverse, although they are not accounted for in the statistics. They include private banking houses, mutual savings banks, investment houses, investment trusts, insurance companies, realty firms, safe deposit companies, building and loan associations, industrial banks, joint stock land banks, and other types of business enterprise.

Statistics indicate that there were at the end of 1931, 97 groups in the country controlling 978 banks. Table 1 presents a list of 34 of the leading examples of group banking. All those having 6 or more banks and \$25,000,000 or more of loans and investments are included. A list of the 63 other groups appears in the Appendix, Table I. For comparative purposes Table 2 gives a list of leading chains.

Table 1 - Leading Groups, (1) December 31, 1931

Name of group and location of head office	Total number of banks(2)	Total loans and investments (000 omitted)	Number of branches	Number of States in which operating	Number of towns in which operating(3)
<u>New England</u>					
Financial Institutions, Inc., Augusta, Me.	12	\$ 79,871	31	1	7
First National Bank of Boston, Boston, Mass.	20	480,434	36	1	18
National Shawmut Bank, Boston, Mass.	6	142,417	12	1	6
Worcester County Bank & Trust Company, Worcester, Mass.	7	69,326	5	1	6
Hartford Connecticut Trust Company, Hartford, Conn.	9	38,347	-	1	7
<u>Middle Atlantic</u>					
First Trust & Deposit Company, Syracuse, N. Y.	15	97,145	13	1	15
Marine Midland Group Inc., Buffalo, N. Y.	19	441,553	55	1	19
Union Trust Company & Melbank Corp., Pittsburgh, Pa.	26	582,763	-	1	16
<u>North Central</u>					
Detroit Bankers Inc., Detroit, Mich.	9 <sup>(4)</sup>	513,572	188	1	8
Guardian Detroit Union Group Inc., Detroit, Mich.	27	333,769	75	1	23
Wisconsin Bankshares Corporation, Milwaukee, Wis.	46	231,394	6	1	26
Central Republic Bank & Trust Company, Chicago, Ill.	10	183,602	-	1	3
First National Bank, Chicago, Ill.	10	596,290	-	1	1
National Republic Bancorporation, Chicago, Ill.	8	25,273	-	1	2
BancOhio Corporation, Columbus, Ohio	11	61,306	11	1	9
<u>Southern Mountain</u>					
American National Bank, Nashville, Tenn.	18	62,602	15	1	15
Hamilton National Associates Inc., Chattanooga, Tenn.	17	34,932	5	2	17
First National Bank Trustees, Louisville, Ky.	6	45,672	8	1	5
<u>Southeastern</u>					
First National Bank of Atlanta, Atlanta, Ga.	7	94,723	8	1	6
Citizens and Southern National Bank, Savannah, Ga.	7	57,136	11	2	6
First National Bank, Birmingham, Ala.	6	50,108	-	1	3
Atlantic National Bank, Jacksonville, Fla.	9	30,838	-	1	6

Table 1 - Leading Groups, (1) December 31, 1931 (Continued)

Name of group and location of head office	Total number of banks(2)	Total loans and investments (000 omitted)	Number of branches	Number of States in which operating	Number of towns in which operating(3)
<u>Southwestern</u>					
Commercial National Bank, Shreveport, La.	7	\$ 26,354	3	2	5
Exchange National Bank, Tulsa, Okla.	21	48,026	-	3	17
<u>Western Grain</u>					
First Bank Stock Corporation, Minneapolis, Minn.	104	312,182	3	5	91
Northwest Bancorporation, Minneapolis, Minn.	127	316,213	3	8	115
Commerce Trust Company, Kansas City, Mo.	6	71,594	-	1	1
<u>Rocky Mountain</u>					
First Security Corporation, Ogden, Utah	27	33,052	-	3	26
<u>Pacific Coast</u>					
Marine Bancorporation, Seattle, Wash.	10	32,352	-	1	8
Old National Corporation, Spokane, Wash.	22	29,247	-	2	19
First National Bank, Seattle, Wash.	6	69,128	2	1	1
U. S. National Corporation, Portland, Ore.	11	71,909	-	2	7
Anglo National Corporation, San Francisco, Calif.	17	160,154	1	2	16
Transamerica Corporation, San Francisco, Calif.	<u>11</u>	<u>877,652</u>	<u>407</u>	2	7
Total (34 groups)	674	\$6,300,936	898		

(1) Those with six or more banks and \$25,000,000 or more loans and investments. For details for all groups by class of bank see Appendix, Tables I and III.

(2) Does not include mutual savings or private banks.

(3) Number of different towns in which head office of a constituent bank is located.

(4) Officials of leading interest also own a small proportion of the stock in several small banks in the vicinity of Detroit.

Table 2 - Leading Chains,<sup>(1)</sup> December 31, 1931

Name of chain and location of head office	Total number of banks	Total loans and investments (000 omitted)	Number of States in which operating	Number of towns in which operating <sup>(2)</sup>
<u>North Central</u>				
C. W. McPhail, Central Lake, Mich.	9	\$ 2,128	1	9
A. E. Sleeper, Bad Axe, Mich.	13	4,250	1	13
John Clay, Chicago, Ill.	9	6,496	4	9
<u>Southeastern</u>				
Exchange National Bank, Tampa, Fla.	12	14,146	1	8
First National Bank, Clanton, Ala.	9	1,473	1	9
Capital National Bank, Jackson, Miss.	8	6,533	1	7
<u>Southwestern</u>				
R. C. and D. R. Couch, Haskell, Texas	9	1,261	1	8
M. C. Parrish and Associates, Austin, Texas	9	1,155	1	9
I. H. Nakdimen, Fort Smith, Ark.	8	4,254	2	8
Thurmond Brothers, Oklahoma City, Okla.	17	3,409	2	17
R. A. Vose and Associates, Oklahoma City, Okla.	8	1,502	1	8
<u>Western Grain</u>				
Otto Bremer et al, St. Paul, Minn.	51	46,316	4	47
Isaac Hazlett et al, Minneapolis, Minn.	17	4,536	1	16
C. H. Klein, Chaska, Minn.	8	3,661	1	8
J. Lampert Company, St. Paul, Minn.	8	2,131	2	8
James F. Toy, Sioux City, Iowa	19	12,496	3	18
C. A. McCloud and Associates, York, Nebr.	8	2,656	1	7
J. M. Kemper et al, Kansas City, Mo.	10	14,454	3	10
J. H. Collingwood and Family, Topeka, Kans.	8	2,608	1	7
<u>Rocky Mountain</u>				
M. D., J. H. and R. C. Thatcher, Pueblo, Colo.	8	21,417	1	6
J. E. Cosgriff, Salt Lake City, Utah	9	13,079	3	9
George Wingfield, Reno, Nevada	13	19,879	1	10

(1) Those with 8 or more banks. Does not include mutual savings or private banks. For details for all chains by class of bank see Appendix, Tables II and IV.

(2) Number of different towns in which head office of a constituent bank is located.

Sources of Information

The first broad attempt to bring together facts with respect to the extent of chain and group banking was made by the Federal Reserve Board as of June 30, 1929. The Federal reserve banks were instructed to report all cases in which there was a community of control or ownership of three

or more banks. Where the community of interest related to two banks only, the cases were not asked for. Three hundred and twenty-one group and chain systems including 1,921 banks were reported as of that date.

The instructions to the reserve banks were: "It is requested that in general only those systems be included in which any person, group of persons, partnership, association or corporation has actual or potential control over the operations or policies of three or more banking units each working on its own capital and under its own personnel." The statistics were compiled from existing records and knowledge. No attempt has ever been made to circularize all the banks in the country with the view of further perfecting this body of data.

The data have been collected every half year subsequently, so that figures are available as of June 30 and December 31 in each of the years 1929, 1930, and 1931.<sup>(1)</sup> Those who have worked with the figures have come to believe that they represent within a reasonable margin of error the extent of banking concentration growing out of a community of interest in three or more banks. Between the first and latest tabulations of the movement there were shifts in one direction or the other. At the end of 1931 the tabulation showed 273 systems comprising 1,886 banks. The Committee also made an effort to find out the number of cases in which two banks only were affiliated. The best indications are that as of June 30, 1931, some 796 additional banks in the country representing 398 affiliations were

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(1) A tabulation appears in the Appendix, Tables V, VI, VII, and VIII, which gives details for each of these dates.

involved in relationships of this type.

The largest part of the two-bank relationships represents cases of what might be called one bank operating under two charters. Trust companies and State and national banks appear in such relationships. Quite often the two affiliated banks operate under the same roof and with the same officials. The purpose is not to tap business by geographically dispersed outlets but to operate in a variety of lines permitted by the two charters. The location by States and other particulars concerning such banks appear in the appendix, Table XIII.

Group and chain systems, each comprised of three or more banks, according to the records of the Federal Reserve Board, may be divided into three parts.

Table 3 - Group and Chain Systems, December 31, 1931

	Number of banks (1)	Loans and investments	Average loans and investments per bank
34 - Leading groups (2)	674	\$6,300,936,000	\$9,348,570
63 - Other groups	304	2,414,843,000	7,943,562
176 - Chains	908	926,733,000	1,020,631

(1) Does not include mutual savings and private banks.

(2) Those with 6 or more banks and \$25,000,000 or more loans and investments.

Many of the 63 "other groups" and of the chains are very different in character and in degree of centralized control from the 34 listed as representing the leading examples of the group movement. The group development is, therefore, better measured for most purposes by the figures for

the 34 leading groups.

For example, the Chase National Bank was included in the miscellaneous group in the figures as of June 30, 1931, but does not appear as of December 31, 1931. For some years the American Express Trust Company in New York City had been controlled by Chase National Bank interests. According to newspaper reports, the Chase interests in the early part of 1931 assumed control of the Canal Bank and Trust Company of New Orleans in order to protect commitments. Thus, a three-bank relationship came into existence and the loans and investments of the group and chain movement were swelled by nearly \$2,000,000,000. In the ensuing six months the American Express Trust Company was merged with the Chase, and the group disappeared from the statistics as of December 31, 1931. Three-bank relationships, and others, often came into being for a variety of fortuitous reasons and are not intended to operate over a wide territory in lieu of branch banking, as is the case with respect to many of the 34 leading groups.

Another example may be cited, that of the Central Hanover Bank and Trust Company of New York, which is included among "other groups," contributing with its two other associated banks more than a half billion dollars in loans and investments. The Central Hanover owns 35 per cent of the outstanding stock of two Florida banks. Fifteen per cent of the stock of these two banks is owned by the City Bank Farmers Trust Company. However, this trust company and the National City Bank, which dominates it, are not included among miscellaneous groups.

Among "other groups," an important element is these three-bank groups, which account for 69 banks and \$1,096,343,000 loans and investments

(see Table 15). Among these are many metropolitan institutions of large size which are in no sense part of the modern group movement, as exemplified by important units in the list of thirty-four. For example, the Central Hanover group contributes about a half billion of loans and investments, and the Peoples Trust Company of Pittsburgh group supplies \$167,000,000 in loans and investments.

Not only is the aggregate figure of loans and investments in the movement somewhat deceptive for the reasons outlined above, but as Table 4 shows, among the leading groups nearly two-thirds of all the loans and investments are furnished by the 34 key banks around which the leading groups are formed. These banks are large because they are metropolitan banks with large commercial accounts. Their size is derived from this fact and not because they are associated with smaller banking outlets, whose business comes from customers operating on a smaller scale.

Public interest in the group and chain bank movement was attracted by the rapid rise of group organizations during 1927-1929. Chains have been in existence for a long time in this country without attracting a great deal of attention. This is also true with respect to groups composed of a few banks. Groups of this class as well as chains have been formed and operate in a variety of forms. It is, therefore, difficult to make generalized observations applicable to all these forms. Among the leading groups, there is more homogeneity. Some of the chapters immediately following deal with the causes of the rise of the leading groups, their methods of management and operation, and their effects and consequences from the point of view of the problem of the banking structure in this country.

Table 4 - Loans and Investments of Leading Groups and of Largest Bank  
in Each, December 31, 1931  
(In thousands of dollars)

Name of group and location of head office	Loans and investments of group	Loans and investments of largest bank (1)
<u>New England</u>		
Financial Institutions, Inc., Augusta, Me.	79,871	29,302
First National Bank of Boston, Boston, Mass.	480,434	357,026
National Shawmut Bank, Boston, Mass.	142,417	132,227
Worcester County Bank & Trust Company, Worcester, Mass.	69,326	36,480
Hartford Connecticut Trust Company, Hartford, Conn.	38,347	27,531
<u>Middle Atlantic</u>		
First Trust and Deposit Company, Syracuse, N. Y.	97,145	81,295
Marine Midland Group, Inc., Buffalo, N. Y.	441,553	198,082
Union Trust Company & Melbank Corporation, Pittsburgh, Pa.	582,763	198,063
<u>North Central</u>		
Detroit Bankers, Inc., Detroit, Mich.	513,572	454,668
Guardian Detroit Union Group, Inc., Detroit, Mich.	333,769	152,987
Wisconsin Bankshares Corporation, Milwaukee, Wis.	231,394	134,056
Central Republic Bank & Trust Company, Chicago, Ill.	183,602	153,370
First National Bank, Chicago, Illinois	596,290	402,437
National Republic Bancorporation, Chicago, Ill.	25,273	7,243
BancOhio Corporation, Columbus, Ohio	61,306	38,609
<u>Southern Mountain</u>		
American National Bank, Nashville, Tenn.	62,602	44,259
Hamilton National Associates, Inc., Chattanooga, Tenn.	34,932	19,470
First National Bank Trustees, Louisville, Ky.	45,672	21,957
<u>Southeastern</u>		
First National Bank of Atlanta, Atlanta, Ga.	94,723	63,640
Citizens and Southern National Bank, Savannah, Ga.	57,136	47,580
First National Bank, Birmingham, Ala.	50,108	47,406
Atlantic National Bank, Jacksonville, Fla.	30,838	21,926
<u>Southwestern</u>		
Commercial National Bank, Shreveport, La.	26,354	15,713
Exchange National Bank, Tulsa, Okla.	48,026	33,607
<u>Western Grain</u>		
First Bank Stock Corporation, Minneapolis, Minn.	312,182	89,588
Northwest Bancorporation, Minneapolis, Minn.	316,213	70,395
Commerce Trust Co., Kansas City, Mo.	71,594	65,844
<u>Rocky Mountain</u>		
First Security Corporation, Ogden, Utah	33,052	5,615
<u>Pacific Coast</u>		
Marine Bancorporation, Seattle, Wash.	32,352	23,900
Old National Corporation, Spokane, Wash.	29,247	18,047
First National Bank, Seattle, Wash.	69,128	66,371
U. S. National Corporation, Portland, Ore.	71,909	63,390
Anglo National Corporation, San Francisco, Calif.	160,154	133,984
Transamerica Corporation, San Francisco, Calif.	877,652	785,222
Total (34 groups)	6,300,936	4,041,290

(1) The largest bank in each group was selected on the basis of the size of loans and investments.

Many of the observations with respect to leading groups apply to the less formal groups and the chains as well. For example, Table 2 shows that there are a considerable number of chains which control upwards of a dozen banks, one controlling 51, another 19. It is more than likely that the degree of centralized control in some chains is more analogous to that in branch systems than is the case with respect to some of the less formal groups.

Replies to Questionnaire. - The Committee sent a questionnaire to leading groups and about thirty returns were received. The replies form a body of valuable information on the modern group movement and represent the most important source of material developed in the following chapters. The answers were returned in 1930 and 1931, and consequently do not record such changes as may have taken place since that time, under the stress of acute business depression, in the condition and practices of the reporting groups or in the opinions of their representatives.

The questionnaire was divided into five major parts: (1) organization and history, (2) economic background, (3) management and supervision, (4) policies and operations, (5) public relations. Each of these subjects was developed by a series of questions. In the first division, information was requested with respect to the incorporation, capitalization, and subsidiaries of the holding company and how subsidiaries were acquired.

Under the second division, an attempt was made to bring out some of the motives impelling the organization. The degree of head office control and of local autonomy among member banks was developed in the third division. The fourth was intended to elicit information with respect to

portfolio management, the control of costs, and the effect of the group on correspondent relationships and on the Federal reserve system. The fifth division was concerned with the attitude of the group to governmental regulation and the local attitude towards the group itself. As the Committee was given permission by eight of the groups to publish their responses to the questionnaire, the replies made by them to a number of the more important questions appear in the appendix as case studies.

By way of establishing a background for analysis of the modern holding company and its operations in the banking field, and for describing the activities of recent years, the following chapter presents a review of earlier developments. The historical review will be followed by an analysis of the organized statistics of chain and group banking as of December 31, 1931.

## CHAPTER II

### EARLIER HISTORY OF GROUP AND CHAIN BANKING

There have always been individuals who have invested in stocks of more than one bank with a resultant cross interest sometimes amounting to an interlocking directorate and sometimes to virtual control of several institutions by one person, one family, or one group of persons. There has been little attempt to restrict the individual ownership of bank stocks, and, theoretically at least, in most jurisdictions all the shares of all the banks (except qualifying shares of directors) could be held by one person. There appear to have been no efforts on the part of State lawmakers to limit interlocking directorates, and Federal legislation along that line came only relatively recently. However, there have been prohibitions in some States, and limitations in others, on banks purchasing stock in other banks, and this fact retarded and made difficult the direct operation of a group of banks by a dominant banking institution. The legislative history and status in this connection will be brought out in a subsequent chapter.

A review of financial literature indicates that around the end of the last century writers began to take account of community of interest between two or more separately incorporated banks. Most of the cases noted in those days would be classified as chains, although early in this century citations appeared of corporations controlling strings of banks. It was not, however, until recent years that a survey of the situation was made.

Obstacles to Growth of Group and Chain Banking

It is apparent that many believed the spirit of the National Bank Act expressed a public policy to localize the control of banking institutions, setting its face against the centralization of control in the hands of a few. This point of view was well expressed in an opinion of the Solicitor General of the United States rendered in 1911. He said:<sup>(1)</sup>

"The banks created by the national banking act were, and were designed to be, local institutions and independent of each other, but under national control and supervision. Nationalization without centralization was the keynote of the law. This is demonstrated by the structure of the banks provided for."

He based this opinion in part upon the provisions of the act:

(1) requiring a national bank to conduct its business in a single place; (2) fixing capital requirements small enough to extend the facilities of national banking to the smallest communities; (3) requiring that three-fourths of directors must be residents of the State; (4) providing that natural persons only could participate in the organization of a national bank.<sup>(2)</sup>

In the years following the passage of the National Bank Act industrial development in this country was rapid and about 1880 a period of feverish concentration among industrial companies began. The last two decades of the century witnessed the rapid rise of pools and trusts in almost every part of the country and in practically all industries.<sup>(3)</sup>

(1) Commercial and Financial Chronicle, November 4, 1911, p. 1232; November 25, 1911, p. 1433. United States Congress, 72nd, 1st Session, Senate Document No. 92, May 10, 1932, p. 3.

(2) Ibid., pp. 3-5.

(3) Trusts, Pools, and Corporations, edited by William Z. Riploy, revised edition, p. xi.

Despite this general tendency, the spirit of the local unit bank, it would seem, was widely accepted and little was attempted during this period by way of building concentration on institutions incorporated under State statutes which perhaps did not contain the same implications as the National Bank Act.

An Early Group Scheme. - The attitude of bankers towards proposed schemes of concentrating banking resources is exemplified by an interesting case in the early nineties. Mr. F. W. Hayes, Vice President of the Preston National Bank of Detroit, wrote in the Banking Law Journal for July 15, 1892, "A Plan for Bank Consolidation." He proposed the formation of a management holding company for banks, in some respects not unlike many in existence today. Among other things he said:(1)

"The chain of banks thus established should be operated under a supervising central management located in Chicago or New York.

"It is not my idea that the several banks should be simply branches, but that each bank should be an entirely separate organization, for the reason that local stockholders and directors would thereby be incited to greater exertion, for they would receive their pro rata of the profit resulting from individual effort, whereas in the case of branch banks, the profits of good management in one branch may be offset by the losses of other branches."

Although the plan resulted in nothing concrete so far as the record shows, it was submitted for criticism to leading bankers all over the country. Many of the replies were brought together in a booklet and give some indication of factors which discouraged the development of group

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(1) "A Plan for Bank Consolidation," by F. W. Hayes, Banking Law Journal, July 15, 1892, pp. 56, 57.

and chain banking at a time when trusts and pools were common in other fields.(1)

The president of the National Exchange Bank of Baltimore, Maryland, feared a group system as suggested would be opposed "by other banks uniting their forces against it, calling it a trust, etc."(2) The cashier of the Southern Banking and Trust Company, Atlanta, Georgia, spoke of "the bad odor in which trusts are held by the people of this section."(3) The president of the First National Bank in Hartford, Connecticut, said: "'Syndicate' is a name which is not in favor among the larger classes upon whom banks depend for profit."(4) Again, from the cashier of the Deseret National Bank in Salt Lake City, Utah, is the statement "that the organization could be made a powerful one, but think it likely, on that account, to be antagonized by the other banks as well as by the element in Congress opposed to National Banks."(5)

Bankers, thus, seemed to think that group banking would be actively opposed by the anti-trust spirit of the day. Bankers were content to let others take the lead in testing the possibilities of concentration through various manipulations of the corporate form. It is probably true in any case that as banks were under Government supervision and bound by many special laws, bankers were reluctant to undertake any unusual deviations. Changes would be more apparent among banks than in any other type of business.

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(1) An Argument in Favor of the Organization of a Financial Corporation and Union of Banks, Together with Plans of Consolidation (1892).

(2) Ibid., p. 84.

(3) Ibid., p. 81.

(4) Ibid., p. 88.

(5) Ibid., p. 96.

One of the bankers in commenting upon the proposal pointed out that: (1)

"The question may be asked, why do business men form combinations? Not because they prefer to do business that way, but because their profits have been so reduced by competition that it becomes a necessity.

"The banking business has not yet reached the point where there is no profit, and will not as long as people have money to deposit for safe-keeping, and their less fortunate fellow-men have not the necessary capital on which to do business."

Facts brought out in other studies made by the Committee may usefully be recalled in considering the statement of this banker. In the earlier years of this century banking was a profitable and, therefore, attractive field of enterprise. More recent years have witnessed a substantial narrowing in the margin of bank profit per unit of business, and this may have given an important part of the impetus to the modern group movement.

Possibly, the American system of correspondent banking represented some vested interests that resisted concentration through chains and groups. The large city banks, which possessed the resources and prestige to lead such a movement, felt perhaps that they were getting the profitable country business under correspondent relationships without the risk which might accompany actual management of smaller banking outlets. Metropolitan bankers, moreover, may have felt that any attempt to buy into country banks might be resented by the country bank correspondents who would sever their relationships. The thousands of accounts of small country banks controlled by some of the great metropolitan banks were a part of their business which they did not wish to sacrifice.

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(1) Ibid., p. 45.

Legal Basis for Holding Companies. - Most of the factors named in the preceding paragraphs served to obstruct chain banking as well as groups, but there was another factor which ~~certainly~~ operated against the rise of the modern bank holding company. Before 1889 the laws of no State provided for a corporation to be chartered for the special purpose of owning stocks in other companies, and most court decisions were contrary to such activity. New Jersey was the first to make definite provision for pure holding companies. A student of such matters has summarized the situation:<sup>(1)</sup>

" . . . Until about 1870 in England, and twenty years later in our own country, the weight of legal authority had been adverse to the holding of the stock of one corporation by another. Railroads for a generation had, by special provision of law, controlled subsidiary companies in this way. But the passage of a new corporation act by New Jersey in 1889 first legalized the practice under general statutes. Vast possibilities were involved in this fundamental change in American corporation law. Companies could hereafter be organized as well to serve the ends of bankers and promoters as those of industrial efficiency. The New Jersey type of corporation need have no operating duties whatsoever, other than to hold the shares of other concerns, elect officers, receive dividends from constituent companies and turn them over to their own stock or bond holders. It was necessary merely to maintain a nominal connection with the chartering state by renting desk room, displaying a sign, going through the form of an annual meeting and rendering meager annual reports. Many American commonwealths, notably Delaware, Maine, West Virginia and North Dakota, promptly followed the example of New Jersey, profiting greatly thereby from the resultant fees. Only two states seem to have wholly resisted the temptation to authorize the holding company by the amendment of their industrial codes."

Thus, it was not until 1889 that the principle of one corporation's being primarily in the business of owning stock in others came into our law. Until this principle became established, the possibility of the modern holding company for banks did not exist.

These factors outlined in previous paragraphs operating against the establishment of groups and chains justify the belief that there was

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(1) Trusts, Pools, and Corporations, edited by William Z. Ripley, revised edition, pp. xix, xx.

little of such banking activity in the nineteenth century. It is possible, however, that the situation was more apparent than real. The recording of chains and groups in all parts of the country with the turn of the century suggests their prior existence in covert form. Probably secrecy had been encouraged by a fear of public opposition.

Contemporary Comment (1902-1908) on Early Examples of  
Group and Chain Banking

Balanced against these obstructing factors implicit in law and custom, there were other factors which encouraged banking concentration and caused it to take the form of groups and chains. These will be covered more fully in a subsequent chapter, which will analyze the cause of the rise of the modern group bank holding company. Only those factors will be mentioned here which were referred to by writers around the beginning of the century. One of these factors was the lack of branch banking powers both among national and State banks. That chain banking was regarded as a substitute for branch banking, resorted to in the absence of branch banking permission, is evidenced by contemporary discussions of branch banking at bankers' conventions.

One such statement in 1902 pointed out that "In the Northwest the branch banking question is apparently solving itself, and 'lines' or 'chains' of banks controlled by one or two men are becoming common and the number of banks so controlled, greater." The observer quoted also referred to the development of "this style of branch banking."<sup>(1)</sup>

Other studies of this Committee trace the effort made by certain persons to extend the principle of branch

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(1) "Branch Banking in North Dakota," Commercial West, November, 1902, p. 23.

banking in the national banking system. In the meantime bankers were experimenting with the idea of achieving the same results with separately incorporated banking offices. In 1902 the late A. Barton Hepburn pointed out that:<sup>(1)</sup>

"The prohibition against the establishment of branches and the desirability of close affiliation are developing rapidly a system of joint ownership in banks . . . Such institutions, owned by strong people and in the hands of conservative managers, could certainly render the public great service."

An economist writing at the same time said:<sup>(2)</sup> "To an unknown, though probably considerable extent, a process of federation has also been going on through the efforts of coteries of individuals to acquire stock in groups of banks—it being forbidden to the institutions themselves to be holders of each other's stock." He was of the opinion that "it could make no progress outside the great cities."

Pyramid or Promotion Chains. -- Others have observed that chains developed at this time in many cases were dominated by men with promotional instincts, who controlled many banks with small initial investments of their own. Horace White, writing in Sound Currency for June, 1902, referred to this development:<sup>(3)</sup>

". . . Scarcely a day passes that we do not read of some existing bank passing under the control of a larger one. During the past six months there has been much quiet absorption of small banks in New York City by large ones, but latterly the process has been extended to banks outside of the city and outside of the State. Not only so, but some of the large banks in cities far distant from each other have been exchanging shares through the persons of men who own controlling interests in each. . ."

The affiliations between large and small banks, Mr. White wrote,

- (1) A. Barton Hepburn, "Branch Banks and the Currency Problem," Sound Currency, March, 1902, p. 36.
- (2) H. Parker Willis, "Demand for Centralized Banking," Sound Currency, March, 1902, p. 13.
- (3) Horace White, "Branch Banking: Its Economies and Advantages," Sound Currency, June, 1902, p. 56.

was supposedly "accomplished by individuals connected with the large bank, buying the shares of the small one, and borrowing from the former the money which pays for them, the shares being pledged as collateral security for the loan."<sup>(1)</sup>

That the Heinze-Morse chain, which was conspicuous in the banking difficulties of 1907, was only one of several similar developments is evidenced by the Report of the New York Special Commission on Banks in 1907. It said:<sup>(2)</sup>

"A method of a certain class of promoters, well illustrated by the recent developments in certain embarrassed financial institutions, is to buy stock of a bank or trust company, and by using that as collateral, borrow money with which to buy stock of another banking institution. By repeating this process and by claiming the indulgence due a stockholder in the matter of extending credit in other directions, it is possible for adroit and unscrupulous men to acquire the nominal ownership of a very considerable amount of stock in a number of institutions, by the investment of a comparatively small amount of capital. The object of such a procedure is to obtain a standing with such institutions, which will enable the promoters to utilize their credit and obtain funds to carry on their various enterprises."

Noyes in Forty Years of American Finance refers to the Heinze operations as having been in progress for half a dozen years prior to 1907. A number of banking institutions of "second rank" were brought up, he wrote, by a "speculating financier" and a type of "chain banking" developed as a characteristic incident of the era of speculation, "watched by conservative financiers with much uneasiness."<sup>(3)</sup>

H. M. P. Eckardt, in A Rational Banking System,<sup>(4)</sup> tells of a dispatch from Omaha, Nebraska, to the New York Evening Post, in the issue

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(1) Ibid., p. 57.

(2) Report of the New York Special Commission on Banks, 1907, pp. 8-9.

(3) Alexander Dana Noyes, Forty Years of American Finance, p. 365.

(4) H. M. P. Eckardt, A Rational Banking System, pp. 194-195.

of April 25, 1908, describing how bank chains were built up in the West. After describing how towns sprang up along the right of way of new railway lines, he explained that among the first institutions in the new towns were banks. "The next step in the development of these banks," the Omaha correspondent declared, "has been their combination into chains. The farm mortgages given by the farmers who move on the new lands which they wish to improve, and borrow money for the purpose, have to be sold; hence the president goes to a large Western city and starts an investment company which makes a specialty of selling farm loans. He leaves the bank in charge of a cashier, who is usually a young man anxious to make a showing. The president establishes other banks of this sort until he has a string reaching across several counties." Reference is made to one banker who was president of 20 banks of this sort and who "lived in luxury without visiting them oftener than enough to keep in touch with their management."

This author also refers to a person associated with a bank in Oklahoma City who was making arrangements to start a string of fifteen banks throughout the State.<sup>(1)</sup> He mentioned the purchase by the National City Bank of New York of a controlling interest in the Exchange National Bank of Spokane, and a large block of the stock of the Traders' National Bank of the same city. These last transactions referred to as "apparently being part of a preparatory plan of the Standard Oil interests to make large investments on the Pacific Coast,"<sup>(2)</sup> but these holdings were subsequently disposed of.

Another author, reviewing the situation in the Northwest, is disposed to emphasize other motives:<sup>(3)</sup>

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(1) Ibid., p. 195.

(2) Ibid., p. 196.

(3) Mildred Lucille Hartsough, The Twin Cities As a Metropolitan Market, pp. 145-146.

". . . The practice seems to have spread rapidly, and, though it aroused considerable comment, it did not apparently give rise to much opposition. Indeed, there would not have been much cause for it, for the individuals responsible were men of capital who were furnishing banking facilities where they had not existed before, and who had no more ulterior motive than the making of additional profits by the furnishing of these services. Investments of additional capital were made by a diffusion of banking establishments in agricultural communities, because that procedure offered more profits, as well as more benefits, than the building up of a large institution in any one center. There was no apparent motive of concentration of control, such as may have been influential in later developments. It is worthy of notice, as bearing out this point, that the earliest instances of community of interest were all in North Dakota, a purely agricultural district which was just being settled, where banking facilities were scantily distributed and where the capital with which to increase them was mostly in the hands of a few men."

#### Record of Rise of Chains and Groups

The early rise of chains and groups was not made the subject of an enumeration, but the evidence of their existence consists of bits of fragmentary information and comments gathered from a variety of sources. The first citation relates to the middle eighties. Mildred L. Hartsough in The Twin Cities As a Metropolitan Market speaks of instances of chains beginning to appear in the Northwest about 1890. The first instance of chain banking of which she found record in the region was the case of Mr. David H. Beecher who established one bank in North Dakota in 1884, and another in 1887.<sup>(1)</sup> Miss Hartsough seems to feel that the practice of buying into other banks spread rapidly in the Northwest, but it was probably after the turn of the century.

The Witham organization in the Southeast, more or less a cross between a chain and a group, was one of the best known of the earlier systems. Starting in 1896 under Mr. W.S. Witham, it operated a string of banks ultimately located in

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(1) Ibid., p. 145.

Georgia, Florida, New York, and New Jersey. Before its failure in 1926 it controlled nearly 200 banks, many of which were located in small communities. The record of this system is reviewed in some detail in the chapter on suspensions (Chapter VIII).

By 1900 close communities of interest between two or more banks were becoming a familiar thing. It was said that:(1)

"About the year 1900 there was some open talk of combinations being favored between the larger banks in New York City and some of the large trust companies in that and other cities."

In 1903 the following observation was made:(2)

". . . A glance through a bank directory of any Western State shows the names of several men frequently repeated as presidents or vice-presidents of a number of banks. In each case the man, or interests represented by him, probably controls the banks of which he is an officer. The banks so connected are called a chain. . ."

This author refers to the largest system of banks in Kansas as being made up of 18 institutions, and with deposits of \$3,500,000 and controlled by interests connected with the largest bank in Kansas City, Missouri.(3)

For the most part, what interbank control there was down to 1900, and even later in most sections, was largely individual or personal in character, but in the years following 1900 non-banking companies were organized to acquire bank stock and centralize to some degree bank operations, but these were infrequent and the number of banks in each chain remained relatively few. The territory covered by a particular system was, for the most part, not extensive, in many cases being confined to a county or area of similar size.

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(1) Charles A. Lindbergh, Banking and Currency and the Money Trust, p. 81.

(2) Thornton Cook, "Branch Banking for the West and South," Quarterly Journal of Economics, 1903-1904, Vol. 18, p. 107.

(3) Ibid.

Early Groups. - One of the earliest recorded instances of a forerunner of the modern group banking movement is the case of the Old National Bank of Spokane, Washington, and the Union Securities Company. This company was organized in 1909, more than a controlling interest being held by the stockholders of the Old National Bank, and it began to acquire stockholdings in banks. About this time also a trust company in Texas with branches, following the adoption of a branch bank prohibitory law, although perhaps not because of it, converted into a group bank system, making use of the trust company as a holding company for the stock of the separately incorporated institutions into which the former branches were converted.<sup>(1)</sup> Another example is the Atlantic Trust Company of Jacksonville, Florida, incorporated in 1908, for the purpose of acquiring a bank building. Later it began to purchase bank stock.

According to information recently made public, the stockholders of one of the largest of the country's banks, the National City Bank of New York, also chartered a subsidiary, known as the National City Company, to carry on activities not possible under the charter of the bank. In the three weeks subsequent to its organization on July 5, 1911, it had acquired among its various investments stock in

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(1) H. H. Preston, "The Trend to Chain Banking," American Bankers Association Journal, April, 1923, pp. 761-762.

16 banks and trust companies, 9 of which were national banks. The following table indicates the relative strength of the company's holdings in these national banks at that date, (1) although information with respect to the trust companies was not published.

Table 5 - National City Company's Holdings of National Bank Stock in 1911

Name and location of bank	Company's holdings	Total number of shares of capital stock of bank
Second National Bank of New York	10	10,000
Fletcher American National Bank of Indianapolis	167	20,000
American National Bank of Indianapolis(2)	250	-
Fourth Street National Bank of Philadelphia	500	30,000
National Shawmut Bank of Boston	1,000	35,000
Riggs National Bank of Washington	2,240	10,000
National Butchers and Drovers Bank of New York	3,000	3,000
Lincoln National Bank of New York	4,324	10,000
National Bank of Commerce of New York	9,800	250,000

(2) No such bank shown in the American Bank Reporter.

The degree of control over the banks that was represented by these holdings was small in some of the cases, as the tabulation shows, although in one it was complete and in two others appreciable. Shortly after the date to which this tabulation relates, the National City Company is said to have divested itself of all its holdings of bank stock.

The Morris Plan system of industrial banks, originated by Mr. Morris, bears some analogy to a group system. The first of its banks was opened in Norfolk, Virginia, in

(1) United States Congress, 72nd, 1st Session, Senate Document No. 92, May 10, 1932, p. 14.

1910, and later others were started in different cities. As each bank was organized, Mr. Morris took some stock, but in order to widen the scope of his activities, he organized the Fidelity Corporation of America on July 15, 1912, designed to hold stock in the banks and to be active in organizing them.<sup>(1)</sup> While the Morris Plan banks are not commercial banks, but so-called "industrial" or small loan institutions, the development was not unlike its successors in the commercial group banking field.

In 1909 the commissioner of banking of Wisconsin found that group banking was becoming an important factor in that region:<sup>(2)</sup>

"A new feature in banking has manifested itself of late which, if permitted to go on unhindered, will eventually result in a monopoly control of the banking business. I refer to the so-called holding companies which are increasing with alarming rapidity in various parts of the country. One of these companies with headquarters in Minneapolis, Minnesota, own (sic.) a controlling interest in more than 50 banks in Minnesota, Iowa, Wisconsin and the Dakotas. In Wisconsin, eight or ten banks are now controlled by this one company; two other companies have recently been organized at Minneapolis, Minnesota, for the purpose of getting control of banks either by buying up a majority interest in banks now in existence or by organizing new banks."

In 1908 the National Monetary Commission deemed this banking movement to have attained such proportions as to merit a query about it in a circular letter which invited suggestions for changes in the national banking laws. Out of 85 letters published over 80 per cent, from all parts of the country, contained opinions on this phase of banking, thus indicating that it was not unknown to the authors of the letters.<sup>(3)</sup>

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- (1) Louis N. Robinson, "The Morris Plan," American Economic Review, June, 1931, p. 222.
  - (2) Fifteenth Annual Report of the Commissioner of Banking of Wisconsin, 1909, p. xi.
  - (3) Administrative Features of National Banking Laws and European Fiscal and Postal Savings Systems, National Monetary Commission, Vol. 19, pp. 5-180.

In July, 1911, the Government became interested in the development of the affiliation movement so far as national banks were concerned, and made an investigation. It was found that about 300 national banks had at that time formed affiliations with other banks.<sup>(1)</sup> Both the President of the United States and the Secretary of the Treasury felt the movement to be of such importance as to merit special legislation. In his annual report for 1911,<sup>(2)</sup> Secretary McVeagh asked for legislation denying:

" . . . with great precision to any bank included within its provisions, whether national or state, the right to own stock in any other independent bank. . . There is no immediate danger to be apprehended from such holdings; but now is the time to protect for the future the independence and individuality of the banks; and to forestall in their case the general tendency to the formation of undue combinations and trusts. The prohibition should be so explicit that its spirit as well as its letter could be enforced. . ."

In a special message to Congress President Taft incorporated a request for the assuring of "the individuality and the independence of each bank."<sup>(3)</sup> The suggested legislation was never enacted and both group and chain banking continued to grow. The so-called Money Trust Investigation in 1913 found marked evidence of chain banking through interlocking directors. The complexity and extent of the connections between the financial organizations, especially in the large cities, of the country were brought out by witnesses. It appeared, for example, that the Guaranty Trust Company of New York had 63 directors interlocking 19 other banks and trust companies

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(1) J. Laurence Laughlin, Banking Reform, p. 205.

(2) Annual Report of the Secretary of the Treasury, 1911, pp. 3, 4.

(3) "Special Message to the Senate and House on the Financial Condition of the Treasury, Needed Banking and Currency Reform and Departmental Questions, December 21, 1911," A Compilation of the Messages and Papers of the Presidents, prepared under the direction of the Joint Committee on Printing, of the House and Senate, Vol. X, p. 8064.

with the trust company; the Bankers' Trust Company had 59 directors common with 19 other banks and trust companies; and the National City Bank had 32 directors in common with 16 banks and trust companies in Chicago, Pittsburgh, Washington, and New York.(1)

By 1916 it was claimed that Minneapolis alone was the headquarters for chains operating over 300 banks.(2) Six years later the Federal Reserve Board spoke of the "considerable development" of groups and chains, the largest of which included "some 175 small banks."(3)

Statistics in 1925. - All these scattered instances serve to indicate that group and chain banking appeared in all parts of the country at least as early as the beginning of the century, and became increasingly important subsequently. Unfortunately no statistics are available before 1925 showing the strength of the movement. In that year, some data were collected under the supervision of H. Parker Willis in a Report of an Inquiry into Contemporary Banking in the United States. These figures are admitted to be probably an underestimate, but they give some idea of the scope of the tendency at that time.(4) It is not clear whether a chain or group was defined to consist of two or more banks or some larger number. At any rate as shown in Table 6, adapted from the table in the report, more than 130 chains and groups were accounted for with more than 900 banks.

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(1) United States Congress, 62nd, 2nd and 3rd Sessions, House Subcommittee on Banking and Currency, Investigation of Financial and Monetary Conditions in the United States under H. Res. 429 and 504, Exhibit 134-C, pp. 5-7.

(2) Mildred Lucille Hartsough, The Twin Cities As a Metropolitan Market, p. 147.

(3) Annual Report of the Federal Reserve Board, 1922, p. 6.

(4) Report of an Inquiry into Contemporary Banking in the United States, compiled under H. Parker Willis, Vol. VI, Ch. XIV, p. 9.

Table 6 - Banking Chains and Affiliations in the United States During the Year 1925<sup>(1)</sup>

State	Number of chains	Number of banks
Arkansas	2	24
Arizona	4	15
California	20	66
Colorado	(2)	(2)
Florida	1	54
Georgia	2	163
Idaho	18	73
Illinois	3	18
Iowa	8	45
Massachusetts	(3)	(2)
Minnesota	5	103
Mississippi	2	17
Missouri	1	6
Montana	(2)	(2)
Nebraska	2	11
Nevada	1	9
New Jersey	8	26
New Mexico	2	8
New York	10	35
North Dakota	(2)	(2)
Oklahoma	6	45
Oregon	6	22
Pennsylvania	2	16
South Dakota	1	6
Texas	2	28
Utah	9	52
Washington	16	69
Wisconsin	2	14
Wyoming	<u>1</u>	<u>8</u>
Total	134	933

- (1) Report of an Inquiry into Contemporary Banking in the United States, compiled under H. Parker Willis, Vol. VI, Chap. XIV, p. 9.
- (2) Exact number not reported.
- (3) One reported for an earlier date.

The first tabulation which approximated completeness was that of the Federal Reserve Board for June 30, 1929, the result of which was given in the first chapter with more details in the Appendix, Table V, and the

Board has tabulated the situation at half yearly periods subsequently as shown in Table 7. It is true that the Board did some canvassing in 1922, 1926, and again in 1928. The results obtained, however, were not believed to be complete enough to warrant publication.

Table 7 - Number and Loans and Investments of Banks in Chains and Groups  
June 30, 1929-December 31, 1931

Date	Number of chain and group systems	Number of banks	Loans and investments (millions of dollars)
June 30, 1929	321	1,921	\$ 9,768
December 31, 1929	332	2,165	12,093
June 30, 1930	325	2,229	12,766
December 31, 1930	316	2,154	11,856
June 30, 1931	305	2,071	13,355
December 31, 1931	273	1,886	9,643

Appendix Tables VIII and IX show the numbers of groups and chains by geographic divisions and by States.

As the table indicates, a large part of the organization of groups and chains was over by the time the first record was made. The first record showed 321 chains and groups with 1,921 banks. One year later 2,229 banks were reported as belonging to chains and groups. Since that date, the numbers of systems and member banks included have been diminishing at the same time that the number of all banks was decreasing owing to failures and consolidations.

Table 8 serves to show that most of the leading bank holding companies were incorporated at comparatively recent dates.

Table 8 - Chronology of the Appearance of Some of Leading Names  
in Bank Holding Company Field

Name	Date of incorporation	Name	Date of incorporation
Marine Bancorporation	Sept. 10, 1927	Northwest Bancorporation	Jan. 24, 1929
Citizens and Southern Holding Company	April 9, 1928	First Bank Stock Corporation	April 1, 1929
Old Colony Trust Associates	May 14, 1928	Guardian Detroit Union Group	May 9, 1929
United States National Corporation	May 8, 1928	Financial Institutions, Inc.	1929
Shawmut Association	May 21, 1928	BancOhio Corporation	Sept. 1929
First Security Corporation of Ogden	June 15, 1928	Marine Midland Corporation	Sept. 23, 1929
Pacific Bancorporation	July 7, 1928	Wisconsin Bankshares Corpo- ration	Dec. 10, 1929
Transamerica Corporation	Oct. 11, 1928	Detroit Bankers Company	Jan. 8, 1930
Anglo National Corporation	Dec. 4, 1928	Hamilton National Associates	Jan. 20, 1930
		Southwest Bankshares Corpo- ration	Feb. 6, 1930

## CHAPTER III

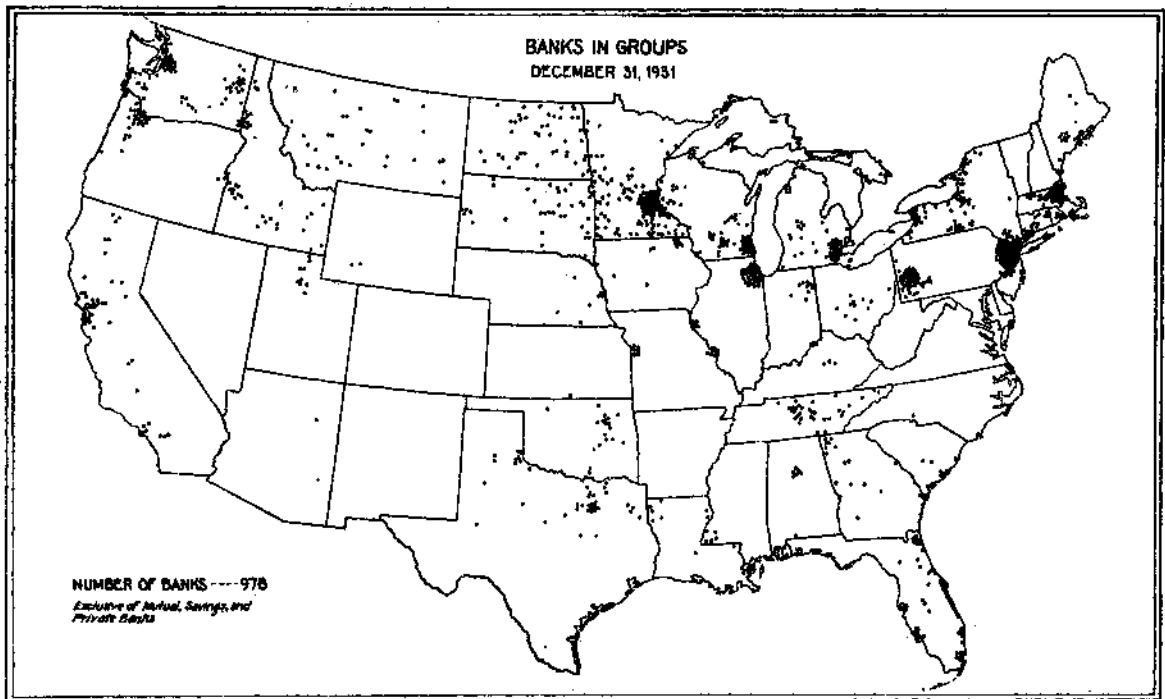
### STATISTICAL ANALYSIS OF GROUP AND CHAIN BANKING DECEMBER 31, 1931

Banks belonging to groups and chains are found in practically every section of the country and among all sizes of banks. Only a few States, located in the East, such as Virginia, Maryland, Delaware, New Hampshire, and Vermont, are without any group or chain banks. The great majority of chain banks, however, are located in the agricultural States of the Middle West where branch banking is prohibited. Many of the banks in groups are also located in the agricultural regions, but a large proportion of them is found in and around the large cities, especially those located in the Northeastern and North Central States. Charts 1 and 2, outline maps of the United States, show the location of banks in groups and chains respectively.

#### Geographic Distribution

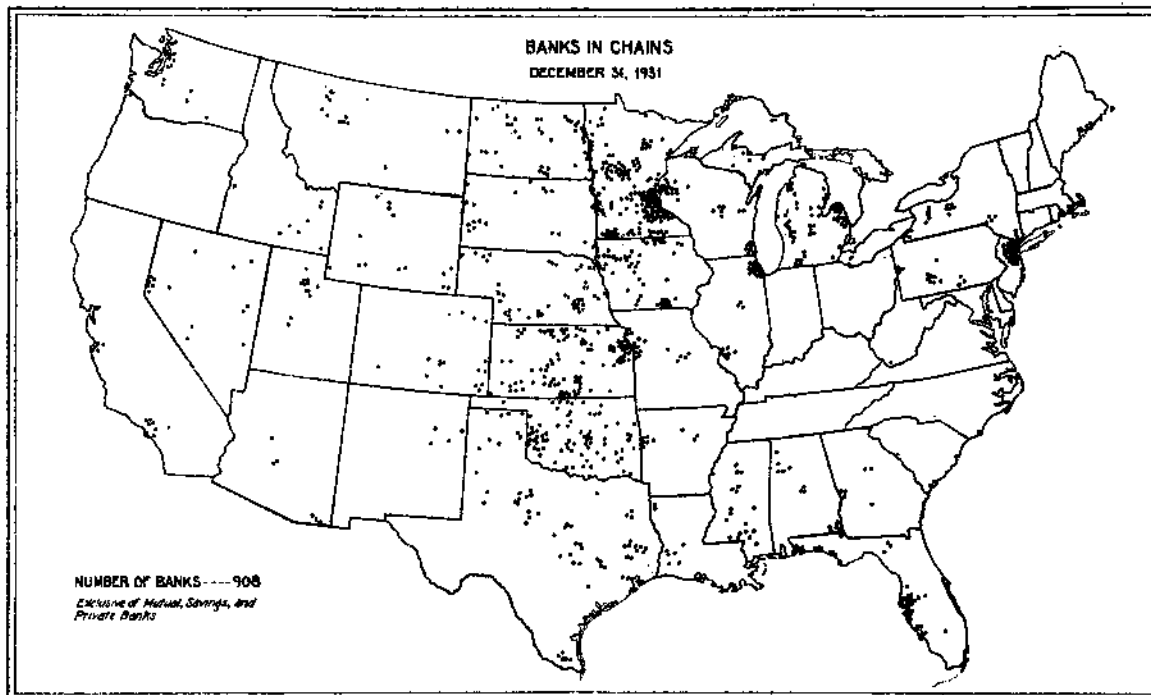
Leading Groups. - Seven of the 34 leading groups have their head offices in the North Central States, as indicated in Table 1. The Pacific Coast States have 6 of the leading groups; New England, 5; and the Southeastern States, 4. The Middle Atlantic, Southern Mountain, and Western Grain divisions each have 3; Southwestern, 2; and Rocky Mountain, 1. However, from the point of view of the number of banks the Western Grain States are the most important as they account for the 2 groups which have the greatest number of banks, the Northwest Bancorporation and the First Bank Stock Corporation. Moreover, as Table 9 shows, the number of

CHART I



Where many banks in a large city belong to groups, a congregation of dots representing both downtown and suburban banks appears on the map, as for example in the Chicago and Minneapolis areas.

CHART 2



Where many banks in a large city belong to chains, a congregation of dots representing both downtown and suburban banks appears on the map, as for example in the Chicago and Minneapolis areas.

banks belonging to leading groups is largest in those States. Of the 674 banks belonging to leading groups 195 are located there. The next largest number, 132, appears in the North Central States, and the smallest number, 27, in the Southwestern States.

As Table 10 shows, the amount of loans and investments controlled by leading groups is largest in the North Central States, amounting to \$1,961,453,000. These States include the two Detroit organizations and the Wisconsin Bankshares Corporation. Owing to the size of the Transamerica Corporation, the Pacific Coast States rank second in terms of loans and investments. And even the Middle Atlantic States contributed more loans and investments than the Western Grain States, which are represented by the largest number of banks.

Banks in Chains. - The Western Grain States have many banking chains. Of the 908 banks belonging to chains, 408 are situated there. The organized statistics as of December 31, 1931, account for 22 chains in the United States which have 8 or more banks. As Table 2 shows, 8 of those are located in the Western Grain States on the basis of the location of their head office, and most of their banks are located in these States. The largest chain in the country both with respect to number of banks and total loans and investments as of December 31, 1931, was that of Mr. Otto Bremer of St. Paul. This chain comprised 51 banks with over \$46,000,000 of loans and investments. From the point of view of number of banks, it is exceeded in the whole United States by only two groups, the Northwest Bancorporation and the First Bank Stock Corporation.

The North Central and Southwestern States also account for a large number of banks in chain systems. On the other hand, there are practically

no banks belonging to chains reported in the Southern Mountain and New England States and but few in the Pacific Coast States.

All Groups and Chains. - With respect to the 1,886 banks in all chains and groups the Western Grain States also have the largest representation with 629. No other geographical division is a near competitor in this respect. The large number in the Western Grain States reflects largely the existence of 408 chain banks.

Table 9 - Number of Group and Chain Banks by States and by Geographic Divisions Compared with All Commercial Banks, December 31, 1931

State by geographic division	Number of banks					Group and chain banks per 100 active banks
	All commercial	Leading groups	Other groups	Chains	Total groups and chains	
<u>New England</u>	625	54	17	4	75	12.0
Maine	81	12	3	-	15	18.5
New Hampshire	66	-	-	-	-	-
Vermont	81	-	-	-	-	-
Massachusetts	229	33	4	4	41	17.9
Rhode Island	25	-	3	-	3	12.0
Connecticut	143	9	7	-	16	11.2
<u>Middle Atlantic</u>	2,826	60	104	58	222	7.9
New York	834	34	38	23	95	11.4
New Jersey	455	-	49	21	70	15.4
Delaware	46	-	-	-	-	-
Pennsylvania	1,266	26	17	14	57	4.5
Maryland	187	-	-	-	-	-
Dist. of Col.	38	-	-	-	-	-
<u>North Central</u>	4,175	132	13	107	252	6.0
Michigan	589	40	-	55	95	16.1
Wisconsin	869	53	-	29	82	9.4
Illinois	1,294	28	4	23	55	4.3
Indiana	651	-	9	-	9	1.4
Ohio	772	11	-	-	11	1.4
<u>Southern Mountain</u>	1,505	35	3	1	39	2.6
West Virginia	218	-	-	1	1	0.5
Virginia	392	-	-	-	-	-
Kentucky	497	6	-	-	6	1.2
Tennessee	398	29	3	-	32	8.0

Table 9 - Number of Group and Chain Banks by States and by Geographic Divisions Compared with All Commercial Banks, December 31, 1931 (Continued)

State by geographic division	Number of banks					Group and chain banks per 100 active banks
	All commercial	Leading groups	Other groups	Chains	Total groups and chains	
<u>Southeastern</u>	1,389	35	36	62	133	9.6
North Carolina	283	-	1	-	1	0.4
South Carolina	114	2	4	-	6	5.3
Georgia	321	18	-	6	24	7.5
Florida	187	9	21	25	55	29.4
Alabama	256	6	5	13	24	9.4
Mississippi	228	-	5	18	23	10.1
<u>Southwestern</u>	2,102	27	42	152	221	10.5
Louisiana	200	5	6	8	19	9.5
Texas	1,102	3	36	60	99	9.0
Arkansas	276	-	-	9	9	3.3
Oklahoma	524	19	-	75	94	17.9
<u>Western Grain</u>	4,878	195	26	408	629	12.9
Minnesota	886	104	10	142	256	28.9
North Dakota	246	38	5	40	83	33.7
South Dakota	263	34	-	19	53	20.2
Iowa	935	5	6	50	61	6.5
Nebraska	633	7	-	46	53	8.4
Missouri	992	6	5	16	27	2.7
Kansas	923	1	-	95	96	10.4
<u>Rocky Mountain</u>	792	63	15	89	167	21.1
Montana	157	30	-	12	42	26.8
Idaho	122	22	15	8	45	36.9
Wyoming	78	2	-	14	16	20.5
Colorado	233	-	-	16	16	6.9
New Mexico	50	-	-	5	5	10.0
Arizona	32	-	-	6	6	18.8
Utah	88	9	-	12	21	23.9
Nevada	32	-	-	16	16	50.0
<u>Pacific Coast</u>	875	73	48	27	148	16.9
Washington	286	36	23	14	73	25.5
Oregon	199	14	12	-	26	13.1
California	390	23	13	13	49	12.6
<b>UNITED STATES</b>	<b>19,167</b>	<b>674</b>	<b>304</b>	<b>908</b>	<b>1,886</b>	<b>9.8</b>

Although the Western Grain States show the largest number of chain and group banks, both the Rocky Mountain and Pacific Coast States surpass them as to the proportion of active commercial banks included in groups and chains. These two divisions have respectively 21.1 and 16.9 per cent of their banks in groups and chains against 12.9 per cent in the Western Grain States. The Rocky Mountain area is, of course, a sparsely settled country of few banks and the Pacific Coast situation is heavily weighted by California, where banks are fewer in number by reason of state-wide branch banking, privileges. Only 2.6 per cent of all active commercial banks are included in groups and chains in the Southern Mountain States.

Table 10 - Loans and Investments of Group and Chain Banks by State Compared with All Commercial Banks, December 31, 1931

State by geographic division	Loans and investments				Total groups and chains (000 omitted)	Ratio of group and chain to all commercial
	All commercial (000 omitted)	Leading groups (000 omitted)	Other groups (000 omitted)	Chains (000 omitted)		
<u>New England</u>	\$ 3,058,527	\$ 810,395	\$ 212,349	\$ 8,229	\$1,030,973	33.7
Maine	284,510	79,871	10,258	-	90,129	31.7
New Hampshire	96,665	-	-	-	-	-
Vermont	137,361	-	-	-	-	-
Massachusetts	1,648,682	692,177	7,456	8,229	707,862	42.9
Rhode Island	336,728	-	139,201	-	139,201	41.3
Connecticut	554,581	38,347	55,434	-	93,781	16.9
<u>Middle Atlantic</u>	17,367,662	1,121,461	1,388,636	263,592	2,773,689	16.0
New York	10,336,648	538,698	928,695	60,222	1,527,615	14.8
New Jersey	1,784,027	-	219,901	163,949	383,850	21.5
Delaware	134,032	-	-	-	-	-
Pennsylvania	4,317,614	582,763	240,040	39,421	862,224	20.0
Maryland	546,254	-	-	-	-	-
Dist. of Col.	249,087	-	-	-	-	-
<u>North Central</u>	7,410,744	1,961,453	43,454	133,362	2,138,269	28.9
Michigan	1,489,814	855,971	-	57,749	913,720	61.3
Wisconsin	782,060	239,011	-	36,851	275,862	35.3
Illinois	2,712,360	805,165	4,324	38,762	848,251	31.3
Indiana	563,844	-	39,130	-	39,130	6.9
Ohio	1,862,666	61,306	-	-	61,306	3.3

Table 10 - Loans and Investments of Group and Chain Banks by State Compared with All Commercial Banks, December 31, 1931 (Continued)

State by geographic division	Loans and investments					Ratio of group and chain to all commercial
	All commercial (000 omitted)	Leading groups (000 omitted)	Other groups (000 omitted)	Chains (000 omitted)	Total groups and chains (000 omitted)	
<u>Southern Mountain</u>	\$ 1,439,194	\$ 139,088	\$ 12,263	\$ 1,494	\$ 152,845	10.6
West Virginia	254,111	-	-	1,494	1,494	.6
Virginia	454,731	-	-	-	-	-
Kentucky	403,775	45,672	-	-	45,672	11.3
Tennessee	326,577	93,416	12,263	-	105,679	32.4
<u>Southeastern</u>	1,130,690	236,923	101,878	60,355	399,156	35.3
North Carolina	240,429	-	2,908	-	2,908	1.2
South Carolina	112,854	5,416	30,339	-	35,755	31.7
Georgia	269,733	150,561	-	3,757	154,318	57.2
Florida	179,622	30,838	62,595	34,986	128,419	71.5
Alabama	207,177	50,108	3,112	4,209	57,429	27.7
Mississippi	120,875	-	2,924	17,403	20,327	16.8
<u>Southwestern</u>	1,531,765	73,758	96,169	83,081	253,008	16.5
Louisiana	355,416	22,933	20,917	30,361	74,211	20.9
Texas	781,289	4,164	75,252	19,110	98,526	12.6
Arkansas	106,670	-	-	11,120	11,120	10.4
Oklahoma	288,390	46,661	-	22,490	69,151	24.0
<u>Western Grain</u>	2,970,045	615,794	44,259	240,424	900,477	30.3
Minnesota	709,373	407,837	6,860	81,501	496,198	69.9
North Dakota	74,182	32,219	1,146	14,952	48,317	65.1
South Dakota	88,210	32,985	-	7,217	40,202	45.6
Iowa	546,624	35,730	3,458	28,171	67,359	12.3
Nebraska	245,493	34,807	-	20,060	54,867	22.3
Missouri	996,103	71,594	32,795	31,755	136,144	13.7
Kansas	310,060	622	-	56,768	57,390	18.5
<u>Rocky Mountain</u>	698,130	95,699	13,628	105,796	215,123	30.8
Montana	109,134	58,881	-	4,667	63,548	58.2
Idaho	60,331	17,027	13,628	3,469	34,124	56.6
Wyoming	47,305	1,678	-	11,964	13,642	28.8
Colorado	226,110	-	-	22,564	22,564	10.0
New Mexico	30,839	-	-	1,240	1,240	4.0
Arizona	56,590	-	-	14,145	14,145	25.0
Utah	133,936	18,113	-	26,479	44,592	33.3
Nevada	33,885	-	-	21,268	21,268	62.8
<u>Pacific Coast</u>	3,567,942	1,246,365	502,207	30,400	1,778,972	49.9
Washington	331,050	137,880	29,000	15,882	182,762	55.2
Oregon	211,137	107,853	14,767	-	122,620	58.1
California	3,025,755	1,000,632	458,440	14,518	1,473,590	48.7
UNITED STATES	\$39,174,699	\$6,300,936	\$2,414,843	\$926,733	\$9,642,512	24.6

The preceding paragraphs have brought out the areas in which group and chain banking have seen their greatest development. The treatment in this connection made use of the conventional geographic groupings of States. A later section will group the States from the point of view of the provisions of their statutes bearing upon the right of banks to operate branch offices. That section will show that groups and chains have shown their greatest development in those States where branches have been wholly prohibited or largely restricted.

Number of Towns Served by Group and Chain Systems

Three of the leading groups operate in one town only, as Table 11 shows. Fourteen of them operate in fifteen or more towns; one operates in 115 towns; and one, in 91.

Table 11 - Group and Chain Systems by the Number of Towns in Which Their Banks Operate,<sup>(1)</sup> December 31, 1931

Number of towns in which banks operate	Leading groups		Other groups		Chains		Total	
	Number of systems	Number of banks	Number of systems	Number of banks	Number of systems	Number of banks	Number of systems	Number of banks
1	3	22	7	23	8	29	18	74
2	1	8	16	56	11	37	28	101
3	2	16	15	56	53	166	70	238
4	-	-	7	30	45	184	52	214
5	2	13	5	26	14	75	21	114
6	5	36	2	14	17	106	24	156
7	4	43	1	7	10	73	15	123
8	2	19	5	43	6	53	13	115
9	1	11	3	28	5	45	9	84
10	-	-	1	10	2	23	3	33
11	-	-	1	11	-	-	1	11
13	-	-	-	-	1	13	1	13
15	2	33	-	-	-	-	2	33
16	2	43	-	-	1	17	3	60
17	2	38	-	-	1	17	3	55
18	1	20	-	-	1	19	2	39
19	2	41	-	-	-	-	2	41
23	1	27	-	-	-	-	1	27
26	2	73	-	-	-	-	2	73
47	-	-	-	-	1	51	1	51
91	1	104	-	-	-	-	1	104
115	1	127	-	-	-	-	1	127
Total	34	674	63	304	176	908	273	1,886

(1) This represents the number of towns in which there is located the head office of a constituent bank of the group.

There is thus a wider geographical dispersion among the leading groups than among the miscellaneous ones and among chains. The number of towns served by some of the leading groups through the instrument of the separate incorporation of banking offices is commensurate with some of the leading state-wide branch banking systems in the branch banking States. Among miscellaneous groups, 38 out of 63 operate in three towns or less, and among chains, 72 out of 176 operate in three towns or less.

Table 12 - Loans and Investments of Group and Chain Systems  
by the Number of Towns in Which Their Banks Operate<sup>(1)</sup>  
December 31, 1931

Number of towns in which banks operate	Loans and investments in thousands of dollars			
	Leading groups	Other groups	Chains	Total
1	\$ 737,012	\$ 83,834	\$ 64,296	\$ 885,142
2	25,273	516,582	85,291	627,146
3	233,710	1,536,337	192,143	1,962,190
4	-	83,161	214,159	297,320
5	72,026	44,940	70,921	187,887
6	394,440	27,688	83,899	506,027
7	1,067,779	9,325	59,398	1,136,502
8	545,924	66,997	26,955	639,876
9	61,306	28,811	24,331	114,448
10	-	11,035	34,333	45,368
11	-	6,133	-	6,133
13	-	-	4,250	4,250
15	159,747	-	-	159,747
16	742,917	-	4,536	747,453
17	82,958	-	3,409	86,367
18	480,434	-	12,496	492,930
19	470,800	-	-	470,800
23	333,769	-	-	333,769
26	264,446	-	-	264,446
47	-	-	46,316	46,316
91	312,182	-	-	312,182
115	316,213	-	-	316,213
Total	\$6,300,936	\$2,414,843	\$926,733	\$9,642,512

(1) This represents the number of towns in which there is located the head office of a constituent bank of the group.

Intrastate Group Banking

Most of the group banking corporations limit their bank stock acquisitions to institutions within a single State or even <sup>a</sup> smaller area. Twenty-three out of the thirty-four leading groups confine their activities to one State, as Table 13 shows. Perhaps the best known of these, both because of its national advertising, and because one unit of the group is a New York City bank, is the Marine Midland Corporation.

Table 13 - Group and Chain Systems by the Number of States in Which Their Banks Operate, December 31, 1931

Number of states in which banks operate	Leading groups		Other groups		Chains		Total	
	Number of systems	Number of banks	Number of systems	Number of banks	Number of systems	Number of banks	Number of systems	Number of banks
1	23	303	53	242	137	642	213	1,187
2	7	92	8	50	32	160	47	302
3	2	48	2	12	5	46	9	106
4	-	-	-	-	2	60	2	60
5	1	104	-	-	-	-	1	104
6	-	-	-	-	-	-	-	-
7	-	-	-	-	-	-	-	-
8	<u>1</u>	<u>127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>127</u>
Total	34	674	63	304	176	908	273	1,886

Table 14 - Loans and Investments of Group and Chain Systems by the Number of States in Which Their Banks Operate, December 31, 1931

Number of states in which banks operate	Loans and investments in thousands of dollars			
	Leading groups	Other groups	Chains	Total
1	\$4,334,079	\$1,771,430	\$704,793	\$6,810,302
2	1,257,384	606,657	97,901	1,961,942
3	81,078	36,756	71,227	189,061
4	-	-	52,812	52,812
5	312,182	-	-	312,182
6	-	-	-	-
7	-	-	-	-
8	<u>316,213</u>	<u>-</u>	<u>-</u>	<u>316,213</u>
Total	\$6,300,936	\$2,414,843	\$926,733	\$9,642,512

Some of the better known organizations, operating throughout an entire State or a major portion of it, are the Wisconsin Bankshares Corporation of Milwaukee, the Guardian Detroit Union Group of Detroit, Financial Institutions, Inc., of Augusta, Maine, BancOhio Corporation of Columbus, the First National and National Shawmut both of Boston, and Detroit Bankers Company, Inc., of Detroit. It should be stated that the last company named does not regard itself as engaged in group banking outside of Detroit, if at all. In its annual report to stockholders, dated January 12, 1931, it states that "The units of the Detroit Bankers Company are all located within Metropolitan Detroit." Interests associated with one of its principal Detroit banks, the First National Bank, are minority stockholders in several up-state Michigan banks.

#### Interstate or Regional Group Banking

The Northwest Bancorporation of Minneapolis covers the widest geographical area of any group bank organization of the management type. On December 31, 1931, it had 127 individual banks in eight States stretching from Wisconsin to Washington. Second with respect to area covered is the First Bank Stock Corporation, also of Minneapolis, which, on December 31, 1931, had 104 banks in five States. It should be remarked that this group has no units in the State of Wisconsin, but does have in the northern peninsula of Michigan, where the Northwest Bancorporation is not represented.

While the other group banking organizations are more restricted geographically, a number of them have banks in more than one State. The First Security Corporation of Ogden, Utah, operates in the inter-mountain country, having units in Utah, Idaho, and Wyoming. The Southwest Bankshares Corporation of Tulsa, Oklahoma, dominated by the Exchange National Bank,

operates banks in Oklahoma, Kansas, and Texas. A number of the Southern banking groups cross State lines also. Only 4 of the 34 leading groups operate in more than 2 States, 7 operating in 2 States. This tabulation also indicates that among the miscellaneous groups and among chains the crossing of State lines is less than among leading groups.

Nation-wide Group Banking. - None of the group banking organizations which are in operation today can be said to be engaged in group banking on a nation-wide scale. One company, at least, had plans which contemplated activity that extensive in its scope. The American Financial Holding Corporation (the name of which was subsequently changed to the American Financial Corporation of New York) was incorporated January 9, 1928, in Delaware. Poor's Bank, Government and Municipal Volume for 1931 indicates that the corporation was organized "to investigate group banking and to establish a program for a group banking system through the acquisition of securities of financial institutions. The corporation, through a management board, will extend its cooperation to each bank acquired."

The American Financial Corporation of New York is referred to as a "super-holding company" by Charles B. Cheney in the Minneapolis Journal for July 29, 1929. According to the plan as charted by this concern in its prospectus, and described by Mr. Cheney, "six great regional holding companies are to acquire control of banks, each in its own territory, and manage them, with the parent company over them all. One regional company is to cover New England, another New York, a third Pennsylvania, and

the others are to be southern, central, and western in scope." Apparently the paper plans of this organization were never carried out.

Perhaps the most widely advertised and best known of the companies which hold stocks of banks widely scattered is Transamerica Corporation. While it is true that this corporation owns stock in a number of banks in New York, California, and Oregon, as well as in foreign countries, its activities perhaps are more typically those of an investment trust, rather than of a group banking institution of the management type. The corporate holding company form of organization was utilized in the early stages both in New York and in California for the purpose of acquiring banks which were later merged into some one of the principal banks of the system. In addition to the Transamerica Bank Holding Company, this organization included a mortgage holding company, an insurance holding company, a public utilities holding company, an investment securities company, and a service company.

Details by specific groups and chains with respect to the number of States and towns in which operating appear in the appendix, Tables I-IV.

#### Group and Chain Systems Classified by Number of Banks

The largest of the group organizations from the point of view of the number of banks, the Northwest Bancorporation, included 127 banks as of the end of 1931. The next largest, the First Bank Stock Corporation, had 104 banks. A third organization accounted for 46 banks, while there were 5 others each with 21 to 30 banks. These 8 leading groups accounted for more than \$1,885,000,000 of loans and investments.

Among the 63 miscellaneous groups, 49 had five banks or less, which had \$2,248,000,000 in loans and investments. It has been pointed out earlier that many of the groups in this class center around very large metropolitan banks, and that it is the large holdings of loans and investments by the latter that account for the larger part of the loans and investments of the banks in these 63 miscellaneous groups.

Among the 176 chains, 127 were composed of five banks or less. One chain was reported of 51 banks, a larger number than that of any leading group with the exception of the two mentioned in a preceding paragraph. These details are shown in Table 15.

Table 15 - Group and Chain Systems by Number of Banks, December 31, 1931

Number of banks in system	Number of systems				Number of banks				Loans and investments in thousands of dollars			
	Leading groups	Other groups	Chains	Total	Leading groups	Other groups	Chains	Total	Leading groups	Other groups	Chains	Total
3	-	23	58	81	-	69	174	243	-	\$1,096,343	\$247,376	\$1,343,719
4	-	14	53	67	-	56	212	268	-	922,333	240,917	1,163,250
5	-	12	16	28	-	60	80	140	-	229,600	110,978	340,578
6	5	1	17	23	30	6	102	138	\$ 378,919	16,578	65,768	461,265
7	4	3	10	17	28	21	70	119	247,539	37,013	71,854	356,406
8	1	3	8	12	8	24	64	96	25,273	27,332	44,762	97,367
9	3	3	6	12	27	27	54	108	582,757	51,559	25,592	659,908
10	3	3	1	7	30	30	10	70	812,244	27,952	14,454	854,650
11-15	5	1	3	9	60	11	38	109	1,187,883	6,133	38,275	1,232,291
16-20	5	-	3	8	91	-	53	144	1,179,675	-	20,441	1,200,116
21-30	5	-	-	5	123	-	-	123	1,026,857	-	-	1,026,857
46	1	-	-	1	46	-	-	46	231,394	-	-	231,394
51	-	-	1	1	-	-	51	51	-	-	46,316	46,316
104	1	-	-	1	104	-	-	104	312,182	-	-	312,182
127	1	-	-	1	127	-	-	127	316,213	-	-	316,213
Total	34	63	176	273	674	304	908	1,886	\$6,300,936	\$2,414,843	\$926,733	\$9,642,512

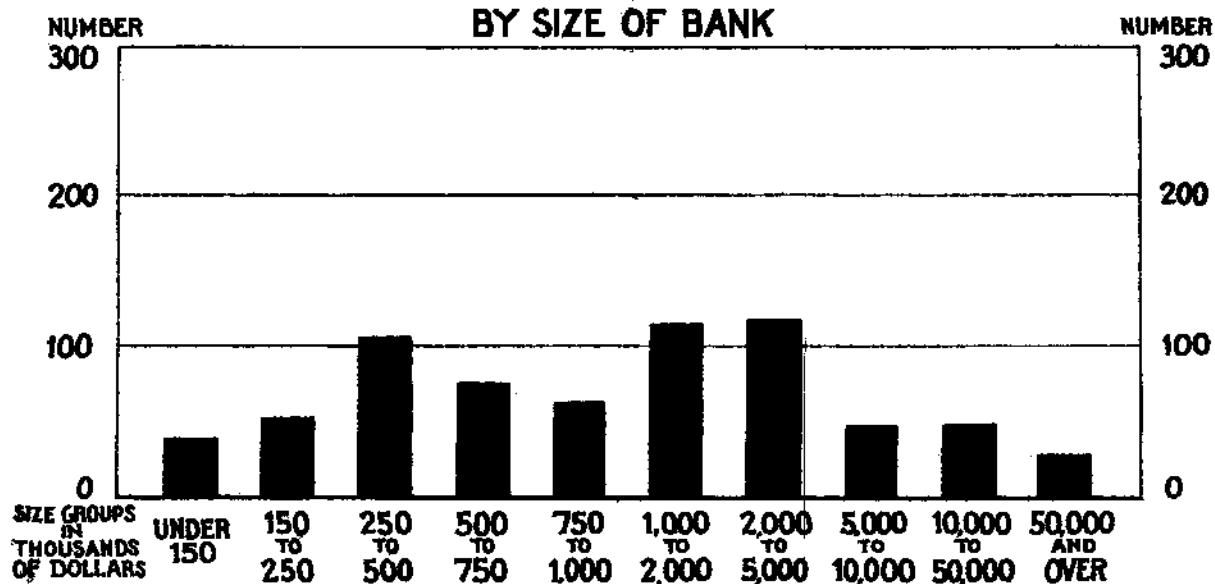
Size of Banks in Groups and Chains

Other studies of the Committee based on statistics of failures for 1921-1931 and statistics of earnings for 1926-1930 have brought out the fact that banks of less than \$500,000 of loans and investments have experienced a larger proportion of suspensions and less satisfactory earnings than larger banks. Leading groups have accumulated a small number of banks in this class; only a little more than one-fourth of their banks are of this size, as shown in Table 16 and Chart 3. Among miscellaneous groups and chains the proportion is higher so that for the total chain and group movement nearly half of the banks are in this class (Table 16 and Chart 4).

Table 16 - Number of Group and Chain Banks by Size of Loans and Investments  
December 31, 1931

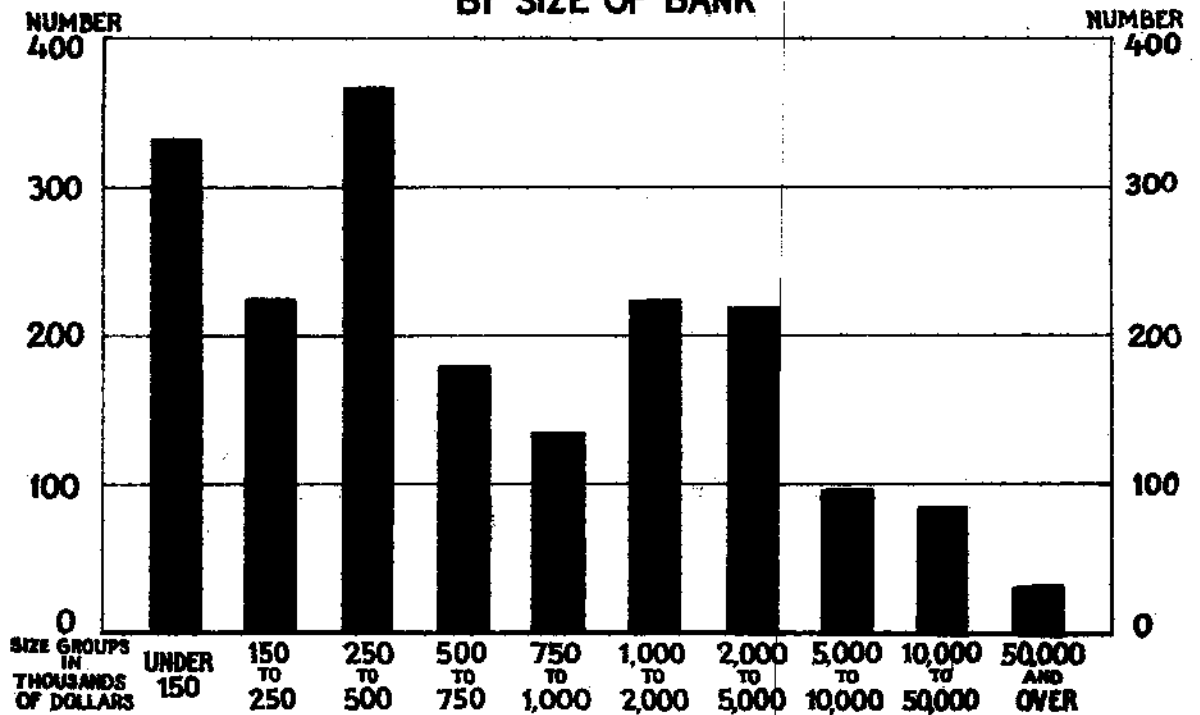
Size group loans and investments	Leading groups		Other groups		Chains		Total	
	Number of banks	Per cent of total	Number of banks	Per cent of total	Number of banks	Per cent of total	Number of banks	Per cent of total
Under \$150,000	37	5.5	45	14.8	250	27.5	332	17.6
150,000 - 250,000	50	7.4	20	6.6	154	17.0	224	11.9
250,000 - 500,000	105	15.6	54	17.8	208	22.9	367	19.5
500,000 - 750,000	73	10.8	25	8.2	81	8.9	179	9.5
750,000 - 1,000,000	62	9.2	24	7.9	48	5.3	134	7.1
1,000,000 - 2,000,000	113	16.8	46	15.1	64	7.0	223	11.8
2,000,000 - 5,000,000	117	17.4	37	12.2	63	6.9	217	11.5
5,000,000 -10,000,000	46	6.8	23	7.6	27	3.0	96	5.1
10,000,000-50,000,000	47	7.0	24	7.9	12	1.3	83	4.4
50,000,000 and over	24	3.6	6	2.0	1	.1	31	1.6
Total	674	100.0	304	100.0	908	100.0	1,886	100.0

**CHART 3**  
**NUMBER OF BANKS IN 34 PRINCIPAL GROUP SYSTEMS**  
**BY SIZE OF BANK**



Number of banks in 34 principal group systems as of December 31, 1931. Banks classified according to size of loans and investments

**CHART 4**  
**NUMBER OF BANKS IN CHAIN AND GROUP SYSTEMS**  
**BY SIZE OF BANK**



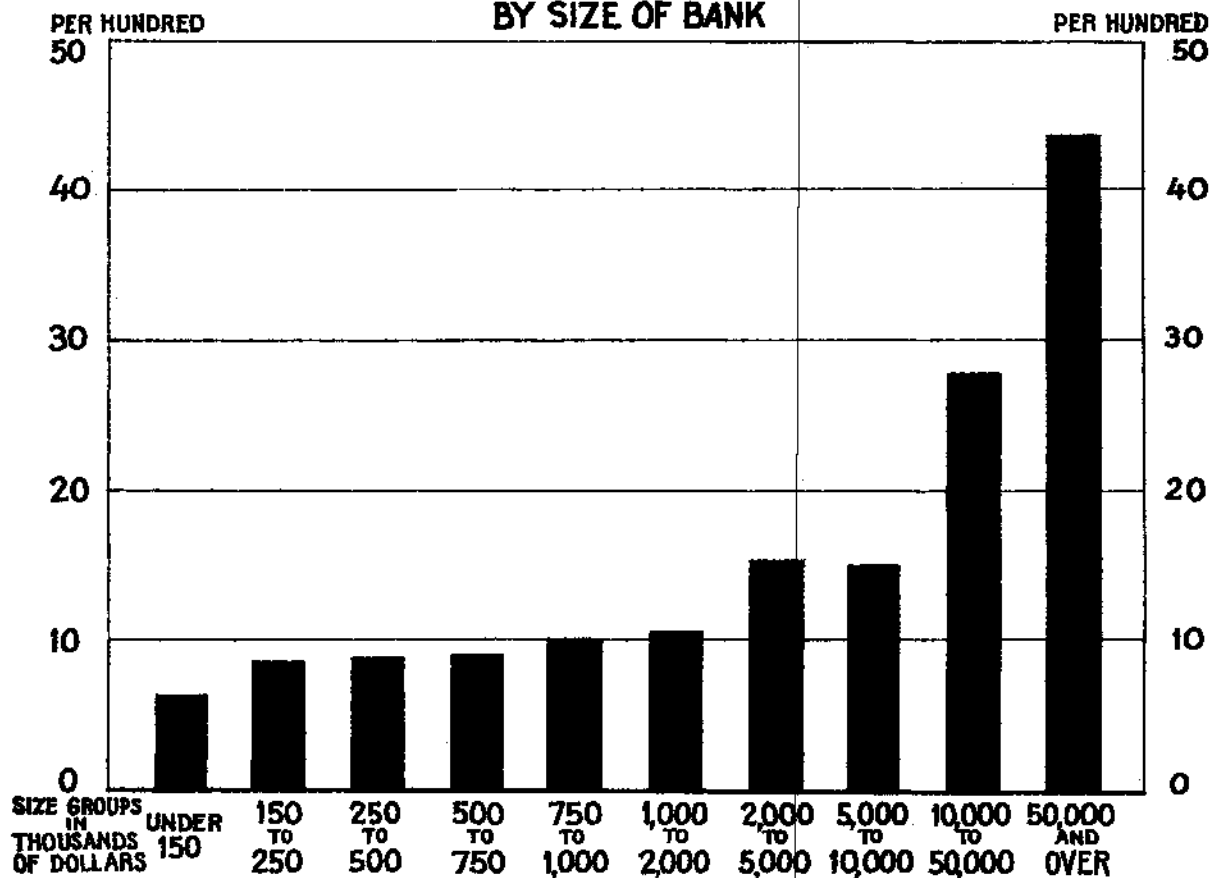
Number of banks in chain and group systems as of December 31, 1931. Banks classified according to size of loans and investments

The data appearing in Chart 5 and Table 18 show that from 6 to 9 out of every 100 banks in the country with loans and investments of less than \$500,000 were embraced in the group and chain movement as of June 30, 1930. On the other hand, 44 out of every 100 active banks with loans and investments of \$50,000,000 and over were included in the movement. Of the 31 banks of this size in all chains and groups, 24 belonged to leading groups; 6, to miscellaneous groups; and 1, to a chain. June 30, 1930, is the latest date for which all active banks have been distributed on a size basis. The relative position eighteen months later, however, was in all probability little different.

Table 18 - Number of Banks in Chain and Group Systems per 100 Active Banks, by Size of Loans and Investments, June 30, 1930

Size group loans and investments	Number of banks in chain and group systems per hundred active banks
Under \$150,000	6.3
150,000 - 250,000	8.3
250,000 - 500,000	8.3
500,000 - 750,000	9.0
750,000 - 1,000,000	10.0
1,000,000 - 2,000,000	10.5
2,000,000 - 5,000,000	15.2
5,000,000 - 10,000,000	14.8
10,000,000 - 50,000,000	27.8
50,000,000 and over	43.6
Total	9.7

**CHART 5**  
**NUMBER OF BANKS IN CHAIN AND GROUP SYSTEMS**  
**PER HUNDRED ACTIVE BANKS**  
**BY SIZE OF BANK**



Number of banks in chain and group systems per hundred active banks as of June 30, 1930. Banks classified according to size of loans and investments

Size of Towns in Which Group and Chain Banks Operate

Table 19 shows that the leading groups have avoided the towns with a population of less than 5,000 to a greater extent than miscellaneous groups and chains but indicates the relatively large extent to which chain banking has developed in small towns.

Table 19 - Number of Group and Chain Banks by Size of Town  
December 31, 1931

Population of town	Leading groups		Other groups		Chains		Total	
	Number of banks	Per cent of total	Number of banks	Per cent of total	Number of banks	Per cent of total	Number of banks	Per cent of total
Under 500	31	4.6	37	12.2	236	26.0	304	16.1
500 - 1,000	49	7.3	33	10.9	174	19.2	256	13.6
1,000 - 2,500	113	16.8	41	13.5	186	20.5	340	18.0
2,500 - 5,000	79	11.7	28	9.2	86	9.5	193	10.2
5,000 - 10,000	84	12.5	27	8.9	60	6.6	171	9.1
10,000 - 25,000	100	14.8	36	11.8	50	5.5	186	9.9
25,000 - 50,000	34	5.0	22	7.2	30	3.3	86	4.5
50,000 - 100,000	35	5.2	12	3.9	30	3.3	77	4.1
100,000 and over	<u>149</u>	<u>22.1</u>	<u>68</u>	<u>22.4</u>	<u>56</u>	<u>6.1</u>	<u>273</u>	<u>14.5</u>
Total	674	100.0	304	100.0	908	100.0	1,886	100.0

Table 20 - Loans and Investments of Group and Chain Banks by Size of Town  
December 31, 1931

Population of town	Leading groups		Other groups		Chains		Total	
	Loans and investments (000 omitted)	Per cent of total	Loans and investments (000 omitted)	Per cent of total	Loans and investments (000 omitted)	Per cent of total	Loans and investments (000 omitted)	Per cent of total
Under 500	\$ 5,380	.1	\$ 7,133	.3	\$ 43,093	4.6	\$ 55,606	.6
500 - 1,000	20,349	.3	9,516	.4	42,277	4.6	72,142	.8
1,000 - 2,500	61,232	1.0	22,472	.9	72,931	7.8	156,635	1.6
2,500 - 5,000	72,943	1.2	17,777	.7	65,886	7.1	156,606	1.6
5,000 - 10,000	123,335	1.9	31,335	1.3	66,596	7.2	221,266	2.3
10,000 - 25,000	288,628	4.6	109,057	4.5	114,952	12.4	512,637	5.3
25,000 - 50,000	145,675	2.3	102,767	4.3	99,838	10.8	348,280	3.6
50,000 - 100,000	342,708	5.4	78,670	3.3	109,070	11.8	530,448	5.5
100,000 and over	<u>5,240,686</u>	<u>83.2</u>	<u>2,036,116</u>	<u>84.3</u>	<u>312,090</u>	<u>33.7</u>	<u>7,588,892</u>	<u>78.7</u>
Total	\$6,300,936	100.0	\$2,414,843	100.0	\$926,733	100.0	\$9,642,512	100.0

## CHAPTER IV

### FACTORS ASSOCIATED WITH THE GROUP DEVELOPMENT DURING 1927-1930

It is desirable to examine some of the factors that were directly associated with the extraordinary formation of groups, particularly in the holding company form, during the years 1927-1930. Reference to Table 8 will serve to recall the fact that most of the leading names in the group field came into being in the years 1927, 1928, 1929, and early 1930.

Various reasons have been assigned for the recent development of group bank holding companies. Underlying all of them were changes in economic conditions. Specific causes which have been advanced as operative in individual instances are low earnings, failures, and difficulties generally of the small country banks, the development of larger units in business and industry generally, a development of regional consciousness, desire for personal importance or power, imitativeness, competitive self-defense, attractiveness of bank stocks as investments, the growth of bank mergers and consolidations, promotional activity, and preparation for permissive branch bank legislation.

Of all the factors, however, the trend towards concentration, which has been checked in one direction by restrictions against branch banking, seems to be the most fundamental. Concentration of banking resources in other great commercial countries, particularly in Canada and the British Isles, was effected by fusion of separate banking organizations

under one corporate charter. This is entirely possible where there is no limitation on branch office activity. In the United States, however, where national and State banking laws require in general the separate incorporation of banking offices, the trend towards concentration could not be met directly. Therefore, these indirect methods have been resorted to. In the cities it was possible to combine banks through the processes of merger and consolidation, to meet the need for larger banking units demanded by larger industrial units. In the smaller centers this was more difficult, and in the country districts, especially where branch banking was prohibited, it was impossible. The group method was the only way open for the development of large scale banking operations in the agricultural regions of the Middle West and the Southwest. The latter part of this chapter will show from the statistics that group banking has had its greatest development in those States where prohibitions on branch offices are most rigid.

The trend towards concentration is not new, and, therefore, it becomes necessary to look for some special characteristic of the era 1927-1930 which gave the holding company movement impetus at that time. This characteristic appears to have been the promotional and speculative spirit of that period.

#### Promotional and Speculative Profits

It must be recalled that during the time when the bank holding

companies were being launched there was much activity in corporate promotion generally which was clearly of a speculative sort. It would hardly have been natural for the element of speculation not to creep into group organizations. In the public utility and railroad fields promotion of companies to buy the stock of operating units was common. Stock bought by the holding companies rose continuously in the upsweep of the great bull market. The rise of operating company stocks carried the holding company stocks with them, and doubtless at times it was the other way around. There was always the swirling around of stock from one buyer to another. As soon as a speculator turned over one holding at a profit, he incurred a new commitment. Until the final accounting there were profits to be made on these shifts.

It is clear enough that promoters who bought banks for cash in behalf of a holding company looked forward to the possibility of seeing the holding company stock rise in the current bull market with resultant profit to them. Moreover, the owner of stock in an obscure bank that had no access to the organized market, by trading his stock for shares in a holding company, came into possession of a security which could be sold in the organized markets.

The years from 1926 through 1929, furthermore, were characterized by high levels of corporate profits generally, including bank profits. The shares of metropolitan banks were bid up with the rest of the stock market to exceptional levels, even taking into account the high level of earnings. Mergers and consolidations were the order of the day among banks as among other corporations. It was not uncommon to hear the statement that the directors were led to sell a bank, tempted by the high valuation the market was placing upon it.

Not only was the movement related to these aspects of security speculation but doubtless to others. There was a widespread desire to share in the profits of the business of security merchandising in its various phases of origination, underwriting, wholesaling, and retailing. Group organizers realized that, by bringing together the resources characteristic of several of the groups, sufficient financial strength would be marshaled to make it feasible to enter this business. At the same time the banks in a group afforded a final market in their portfolios for some of the securities not retailed to other investors. The number of leading group organizations which have indicated their activity in the merchandising of securities will be brought out in subsequent paragraphs.

Although the relation of the organization of groups to promotional activities of the era of security speculation is unmistakable, the testimony of the group managers minimizes it. One group, however, answering the Committee's questionnaire acknowledged that there had been a promotional element in its formation which it was trying to live down. The prevailing practice when independent banks are brought into a group has been for the holding company or other controlling agency to exchange its stock for that of the newly acquired subsidiary. In three cases out of four some of the stock at least of the holding companies was issued for cash.

The majority of the groups made a rather detailed examination of the condition of banks before absorbing them. As a result of examination, a value was set upon the shares of a particular bank, based upon an appraisal of assets, and upon earnings. Frequently allowances were made for good-will, quality of management, past growth, and future prospects. The value was sometimes determined with the purpose of enabling the holding company to earn a definite rate, for example, 8 or 10 per cent.

Groups were asked to indicate the price paid per share for the stocks of any of their banks that were purchased outright, and the book value of the same shares at the time of purchase and at the time when the questionnaire was answered. An analysis of replies indicated that in about half of the instances book value and sale price were close. In the other half of the replies, however, the value fixed on the member bank shares was considerably above book value.

The questionnaire was answered before the trough of the depression was reached, and none of the groups reported a general shrinkage in the value of their bank shares since their acquisition. In a few instances, however, the book value of the shares of individual banks had undergone considerable decline. On the other hand, the holdings in a few of the groups had appreciated to a considerable extent at the time the questionnaire was answered.

Most groups have used more than one method of acquiring their subsidiary banks. Various combinations of outright purchase for cash, exchange

of stock, and organization of new institutions have been employed by most of the organizations. However, five of them secured all affiliations by exchanging their stock for that of independent banks, and five others were formed entirely by purchase of the stock of the unit banks.

After the collapse of the security markets in the autumn of 1929, there has been little activity in organizing groups. It is unfortunate that the historical statistics of the movement are so limited that they do not trace completely conditions in the formative period. By the time the first comprehensive figures were gathered as of June 30, 1929, a large proportion of the promotional activity in group banking systems was at an end. It has been shown that there were 321 chain and group systems with 1,921 banks at that time. Six months later the number was 332 and since that time it has declined, 273 being in existence at the end of 1931. The maximum number of banks associated with group and chain systems was recorded as of June 30, 1930, at 2,229, which had been reduced to 1,886 by the end of 1931. The temporary inclusion of the Chase National Bank in the figures as of June 30, 1931, for reasons explained earlier, caused the loans and investments of the movement to reach \$13,355,000,000 as of that date. Because of the elimination of this and other banks, and because of the heavy liquidation of bank credit, loans and investments of group and chain banks had declined to \$9,643,000,000 as of December 31, 1931.

While the depression has checked the movement, there is no indication that the group and chain development will not be resumed with the return of more normal conditions, unless the tendency towards concentration is given another direction.

Larger Business Units in Industry

The merger of many small independent business enterprises in the smaller cities of the country into national organizations, and the consequent centralization of their headquarters in the largest cities have operated to make larger banking units necessary to accommodate them. It has worked also to the disadvantage of the smaller banks in the cities which lost the headquarters of the enterprises merged. This factor is given as an important element in the original decision to form the Marine Midland Corporation of New York State, and in its decision to acquire a bank in New York City, as a means of retaining the accounts of some of the firms which moved their headquarters to that city.

The Committee included the following in its questionnaire directed to important groups: "Presumably many formerly independent enterprises (stores, factories, etc.) operating in your region have been absorbed in recent years by larger companies, with the result that the local banking connections have been disturbed. If so, can you give a representative list of such cases? Are your banks seriously affected by this tendency?"

About half of the replies to this question indicated that the banks of the organizations concerned were either not affected at all, or

at least not seriously, by this tendency. On the other hand, about a fifth admitted that it had influenced the formation of their groups, or had affected the banks in their territory, in varying degrees. The larger size and scope of the group organization have enabled it to handle transactions which would have been too large for any of the members operating independently. This has meant that some of the groups have made it unnecessary for growing concerns in their trade areas to go to the larger financial centers for funds.

On the other hand, a large number of the answers denied any adverse effect on local banks from the increase in the size of business enterprise. A few replies even indicated that because the consolidated commercial and industrial concerns were in a strengthened position, their accounts were worth more than those formerly kept by the larger number of smaller firms.

In reply to more general questions as to the cause of the formation of groups, the answers represented that the group banking development has grown in part out of a desire to afford a type of service not possible under the unit system. Some stated that the organizations were formed in order to provide broader banking facilities on a more economical basis. About a fourth of the replies

indicated that changed economic conditions were influential in the formation of the group, while about a third declared that the development was mainly a matter of choice with them. In a few instances the constituent banks had already been loosely connected by virtue of their stock being held by the same individuals, i.e., by a chain set-up. These groups were organized merely to consolidate control. Other considerations mentioned in two or more replies were: legal restrictions on branch banking, the general concentration trend in banking, and the threatened control of the banks in the area by interests in the larger financial centers.

Competitive Self-defense and Regional Independence

Many of the bankers in commenting on the movement have stated that if they had not acted in their territory, someone else would have done so. Thus, Mr. Decker of the Northwest Bancorporation in his testimony before the House Committee,<sup>(1)</sup> suggested that a number of instances had come to his attention in the Northwest of Eastern interests offering to purchase the stock of banks. He cited as a specific example of this, a purchase of stock of the

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(1) Ibid., p. 792.

First National Bank of St. Paul by Blair & Company. The Wisconsin Bankshares Corporation was influenced by the invasion of Wisconsin by one of the Minneapolis groups. The Detroit Bankers Company perhaps felt that it had to follow the lead of the Guardian Detroit Union Group.

This motive is associated with the matter of regional independence. Building up the banking business--commercial, investment, and trust--of a territory, and preventing the loss of business to other centers and other regions, have undoubtedly been among the important causes for the formation of a number of the groups. The case of the Northwest National Bank does not seem to have been an isolated one. Many of the dominant banks of regional groups feared that financiers located in the large centers such as New York and Chicago were about to obtain control of their country correspondents. That their formation of groups in self-defense has been generally successful in keeping this control in the region in which they operate is indicated by the replies to questions as to the distribution of the stock holdings in the group. Most of the groups indicated that upwards of 75 per cent of the stock of the holding corporation was held within the State in which the head office is located.

The Position of the Small Country Bank

Those engaged in the operation of group banking systems frequently refer to changing economic conditions as being fundamentally responsible for current evolution in banking. Generally speaking, changing economic conditions are associated with the concentration of business in the larger centers of the country. It is often stated that automobiles and good roads have reduced the importance of the smaller communities, made for larger business units, and made existence difficult for the small-town bank.

Other sections of the Committee's report show that the failure record of banks with limited resources in rural areas has been high and that earnings of this class of banks generally have been unsatisfactory. As has been shown in Chapter III, however, the banks which have been combined in groups are not for the most part the small-town country banks, but banks in county-seat towns and larger cities.

Preparation for Branch Banking

A good many of the group bank systems have been organized with the avowed purpose of converting into branch systems when and if possible. The Fletcher American Group in Indianapolis promptly so converted when a change in Indiana law early in 1931 made it possible. Some of the sponsors of holding companies declare that their groups would have been set up under the branch form of organization, if that had been possible, and that they will change as soon as permitted. The part that laws limiting branch offices have played in the organization of the holding companies may be judged by the replies made to the following question in the Committee questionnaire: "If the law permitted, would the management prefer to organize this group into a branch banking system? If not, would your banks organize branches in the smaller communities?"

Out of 25 answers to this question only 4 were positive in their preference for the group as against the branch system. A majority would adopt the branch bank organization in one degree or another if the law permitted. Some systems would convert all banks to branches of the leading bank. Others would use a combination of the group and branch systems. Since the questionnaires were returned, several of the group bankers who were formerly doubtful have indicated a desire to convert into branch systems.

A Substitute for Branch Banking

Some of the statistical facts, which suggest that the group movement is a method of banking concentration used as a substitute for branch banking systems, are brought out in Table 21. Of the 674 banks belonging to the leading groups, 307 were in States prohibiting the establishment of branches as of December 31, 1931, and 93 were in States where administrative ruling did not allow new branches although the statute was silent on the subject. Moreover, of the banks in leading groups, 249 were located in States which allowed branch offices only in limited areas adjacent to the head office. Because of such limitation most of this group could not then be converted into branches of the dominant bank. A very small number, 25, of the banks in the leading groups were located in state-wide branch banking States. In general these banks could not then be converted into branches of the leading bank, when it, as a member of the Federal Reserve System, could not further extend its branch activities outside of the head office city under existing law.

In the States of Vermont, Maryland, Delaware, and Virginia<sup>(1)</sup> and the District of Columbia, all of which accorded their banks state-wide branch privileges, no banks belonging to groups or chains were reported. North Carolina, also in this class of States, had but one group bank. In Arizona, Rhode Island, and South Carolina the representation in groups and chains was much less than in California.

1/ In Virginia banks may establish branches in their home city or in other cities of more than 50,000 inhabitants. They may also acquire banks in the same or adjoining counties through merger and connect them into branches.

Table 21 - Number of Banks in Group and Chain Systems, December 31, 1931

States classified according to law regarding branch banking	Number of banks															
	Leading groups				Other groups				Chains				Total			
	Nation- al	State member	Non- member	Total	Nation- al	State member	Non- member	Total	Nation- al	State member	Non- member	Total	Nation- al	State member	Non- member	All banks
State-wide branch banking permitted	18	-	7	25	10	1	10	21	9	-	10	19	37	1	27	65
Branches restricted as to location	122	27	100	249	52	24	64	140	70	11	130	211	244	62	294	600
Establishment of branches prohibited	150	14	143	307	43	9	86	138	201	8	321	530	394	31	550	975
No provision in State law	<u>72</u>	<u>-</u>	<u>21</u>	<u>93</u>	<u>2</u>	<u>-</u>	<u>3</u>	<u>5</u>	<u>56</u>	<u>4</u>	<u>88</u>	<u>148</u>	<u>130</u>	<u>4</u>	<u>112</u>	<u>246</u>
<b>Total</b>	<b>362</b>	<b>41</b>	<b>271</b>	<b>674</b>	<b>107</b>	<b>34</b>	<b>163</b>	<b>304</b>	<b>336</b>	<b>23</b>	<b>549</b>	<b>908</b>	<b>805</b>	<b>98</b>	<b>983</b>	<b>1,886</b>

Data by States appear in the Appendix, Tables X, XI, and XII.

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Table 22 - Loans and Investments of Banks in Group and Chain Systems, December 31, 1931

States classified according to law regarding branch banking	Loans and investments in millions of dollars															
	Leading groups				Other groups				Chains				Total			
	National	State member	Non-member	Total	National	State member	Non-member	Total	National	State member	Non-member	Total	National	State member	Non-member	All banks
State-wide branch banking permitted	\$ 940	-	\$ 66	\$1,006	\$486	\$ 129	\$ 16	\$ 631	\$ 16	-	\$ 13	\$ 29	\$1,442	\$ 129	\$ 95	\$1,666
Branches restricted as to location	2,038	\$ 802	378	3,218	221	1,101	163	1,485	193	\$33	188	414	2,452	1,936	729	5,117
Establishment of branches prohibited	1,335	269	360	1,963	168	54	76	298	283	9	135	428	1,785	332	571	2,689
No provision in State law	102	-	11	114	1	-	1	1	36	1	19	57	139	1	31	171
<b>Total</b>	<b>\$4,416</b>	<b>\$1,070</b>	<b>\$815</b>	<b>\$6,301</b>	<b>\$875</b>	<b>\$1,285</b>	<b>\$255</b>	<b>\$2,415</b>	<b>\$528</b>	<b>\$43</b>	<b>\$356</b>	<b>\$927</b>	<b>\$5,818</b>	<b>\$2,398</b>	<b>\$1,426</b>	<b>\$9,643</b>

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In many of the States in which no new branches were permitted, and where very few branches existed, an important proportion of all banks was included in groups and chains. For example, in Minnesota there were 886 active incorporated commercial banks as of December 31, 1931. One hundred and four of these belonged to leading groups and 256 in all belonged to groups and chains. As Table 23 shows, half of the banks in Nevada and a third of those in North Dakota and Idaho belonged to group and chain systems.

In some of the States in which there were numerous branch offices the proportion of individual banks numbered among groups and chains was large. It is difficult in such cases, however, to assess accurately the meaning of this condition. The relative importance of banking concentration through groups and chains is only clearly isolated in States that require the separate incorporation of banking offices. The proportion of the banking strength as measured by loans and investments included in the group movement in any particular State is also somewhat misleading, because under the definition used many great metropolitan banks are included in the statistics. Such banks in many instances represent concentration not by reason of covering a wide geographical expanse through a multiplicity of offices, either branch or separately incorporated, but because they have on their books many commercial banking accounts of large size.

Table 23 - Group and Chain Banks in States not Permitting New Branches  
December 31, 1931

State	Number of banks				(Group and chain) total	Group and chain banks per hundred active banks
	All incorporated commercial banks	In leading groups	In other groups	In chains		
Alabama	256	6	5	13	24	9.4
Arkansas	276	-	-	9	9	3.3
Colorado	233	-	-	16	16	6.9
Connecticut	143	9	7	-	16	11.2
Florida	187	9	21	25	55	29.4
Idaho	122	22	15	8	45	36.9
Illinois	1,294	28	4	23	55	4.3
Kansas	923	1	-	95	96	10.4
Minnesota	886	104	10	142	256	28.9
Missouri	992	6	5	16	27	2.7
Nebraska	633	7	-	46	53	8.4
Nevada	32	-	-	16	16	50.0
New Mexico	50	-	-	5	5	10.0
Oregon	199	14	12	-	26	13.1
Texas	1,102	3	36	60	99	9.0
Utah	88	9	-	12	21	23.9
Washington	286	36	23	14	73	25.5
West Virginia	218	-	-	1	1	.5
Wisconsin	869	53	-	29	82	9.4
New Hampshire <sup>(1)</sup>	66	-	-	-	-	-
North Dakota <sup>(1)</sup>	246	38	5	40	83	33.7
Oklahoma <sup>(1)</sup>	524	19	-	75	94	17.9
South Dakota <sup>(1)</sup>	263	34	-	19	53	20.2
Wyoming <sup>(1)</sup>	78	2	-	14	16	20.5
Total	9,966	400	143	678	1,221	12.3

(1) There is no specific legal prohibition in these States, but because of administrative rulings or other reasons, no branches of State banks are in operation therein.

Branch Banking among Groups. - There is at present a not inconsiderable amount of branch banking among the leading groups. Table 24 shows that within the 34 leading groups there were 898 branch offices as of December 31, 1931. With the 674 constituent banks this made a total of 1,572 banking offices, about half of the figure of 3,206 for all chains and groups. One member of the Transamerica group contributed 344 of the branch offices.

Table 24 - Banking Offices in Group and Chain Systems  
December 31, 1931

	Number		
	Banks (head office)	Branch offices	Total banking offices
34 leading groups	674	898	1,572
63 other groups	304	321	625
176 chains	<u>908</u>	<u>101</u>	<u>1,009</u>
Total	1,886	1,320	3,206

There are not many branches among the chain systems although some of the miscellaneous groups which center around large metropolitan banks in States where at least some branch banking is permitted have numerous branches. It is worthy of note that the banks belonging to the miscellaneous groups and chains are <sup>most numerous</sup> ~~measred~~, as is the case with leading groups, in States where limitations on branch extension exist, as shown in Table 21.

Table 25 shows that a majority of the branches among leading groups are in the head office city of the ~~respective~~ dominant bank. Among miscellaneous groups two-thirds of the branch offices are in the head office city, and among chains nearly three-quarters.

Table 25 - Branches in Group and Chain Systems, December 31, 1931

	Number of branches				Number of banks operating branches
	In head office city	Outside head office city		Total	
		In own county	In other counties		
34 leading groups	491	24	383	898	63
63 other groups	214	44	63	321	33
176 chains	<u>73</u>	<u>9</u>	<u>19</u>	<u>101</u>	<u>25</u>
Total	778	77	465	1,320	121

A majority of the branches among all chains and groups are in States permitting limited branch banking, as Table 26 shows. Most of the others are in those States allowing offices over the whole State. In such States, large banks which cannot establish offices outside the State, may spread their services outside it through the instrumentality of the group.

Table 26 - Banking Offices in Group and Chain Systems  
December 31, 1931

States classified according to law regarding branch banking	Number		
	Banks (head office)	Branch offices	Total banking offices
State-wide branch banking permitted	65	575	640
Branches restricted as to location	600	728	1,328
Establishment of branches prohibited	975	17	992
No provision in State law	<u>246</u>	<u>-</u>	<u>246</u>
Total	1,886	1,320	3,206

Appendix Tables X, XI, and XII supply information under these classifications by States.

## CHAPTER V

### THE BANK HOLDING COMPANY: MAJOR SYSTEMS

The following pages will be devoted to important phases of the organization, management, and policies of leading examples of bank holding companies. The cases will be grouped geographically for the sake of convenience, but geographic divisions will not be taken up in their ordinary sequence. Those which have some of the more significant representations will be discussed first. A general analysis of the holding company will be given in succeeding chapters.

#### Western Grain States

Northwest Bancorporation and First Bank Stock Corporation. - There are no better examples of the modern group banking movement than the two groups, the Northwest Bancorporation and the First Bank Stock Corporation, both with head offices in Minneapolis, most of whose banks are located in the Western Grain States. In organization and policy they are much alike and are typical of the dominant holding company-management type. Both corporations were formed under Delaware law early in 1929. There is only one class of stock in each corporation. In nearly all cases the stock of subsidiary banks is fully controlled and was acquired by exchanging for it stock in the holding company.

No double liability provisions attach to the shares of the holding company, but the Northwest Bancorporation has stated that it follows the policy of carrying other investments equal to 10 per cent of its bank stock

holdings. These additional assets are a partial assurance to bank depositors with respect to the holding company's making good on the double liability of stock owned by it. These corporations take the position that as a practical matter greater protection is offered to the depositors and other creditors of the banks owned by the corporations than is customarily true of those owned by natural persons.

The First Bank Stock Corporation started its operations with the idea not of exchanging stock in the corporation for stock in the banks included within the group, as was done by the Northwest Bancorporation, but of employing the method of direct purchase of bank stocks. It was soon found, *however,* they have explained, that banks in the territory did not wish to sell out, but preferred the exchange of stock method of affiliation. Accordingly the First Bank Stock Corporation shifted to that method of procedure.

The organizers of these groups have stated that they were motivated by the long period of banking distress in ~~that~~ <sup>their</sup> territory which affected principally farmers and business men in the small towns. Another consideration which brought about the organizations was the activity of large Eastern financial groups in the territory, an outstanding instance of which was the purchase by Blair & Company of New York of a large interest in the First National Bank of St. Paul. It was desired by Twin City bankers to keep the territory more independent within itself. It was also believed that bringing the banks together in what was regarded by some of its organizers as a sort of a cooperative movement might add to the profits of the banks. One reason for the bank failures in the district had been the inability of the small banks to make money. It was thought, too, that a strong group organization

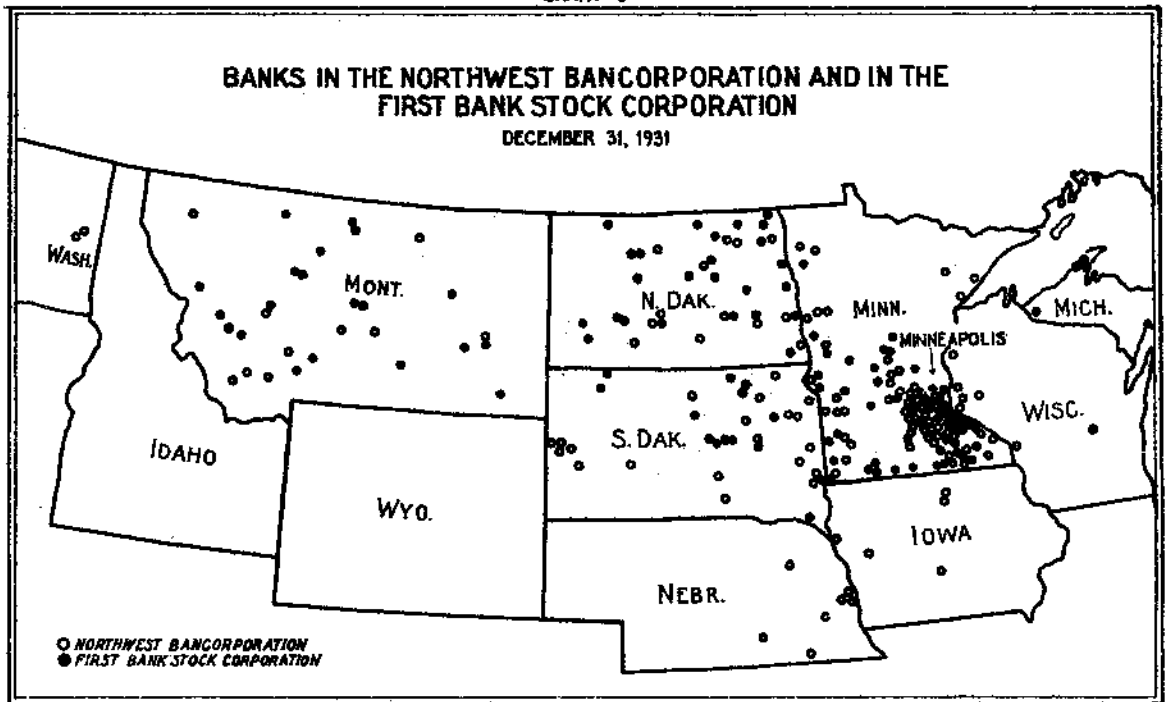
could offer better and more varieties of service to the smaller communities and country districts. Constant contact is maintained with the various units, examinations are made, central records of loans and investments are maintained, and frequent visits and conferences are a part of the group program. A central auditing force is employed.

The First Bank Stock Corporation has the reputation locally of exercising a considerable degree of centralized control over its banks. While loans are made locally as heretofore, daily reports of loans made and loans repaid are required. Officers of the corporation consider all new loans and criticize those of doubtful merit.

Detailed information from these two groups as to the size of banks owned, size of towns in which their member banks are located, distribution of stock holdings, policies, and operations is contained in the questionnaires and tabulations in the appendix. The location of banks in these groups is illustrated in Chart 6.

In addition to these two outstanding groups the Western Grain States have a few minor groups and a number of chains. The Commerce Trust Company of Kansas City and the Lafayette South Side Bank and Trust Company of St. Louis each dominates a small group of banks in its respective city. The Bank Shares Corporation of Minneapolis, incorporated in South Dakota, operates 5 small banks in Minneapolis. Two other combinations, as much chains as groups, appear on the group list. St. Olafs College and P. O. Holland of Northfield, Minnesota, are reported to control 8 small banks,

CHART 6



and C. J. Weiser, Inc., Decorah, Iowa, controls 8 small banks. This organization is merely the incorporation of a family interest and is not really a group in the normal sense.

#### Pacific Coast States

It is often stated that the present era of group banking originated on the Pacific Coast. The second chapter, however, which described early examples of chain and group banking, showed that a considerable number of systems had existed for decades in many parts of the country. The State of California with its permission to State banks to operate state-wide branch banking systems set a pace in multiple banking that may have had an influence in adjoining States where other means were used to attain banking concentration. Undoubtedly the banking developments in the Western States were influenced by the active operations of the Bank of Italy and interests associated with that institution.

Transamerica Corporation. - Incorporated in 1904, the Bank of Italy early became an instrument for setting up in California a state-wide branch banking system. Because California law did not permit one bank to purchase the stock of another bank, it became the practice of the principal officers of the Bank of Italy to buy the stock of independent unit banks, consolidating the purchased institution with the Bank of Italy, and operating it thereafter as a branch. As transactions of this character increased in number and in size, it seemed desirable to organize a corporation or holding company to acquire and hold the stock of independent unit banks, pending conversion of the institutions into branches of the Bank of Italy.

Accordingly, the Stockholders Auxiliary Corporation was incorporated under the laws of the State of California, June 20, 1917, and subsequent to that date became the purchaser of the banks intended to be converted into the Bank of Italy system. In 1919 the Bancitaly Corporation was formed under the laws of the State of New York to foster a branch banking system in New York City. The activities of these two corporations, and a score of other interrelated and allied organizations, became nation-wide and even international in their scope.

In 1928 Transamerica Corporation was organized to take over the various Bank of Italy interests, banking, utility, insurance, and otherwise. It was much more than a group banking concern. Indeed, in 1930 it was reorganized along functional lines, and one of its affiliates became Transamerica Bank Holding Company. As a matter of fact, Transamerica Corporation had been more of an investment trust and trading corporation than a bank management or operating company. While it held the stock of banks in several States and foreign countries, and negotiated for bank stocks in other States in the United States, it cannot be regarded as the same sort of institution as the typically "group banking" corporations which developed elsewhere simultaneously with it. This is particularly true since its reorganization in 1932, which will be referred to in the next chapter. The early operations of Transamerica, on the other hand, pointed the way for a number of holding companies in the banking field not only in the West but throughout the country generally, some of which, however, were almost purely promotional in character.

Marine Bancorporation. - The date of incorporation of the Marine Bancorporation of Seattle, Washington, September 10, 1927, may be taken as the opening of the present group bank era. The officers of that institution originated the term "bancorporation," and it is probably true that the later development of group banking has been very much influenced by the Marine Bancorporation.

What is now the Marine Bancorporation group banking activity began in 1924 when the Marine National Company, subsidiary of the Marine National Bank, acquired the control of the King County State Bank, located in the University district in Seattle. It was the operation of this bank in conjunction with the Marine National Bank which convinced the officials that economies could be effected, credits and investments better supervised, greater public confidence inspired, and profits increased with no serious impairment of local popularity or service by the adoption of a group organization.

Each of these affiliated institutions, the Marine National Company and the King County State Bank, had some stockholders who were not stockholders of the dominant bank, and the Marine Bancorporation was organized in 1927 under the general corporation laws of the State of Washington to consolidate the interests of these various groups of stockholders and "to provide a corporate vehicle for the further expansion of the group banking plan." The stock was of two classes and the voting stock of no par value is in the hands of a limited number of persons. Fifty per cent of it was owned by directors of the bancorporation, most of whom in turn are identified with the National Bank of Commerce in Seattle, a consolidation of the Marine National Bank with the National City Bank and the National Bank of Commerce,

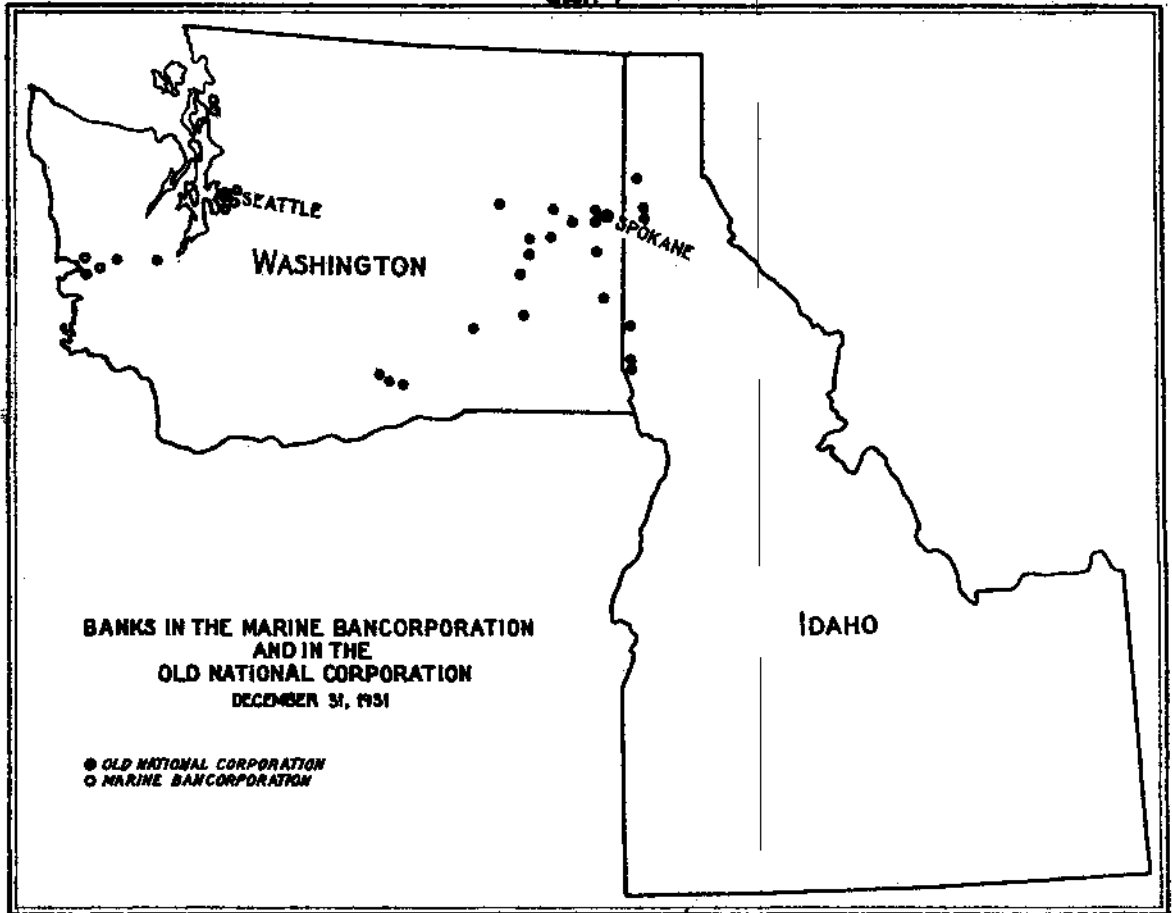
all of Seattle. Since it was realized that there would be no double liability attaching to the shareholders of the holding company, the Bancorporation's stated policy is to maintain assets, other than bank stocks, in an amount not less than the par value of bank stocks owned.

Advantages of group banking as seen by the directors of this group are: (a) improved credit standards and facilities for credit investigation; (b) improved facilities and more advantageous handling of investment accounts; (c) ability to supplement local banking resources for the accommodation of larger local borrowers; (d) improved opportunity for employment of surplus funds originating with local banks; (e) reduction in some items of expense; and (f) increasing the marketability of investments in local banks and removing the uncertainties incident to probable change in management upon the resignation or death of individual principals.

Andrew Price, President of Marine Bancorporation, in an address before the convention of the American Bankers Association in San Francisco, California, in 1929, described group banking as "a legal adaptation of, and substitute for, branch banking." It provides, in his opinion, "the means for an orderly transition from the present form of unit banking into a new system which will be acceptable to the public, which will be better adapted to the changed conditions of the times, and will cure the deficiencies so well recognized to exist in our present system."

Further details with respect to this group are to be found in the questionnaire and tabulations in the appendix. Chart 7 shows the location of banks in the group.

CHART 7



Anglo National Corporation. - The corporation was organized under Delaware law, December 4, 1928. All of the Class B voting stock is owned by the Consolidated Securities Company, the stock of which is held in trust for the pro rata beneficial interest of the stockholders of the Anglo and London Paris National Bank. The shareholders of this bank then, in addition to their individual holdings of stock in the Anglo National Corporation, have the beneficial ownership of a corporation, Consolidated Securities Company, which in turn owns all of the voting stock in the Anglo National Corporation, which in turn owns 30 per cent of the stock of the Anglo and London Paris National Bank, and a controlling interest in 16 other banks, all of which are in California with the exception of one in Longview, Washington.

The corporation does not buy all of the stock of a local bank when taking it over. The management avers that it does not take away the financial interest or administrative responsibilities and initiative of the local management; its activities are wholly supplemental, giving to the banks the experience and facilities which their limited size would otherwise make impossible. The development was partly to maintain a relative position of prestige in a competitive growth of branch bank systems in the territory.

This group could, through the conversion of the dominant national bank to a State bank and the surrender of membership in the Federal reserve system, become a branch system rather than a group organization. It can be readily understood, of course, that a bank which had been for years a member of the national system, would prize that connection and the advantages of membership in the reserve system and be unwilling to forego them for the sake of any advantages believed to inhere in branch banking as opposed to group banking. The officers of this group, however, have said that they prefer group organization to branch organization, and have expressed the opinion that they would not change the type of structure even if branch bank-

ing were permitted under the National Bank Act, except to have the units of the group organize their own near-by branches.

Details with respect to this group appear in the questionnaire and tabulations in the appendix.

Miscellaneous Groups. - Another leading group on the Pacific Coast operates out of Seattle and offers a number of contrasts to the Marine Bancorporation. This is the First National Company of Seattle, the investment affiliate of the First National Bank of Seattle, and owned by the stockholders of that bank. It is thus not a management-service corporation designed for that purpose alone but owns a majority control in several banks.

The Old National Corporation, operating out of Spokane, a group bank holding company on the order of the Marine Bancorporation, acquired most of its banks in the inter-mountain country. It has two classes of stock, one of which is non-voting. Two groups of banks operate out of Portland. The Pacific Bancorporation, incorporated July 17, 1928, is controlled through stock ownership by the American National Corporation. The Bancorporation has two classes of stock, only one of which has voting rights. The United States National Corporation is owned by trustees for the benefit of the shareholders of the United States National Bank of Portland. Most of its banks were acquired from the West Coast Bancorporation, organized on May 8, 1928, by interests connected with the West Coast National Bank, which later merged with the United States National Bank. There is only one class of stock, all of which is owned by trustees for the benefit of the shareholders of the United States National Bank.

#### New England States

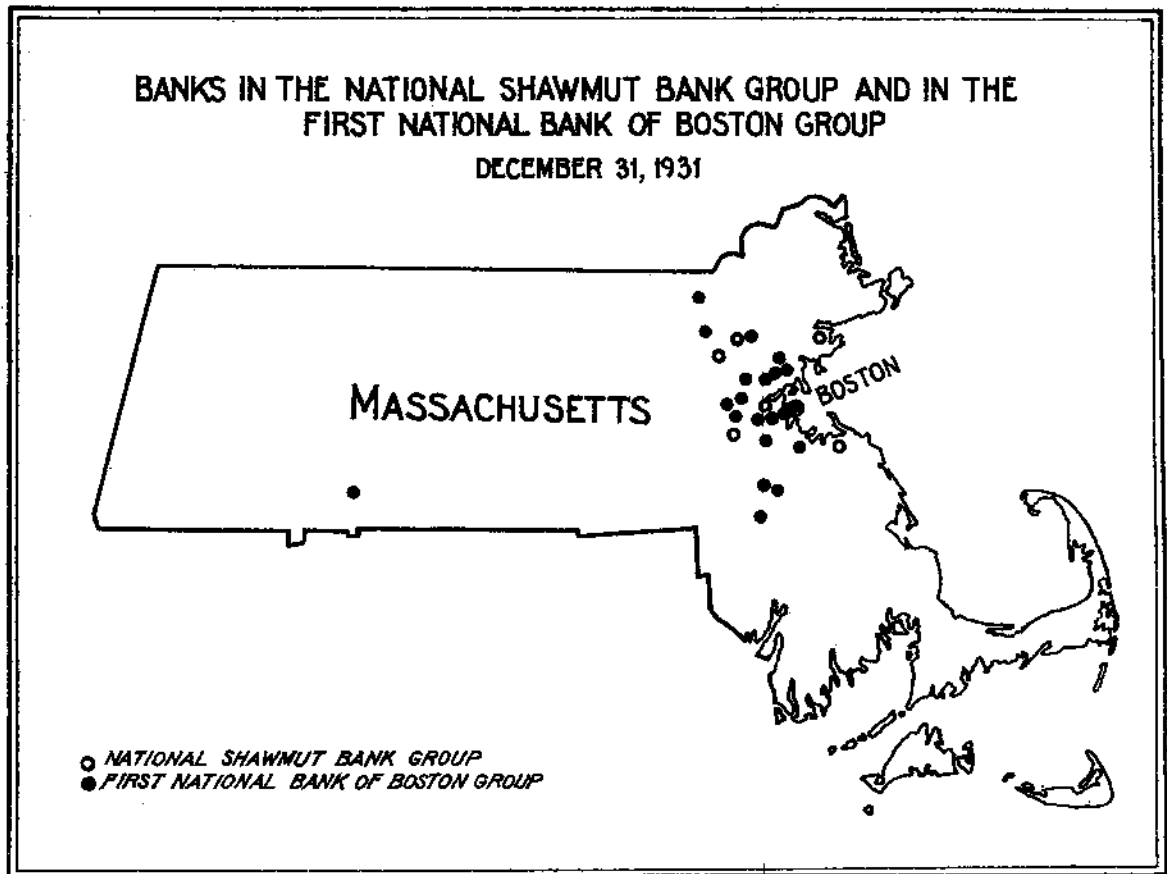
Some of the group organizations in New England in general organization are in contrast to the leading groups of the Northwest and the Pacific Coast. Each of two of the largest banks in Boston has control of a small group of banks operating in Boston and its vicinity.

First National Bank of Boston. - Old Colony Trust Associates, a Massachusetts trust, was organized by the Old Colony Trust Company, at the present time the trust division of the First National Bank, in May, 1928. The prospectus issued at the time and offering first series trust shares of no par value, stated that the Old Colony Trust Associates had purchased a substantial interest in 16 strategically located banks representing a considerable portion of the invested funds of the trust.

The prospectus made the further statement that: "The local atmosphere of each bank is continued and fostered by directorates and a staff of officers composed of local men of ability who have intimate first-hand knowledge of the problems peculiar to the section served by the bank which they manage. The greatest care has been taken to maintain the local identity of each bank and augment the pleasant personal contacts of a helpful local institution."

The Shawmut National Bank. - The Shawmut Association, also a voluntary trust under the laws of Massachusetts, was organized May 21, 1928, by Shawmut National Bank of Boston interests. Seventy-five per cent of the shares were subscribed for by the stockholders of the Shawmut Bank. At the end of 1929, about 12 per cent of the investments of the association were in the shares of affiliated banks, and roughly another  $2\frac{1}{2}$  per cent in other bank stocks. Locations of banks in the National Shawmut Bank group and the First National Bank of Boston group are to be found in Chart 8.

CHART 8



An agent of the Shawmut Association visits the different banks regularly, making recommendations; and there are audits by examiners of the National Shawmut Bank. The local management is controlled in large measure by one or more directors living in the community who are officers of the Shawmut Bank.

Other Groups. - Financial Institutions, Inc., of Portland, Maine, was incorporated in that State in 1929. Its by-laws prescribe that not less than 80 per cent of its assets, exclusive of cash on hand and on deposit, shall at all times be invested in shares of national banks or trust companies. It has both common and preferred stock.

Another New England group is headed by the Worcester Bank and Trust Company of Worcester, Massachusetts. When this bank in 1930 acquired over 99 per cent of the shares of the Worcester County National Bank, it thereby acquired also control of five other banks, whose stock is held in trust for the pro rata benefit of Worcester County National Bank shareholders, of which the Worcester Bank and Trust Company is, of course, the principal one.

#### Middle Atlantic States

Marine Midland Corporation. - The Marine Midland Corporation was established as a Delaware corporation on September 23, 1929, by interests

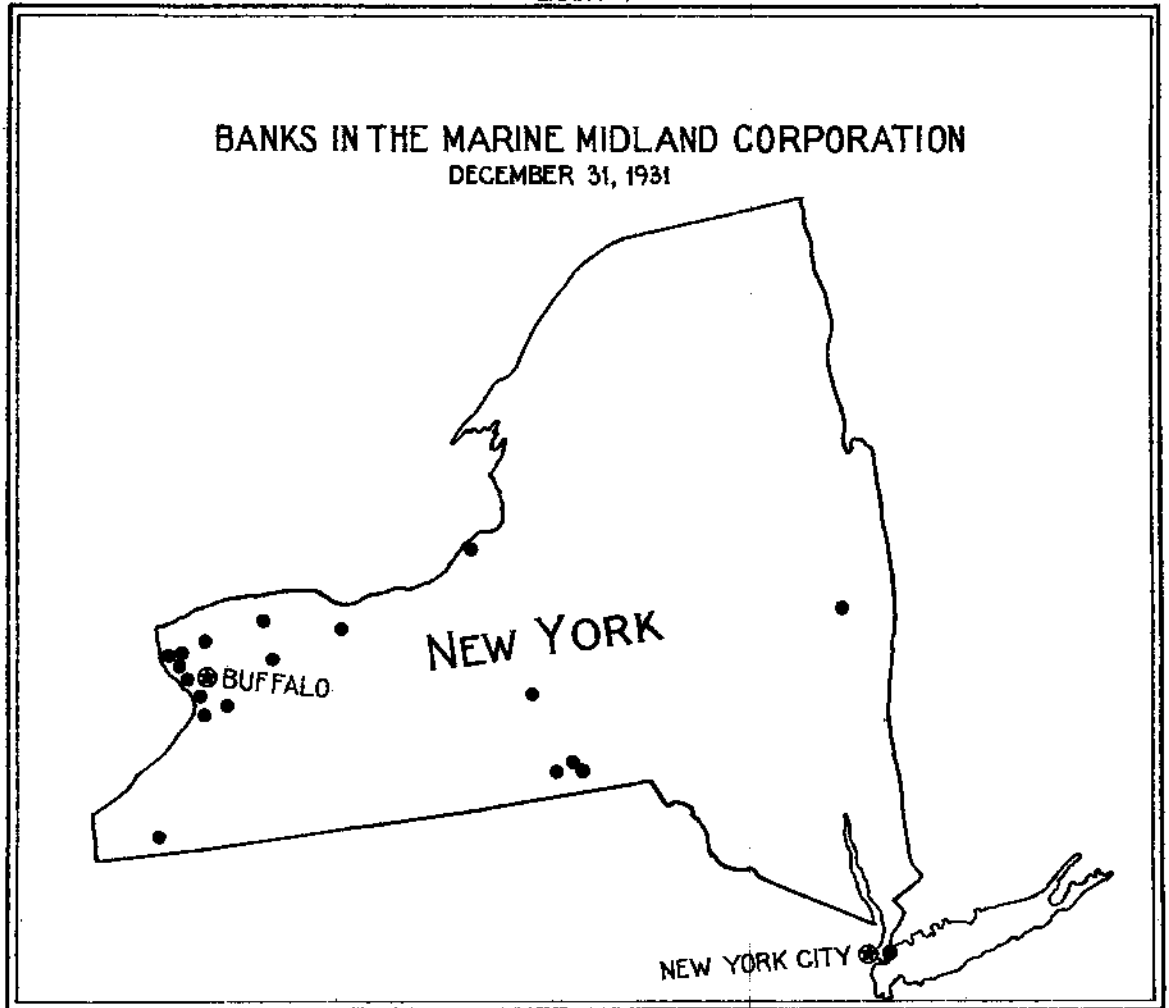
closely identified with the Marine Trust Company of Buffalo. Many of the banks comprising this group had been more or less affiliated for a number of years through common stock ownership and close business relationships.

The absorption of local organizations by larger companies and the growth of local enterprises into national enterprises were major inducements in the organization of the group. Many of the business units in the sizeable cities of western and northern New York were being absorbed by other units in the trend towards larger companies and in the general merger and consolidation movement. It was felt that by combining into one organization with a bank in New York City, the banking business of these concerns could be retained rather than lost to a New York bank not connected with the group.

The corporation has only one class of stock. Operating control of each bank is exercised through its own board of directors and officers with the advice from Marine Midland Group, Inc., a separate subsidiary service corporation organized under the laws of the State of New York, the stock of which is owned by the trust companies and by various individuals representing the State and national banks. The board of directors of Marine Midland Group, Inc., consists of the presidents and certain other officers of the constituent banks. Its capital is nominal, and its expenses are met by an assessment each quarter on the constituent banks. This arrangement is carried out under service contracts entered into between Marine Midland Group, Inc., and each of the banks. The holding company itself takes no part in the management of the affiliated banks, leaving that entirely to the service corporation.

Additional information with respect to this group is to be found in the questionnaire and tabulations in the appendix. Chart 9 gives the dispersion of its banks.

CHART 9



Group Banking in New York City. - While group banking organizations were being formed in other parts of the country, the movement was making very little headway among New York City banks, some of which openly opposed it. A number of investment trusts, however, had acquired bank stock holdings of considerable size representing interest in banks the country over.

Prominent among these were Goldman, Sachs Trading Corporation with substantial holdings in the Manufacturers Trust Company of New York, the American Trust Company of San Francisco, Foreman-State National Bank of Chicago, Pennsylvania Company for Insuring of Lives and Granting Annuities (a bank) of Philadelphia, and other banks and financial institutions on the Pacific Coast and elsewhere. Goldman, Sachs Trading Corporation, however, was usually thought of as an investment trust with bank stock holdings as an investment. In recent months it is reported to have largely divested itself of bank stock holdings, and was not included in the group banking statistics as of December 31, 1931.

The Bank of Manhattan Trust Company has associated with it some small banks in up-state New York. There have been rumors from time to time of New York interests negotiating for the purchase of stock of country banks as promotional efforts with the idea of building up group systems which could then be turned over at a profit to some later comer in the field.

Little is known with definiteness of these activities. The Bank of America N. A. in New York City was largely owned by the Transamerica Corporation, but was merged with the National City Bank of New York in the autumn of 1931, and as a result a block of National City Bank stock <sup>was obtained</sup> ~~is owned~~ by Transamerica Corporation.

In up-state New York interests associated with the First National Bank and Trust Company of Elmira, the First Trust and Deposit Company of Syracuse, the Northern New York Trust Company of Watertown, and the Ogdensburg Trust Company, are all engaged to some extent in group banking. In northern New Jersey there are also several groups of a few banks each. In Pennsylvania a community of interest exists in a number of banks in and around Pittsburgh, centering in the Union Trust Company and the Melbank Corporation.

#### North Central States

In this area there are several important groups of the holding company-management type, the Detroit Bankers, Inc., Guardian Detroit Union Group, the Wisconsin Bankshares Corporation, and the BancOhio Corporation. Other organizations center up in Chicago around great metropolitan banks-- First National Bank and the Central Republic Bank and Trust Company. Since Illinois allows no branches, all banking offices in the metropolitan area of Chicago must be independently chartered, but the great downtown banks have spheres of influence in outlying banks.

Wisconsin Bankshares Corporation. - The Wisconsin Bankshares Corporation unlike its Minneapolis neighbors did not take out a Delaware charter, but incorporated under the laws of the State of Wisconsin on December 10, 1929, with but one class of stock. The corporation has a contingent liability under Wisconsin statutes for the double liability assessment which may be made against shareholders of Wisconsin banks. This contingent liability is anticipated by the maintenance of a reserve in cash and securities, it is reported, equal to 70 per cent of the full amount which could be assessed against it.<sup>(1)</sup> The policy is to own practically all of the stock of subsidiary banks. The corporation follows much the same policies in connection with the direction and supervision of local units, in the main, as have been described under the discussions of the two large Minneapolis groups.

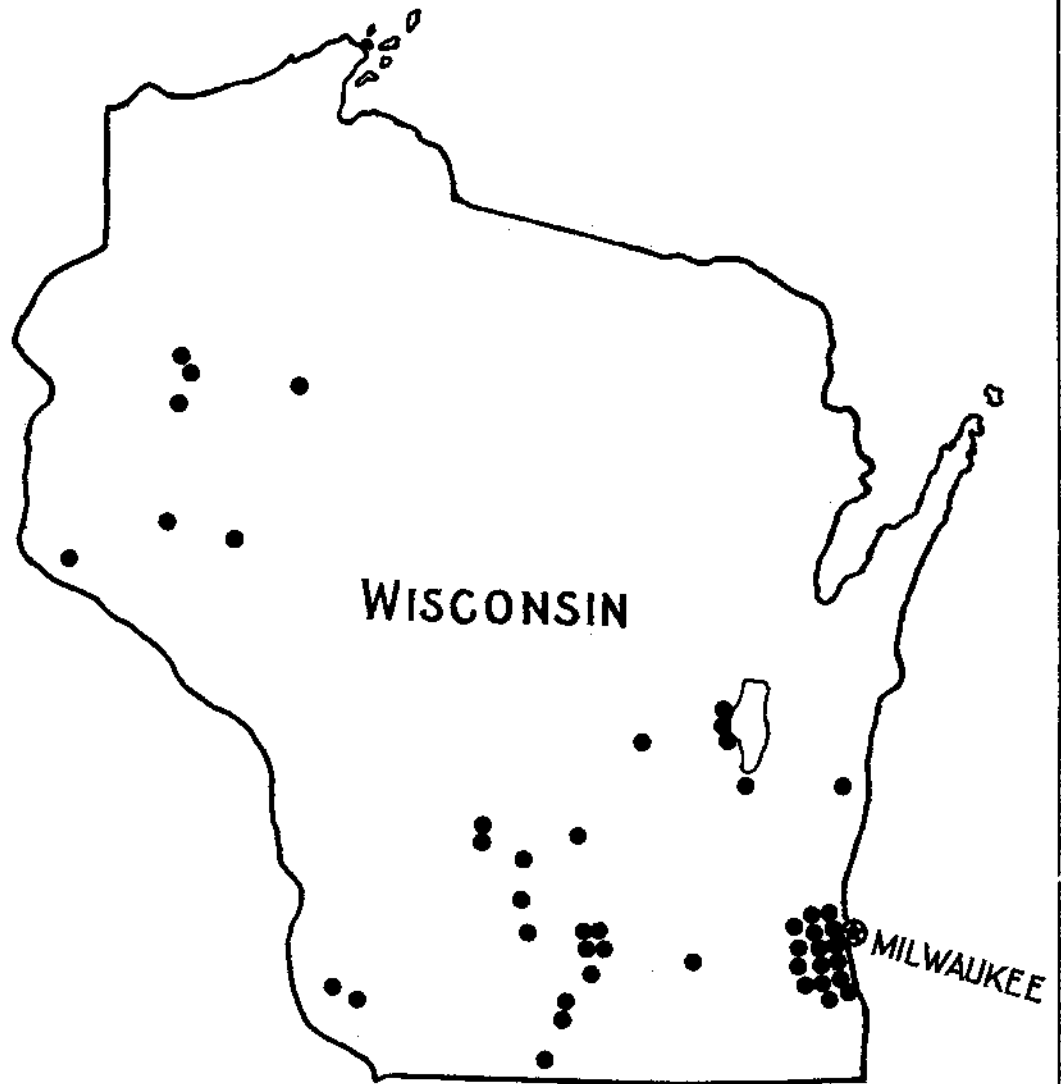
Detail information with respect to the group will be found in the questionnaire and tabulations in the appendix, and Chart 10 shows the location of banks owned by this corporation.

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<sup>(1)</sup> At the time the answers to the questionnaire were received.

CHART 10

**BANKS IN THE WISCONSIN BANKSHARES CORPORATION**  
DECEMBER 31, 1931



Guardian Detroit Union Group, Inc. - The Guardian Detroit Group was incorporated in May, 1929, under the laws of the State of Michigan. During the period of its organization another company, the Union Commerce Corporation, was being formed, within which were included a number of banking institutions. In the latter part of 1929 the Guardian Detroit Group, Inc., acquired the stock of the Union Commerce Corporation through exchange of shares and the title was changed to Guardian Detroit Union Group, Inc. There is but one class of stock in the corporation. By the provisions of one of the articles of association of the corporation, it is provided that holders of stock of the corporation shall be individually and severally liable for any statutory liability of the holding company because of bank stock owned. Detailed information with respect to this group appears in the questionnaire and tabulations in the appendix.

Other Groups. - The Detroit Bankers Company was incorporated under Michigan laws on January 8, 1930. Its stated purpose was "to provide greater financial stability through common ownership, to extend the scope of service rendered by its component units and to permit of a more economical operation."

In its first annual report the company states that it was necessary to incorporate a holding company to accomplish these purposes and maintain the separate banking institutions. "It is not," the report reads, "an endorsement of group banking." There had existed between the Detroit banks in Detroit proper and banks located in municipalities, in

fact included within the metropolitan district, an interlocking of directors and officers, carrying with it all or a portion of the control of the out-lying banks.

The BancOhio Corporation was organized under the laws of Ohio in September, 1929. The development grew, its organizers say, from social and economic changes all leading to larger business units.

Southern Mountain and Southeastern States

Group activity in the Southern Mountain States is largely accounted for by the Hamilton National Associates and the American National group. Hamilton National Associates, Inc., organized January 20, 1930, under Tennessee laws, has an interest in seventeen banks of which the Hamilton National Bank of Chattanooga, Tennessee, is the most important. The American National Bank in Nashville through its affiliate trust companies controls banks in the territory, the group totaling eighteen banks in all.

The group headed by the Atlantic National Bank of Jacksonville is illustrative of a number of small groups in Florida. The shareholders of this bank own ratably an affiliated holding company, the Atlantic Trust Company, organized in 1908, under the laws of Florida. The operation of the trust company is controlled by three trustees, who are active senior officers of the Atlantic National Bank. The trust company owns the affiliated banks all of which, with the exception of one, were organized by persons controlling the Atlantic National Bank. The development of the group is said by its organizers to have been brought about by an

economic need for banking facilities in the localities where banks have been established, with due consideration to earning possibilities. The First National Bank of Miami and the Barnett National Bank of Jacksonville are other national banks of Florida the controlling interests of which dominate small groups.

The First National Bank of Atlanta also operates a group. Its shareholders own all of the shares of the Trust Company of Georgia, which in turn owns all of the shares of the First National Associates, which in turn owns a controlling interest in four subsidiary banks.

A second group is controlled by the Citizens and Southern Holding Company which was incorporated in Georgia, April 9, 1928, under Georgia law, thus antedating the Minneapolis groups. It was organized by the Citizens and Southern National Bank for "the purpose of purchasing the control or in entirety stock in certain banks, and for organizing new banks from time to time." It is the policy of the company to purchase at least 66 per cent of the stock in its banks, which for the most part has been done.

The South Carolina National Bank of Charleston also sponsors a group banking organization, known as Socarnat Bank Corporation, incorporated July 11, 1929, under the laws of Delaware.

In the case of the First National Bank of Birmingham, each share of stock in the bank carries with it ownership of one share of stock in the First National Company, a successor to American-Traders Securities Corporation, incorporated July 9, 1927. In addition to performing the functions of the bond department of the First National Bank, the First National Company owns 51 per cent or more of the stock in a group of suburban banks.

Southwestern and Rocky Mountain States

Exchange National Bank of Tulsa. -- The most important element in the group and chain movement in the Southwestern States operates out of Tulsa, Oklahoma. The Southwest Bank Shares Corporation was organized under Delaware law, February 6, 1930, by interests connected with the Exchange National Bank of Tulsa. Control of banks was acquired by this corporation by outright purchase for cash.

In explaining the origin of the group, its sponsors have written: "It seemed to us the trend of the country was towards group banking and it seemed desirable that at least a nucleus be formed around the Exchange National so that its interests would be protected in any advantages that might arise out of this apparent economic change in banking methods. It was thought that the undertaking would be beneficial in stabilizing banking conditions."

The Republic National Company, owned by the shareholders of the Republic National Bank and Trust Company of Dallas, owns in turn a controlling interest in several Texas banks. Groups of 10 banks each center around the Mercantile Trust Company of Dallas and J. M. Crews and Associates of Childress.

First Security Corporation of Ogden, Utah. -- The largest group with headquarters in the Twelfth Federal Reserve District, measured by number of separately incorporated banking units controlled, is headed by the First Security Corporation of Ogden, Utah, organized under the laws of Delaware. This corporation has two classes of stock, the voting stock being controlled by a handful of stockholders. The group includes banks in Utah,

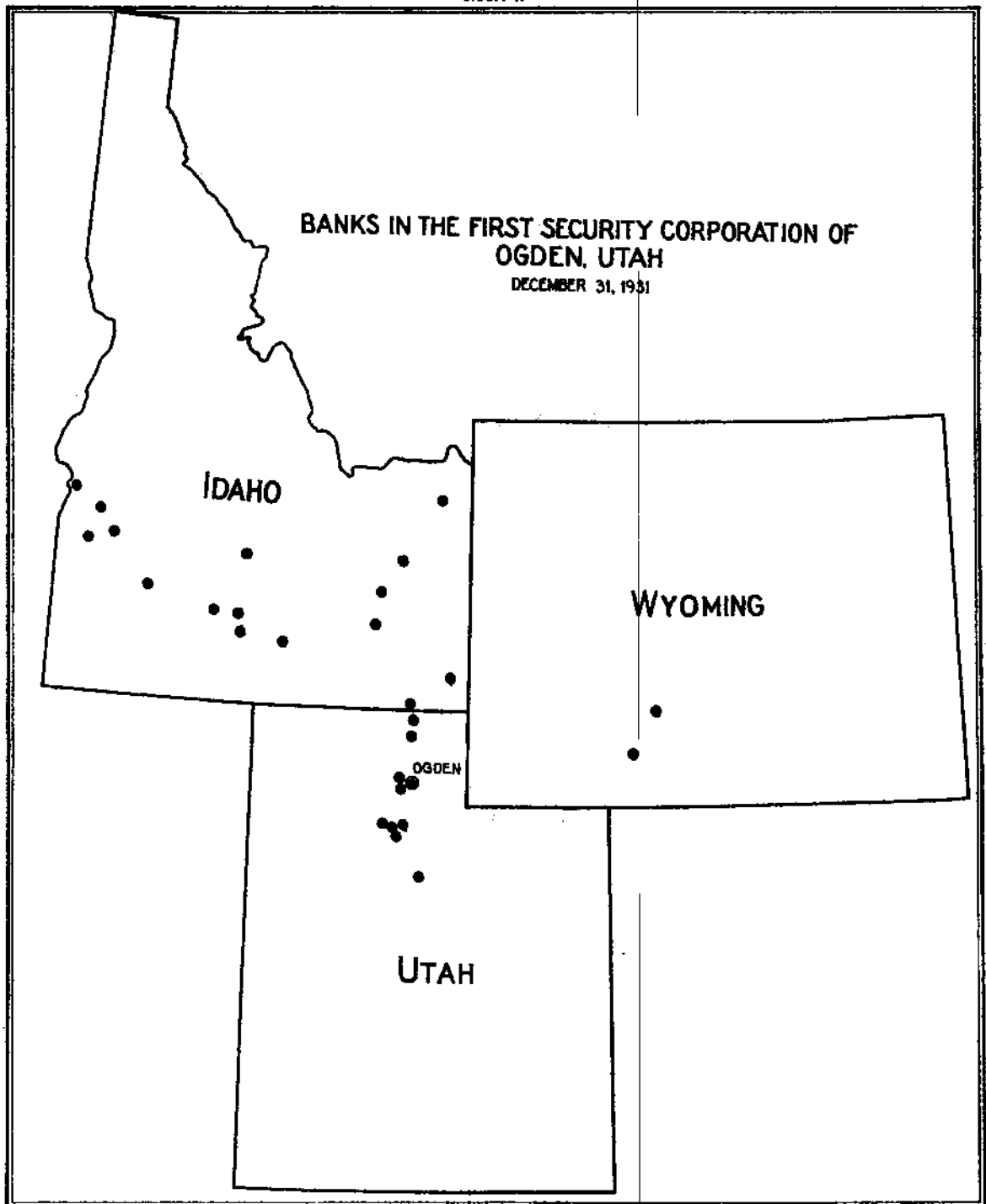
Idaho, and western Wyoming. Twenty-two of the banks in this group have the name "First Security Bank."

The First Security Corporation was organized June 15, 1928, but the original conception dates back several years before that. The organizers individually owned stock, either majority or minority interest, in a number of banks in the inter-mountain country. It was found that increased attention had to be given the management and supervision of these various properties in order to protect the investment. It was also the conviction of the organizers that the territory in which they operated would never receive safe and adequate banking service until a group organization was developed with sufficient capacity to handle legitimate requirements found in many of the communities to be beyond the legal lending limits of unit banks.

The corporation uses many of the methods of supervision and control previously described with respect to some of the other leading groups. It has purchased several weak and unprofitable banks, and in one case reorganized a bank which had suspended operations. The capital of these banks has been rehabilitated by the elimination of dead assets. New management has been put in or old management closely supervised.

Additional details with respect to this organization may be found in the questionnaire and tabulations in the appendix. Chart 11 shows the location of banks in this group.

CHART 11



## CHAPTER VI

### THE BANK HOLDING COMPANY: ORGANIZATION AND MANAGEMENT

The bank holding company, as it has developed in the United States during recent years, has been of varying types. A description of these types is presented in this chapter, based primarily on information furnished by a number of banking groups in the replies made by them during the latter part of 1930 and the early part of 1931 to a questionnaire sent out by the Committee (see p. 15). Throughout the digest of these replies, an attempt has been made to indicate by appropriate references and citations the nature of the source material.

#### Types of Bank Holding Companies

The different methods of grouping banks through corporate ownership of stock, as set forth in the replies to the Committee's questionnaire, are exceedingly diverse. The various

forms overlap in such fashion that it is difficult and, as a matter of fact, impossible, to draw lines separating them into rigid classifications. Within limits, however, and with the understanding that the division is a very broad and general one, group banking organizations may be classified as of three types: (1) the investment trust, with no management or direction of the member banks; (2) the over-all holding company type, where the stock of all the banks in the group is owned by the holding company; and (3) the subsidiary holding company type, where a bank through a security affiliate or trust company affiliate, or holding company affiliate or subsidiary of other character, owns the stock of a group of banks. Theoretically at least, in any one of these types of organization the ownership of stock may be complete (with the exception of directors' qualifying shares), or it may be majority ownership, or less than majority.

Transamerica Corporation, since its reorganization in 1932, may be cited as illustrative of the first type of group bank organization. Prior to its recent reorganization, that company operated in

a wider field than bank stocks, but much of its bank stock holdings may be regarded more as group ownership and less as group operation of the banks whose stocks were held. With respect to some of its leading interests this was not true, however. Its domination of the Bank of America in San Francisco and the Bank of America N. A. in New York was effective. With the sale of the New York unit to the National City Bank and the announcement that Transamerica would divest itself of other majority holdings, it became, from the point of view of bank stock holdings, an investor, at least for a time. Subsequently a new management came into control and its policies have not as yet become clear.

The best examples in the group banking field belong to the over-all holding company-management type, as Table 27 brings out. In each of these cases all, or practically all, of the shares of each individual bank in the group (again with the exception of the directors' qualifying shares), are owned outright by the bancorporation. One important distinction, however, should be noted. While the Northwest Bancorporation, for example, has but one class of stock, each share of which has equal voting rights with every other share, there are two classes of stock in the Marine Bancorporation, a small amount of voting stock, closely held by

persons intimately identified with the dominant bank of the group, and a larger issue of non-voting stock, held more widely.

The subsidiary holding company type is well illustrated by the First National Associates of Atlanta, Georgia. The Trust Company of Georgia is affiliated with the First National Bank of Atlanta, the stock of the former being held by trustees for the pro rata benefit of the shareholders of the latter. The Trust Company of Georgia owns the entire capital stock of the First National Associates, which in turn owns a controlling interest in six Georgia banks and an investment company. Most groups of this type are characterized by a large amount of centralized management.

Another variation of this type is a group of banks owned through the securities affiliate of the leading bank. The primary activity of the stock-owning company is that of dealer in securities. The ownership of a majority of the stock in banks and the exercise of managerial supervision over banks are secondary activities. Some of the Boston organizations, for example, are in this class.

The securities company is not the only company used in this way in the banking field. In certain States trust companies may own corporate stocks with very little limitation. Thus, in addition to their main operating activity, a fiduciary business, they may become holding companies for banks and exercise management

control over such banks. The case of the Atlantic National Bank and the Atlantic Trust Company of Jacksonville, Florida, is a good example of this.

Table 27 - Leading groups (as of December 31, 1931)  
Classified by Type of Organization

Over-all holding company	Subsidiary holding company	Investment trust or indeterminate
Financial Institutions, Inc. Marine Midland Group, Inc. Detroit Bankers, Inc. Guardian Detroit Union Group Wisconsin Bankshares Corp. National Republic Bancorporation BancOhio Corp. Hamilton National Associates, Inc. First Bank Stock Corp. Northwest Bancorporation First Security Corp. Marine Bancorporation Old National Corp.	First Nat'l Bk., Boston National Shawmut Bank Worcester Co. Bk. & Tr. Co. First Tr. & Deposit Co., Syracuse American National Bank First Nat'l Bank, Atlanta Citizens & Southern Nat'l Bk. First Nat'l Bk., Birmingham Atlantic National Bank Exchange Nat'l Bk., Tulsa First Nat'l Bk., Seattle U.S. Nat'l Corp., Portland, Oregon Anglo National Corp.	Hartford Connecticut Tr. Co. Union Tr. & Melbank Corp. Central Republic Bk. & Tr. Co. First Nat'l Bk., Chicago First Nat'l Bk., Trustees, Louisville Commercial Nat'l, Shreveport Commerce Tr. Co., Kansas City Transamerica Corp.

Organization of Holding Companies

Many of the holding companies were organized under a Delaware charter, presumably to take advantage of the liberal corporation laws of that State. This was by no means always true, however, since many of the incorporations were effected under the laws of the State where the most important banks of the groups are located (see Table 28). It was often the case that articles of incorporation of the holding company enumerated a multitude of powers. Even though the new corporation had no intention of covering a wide field of activities, it had seemed wise to look to any contingencies that might arise in the future.

It has been previously indicated that the scheme of organization in many cases was to trade the holding company stock for stock in the bank being acquired. In most cases the stock of the banks which were taken over by the holding companies had no ready market, so that a value for the stock was fixed upon the basis of the book value and earning power. Reference was made in the previous chapter to the degree to which stocks might have been overvalued by this process.

In many cases, only one class of stock was issued. In these instances, stockholders of individual banks who were good traders were able to obtain their pro rata representation and voice in the holding company. In those cases where the local stockholders received non-voting stock, however, the control passed to a small coterie of men usually surrounding the dominating bank of the group. The following table includes some of the cases in which two classes of stock were issued.

Table 28 - Organization Details of Selected Holding Companies<sup>(1)</sup>

Name	State of incorporation	Classes of stock
Marine Midland Corporation	Delaware	One
Guardian Detroit Union Group	Michigan	One
Wisconsin Bank Shares Corp.	Wisconsin	One
First Bank Stock Corp.	Delaware	One
Northwest Bancorporation	Delaware	One
First Security Corp. of Ogden	Delaware	Two
		Voting stock closely held
Marine Bancorporation	Washington	Two
		Voting stock closely held
Anglo National Corporation	Delaware	Two

(1) Those organizations which have given permission to print answers to the questionnaire in full.

It will be recalled also that in the case of many holding companies the policy has been to acquire a majority of the stock in all banks. Other cases are on record where the holding company acquires only an amount sufficient to insure control. In many instances this may be less than 50 per cent. It often happens that even within one group the degree of control varies from one bank to another.

The Shareholder and His Liability. -- The stockholder who exchanges his stock in the local bank for stock in the holding corporation ordinarily gets a more marketable security, according to statements by group bankers. For the most part, holding company shares are listed on some exchange, and there is a more definite market for them than for the shares of many local institutions. Whether or not the return to the shareholder is enhanced by the transaction depends on whether the group organization has greater earning power than the original bank.

Under some of the set-ups, where the bulk of the shares are non-voting, the shareholder loses some of the ordinary rights and privileges of stock ownership. He may obtain, however, a wider interest in banking affairs and regional business than he formerly had. Since in most instances there is no statutory double liability attaching to the ownership of holding company shares, the stockholder in many cases escapes that obligation. The holding company itself is, of course, responsible for double liability assessments because of bank stock held by it. Such assessments are collectible in general only to the extent that the holding company has valuable assets.

Four out of five groups, in answer to an inquiry, stated that stockholders in the holding company had no liability beyond their actual investments. Double liability in the case of the real owners may apply in a few cases because the subsidiary banks are controlled through direct owner-

ship of stock by the dominant banks whose stockholders are subject to double liability provisions. In such cases the stockholders of the dominant bank naturally have the same liability as they had before the group was formed. In two cases the articles of incorporation of a holding company, it is reported, specifically provide for liability of shareholders over and above their investment.

Several groups reported that the holding company under its articles of incorporation must hold assets other than bank stock. The amount of these other assets required by charter varies from case to case. One charter requires that such assets equal the amount of bank stock held, a provision designed to insure that even if all member banks failed simultaneously, there would be assets against which the double liability assessment would hold.

In answer to a question as to whether the protection offered bank creditors because of double liability had been lessened or not, only 15 out of 30 groups ventured an opinion. None of these expressed the view that this protection had been lessened, while two-thirds of them said that it had been bettered by the affiliation of the individual banks with the group. There is reason to believe that this view applied in particular to the case in which a single member of a group, or only a few of its less important members, failed. This would involve the holding company, owning the shares and called upon to meet the double liability, in obligations well within the company's means. It doubtless reflects also common knowledge of the fact that for suspended unit banks the collections from assessment of stockholders under the double liability clause have frequently fallen far short of the par value of the stock.

Miscellaneous Institutions Associated with Groups

This report deals chiefly with those activities of bank holding companies that bring several commercial banks under unity of control. All of the statistical material presented in this study is concerned exclusively with the relationships of three or more banks engaged wholly or in part in commercial banking.

The bank holding companies, however, have created a close community of interest between commercial banks and corporations engaged in a variety of enterprises, financial and otherwise. In some cases, the style of enterprise is one which it is quite possible to carry on under the charters of some commercial banks, even national banks. On the other hand, some of the enterprises are not within the scope of the charters under which most commercial banks operate.

One-fourth of the groups reporting on the matter had no non-banking affiliates, and another fourth had but one affiliate each. The other groups reported varying numbers of non-banking affiliates, one having as many as fourteen. Of approximately 50 affiliates which were listed by function, about half were reported to be securities or investment companies; a quarter, safe deposit companies; a fifth, realty and insurance companies. Three land banks and two building and loan companies were mentioned. And finally, there was a variety of concerns which were represented only once on the list, among which may be mentioned an employees' stock purchase company, a restaurant, and a municipal heating plant.

Of non-banking affiliates nearly half were acquired through exchange of stock; a quarter, by the stock purchase method; some were organized as new concerns; and some were previously owned by banks which became

members of the group. Stock ownership by the group in these non-banking affiliates is generally reported as close to 100 per cent. Control of the non-banking affiliates in half the cases is directly in the holding company. In the remaining cases trustee relationships exist, or subsidiary banks exercise control.

Dealing in Securities. - Many commercial banks can deal in securities under their own charters. National banks may do so within limits prescribed by law and regulation. The prevalence of securities affiliates in the holding company set-ups, as indicated in the preceding paragraphs, is due in part no doubt to a desire to carry security merchandising to a point beyond that possible under bank charters. Again, lending on real estate mortgage security is a type of investment banking. Most commercial banks possess the power to make such loans to a limited extent. The prevalence of various types of mortgage companies under the bank holding companies is also an indication of a desire to go further into the field than bank charters permit.

More than a third of the groups stated that all the member banks sell securities to the public, and no group indicated that it did nothing in this line. Many of the answers did not directly indicate the relative importance of securities business, but, on the whole, group banking has apparently extended this service quite generally, but as yet it has not been widely used by the public. Two out of every three groups originate issues directly or through affiliates, but over half of these stated that the amount of their originations had been small. Three stated that they did no originating. In a few cases issues originated by an affiliate are not sold through the member banks.

Trust Operations. - Operations of group banks in the trust field have been confined for the most part to the larger banks. It is perhaps natural that in connection with this function, group bank organizations would tend towards centralization of activity. Trust business has been potentially available in the outlying cities and country districts, but it has been more or less neglected. It is argued that the trust departments of the city banks can be made readily available to the smaller institutions through the group set-up.

Several groups reported that trust business was being referred by outlying banks to the dominant bank or other large banks in the system. The most prevalent method of supervision of trust estates is through the examinations and audits conducted by the regular examining force or by special trust experts. The trust department of the dominant bank, trust committees of the holding company, or general trust officers are employed in several cases.

#### Extent of Holding Company Direction

The officers of the holding companies are in most cases officials of the leading bank and may receive additional compensation from the holding company for supervising the activities of subsidiary banks. In some cases there is a small staff which devotes its time exclusively to holding company affairs. In several cases subsidiary banks are charged with periodical service or management fees.

The extent to which group bank holding corporations engage in the management of the banks whose stocks they own varies greatly. It ranges

from the holding company on the one hand which leaves the individual banks almost entirely free to direct their affairs to the holding company at the other extreme which practically operates the banks under its control. Some of the group operators state that they exercise a high degree of intimate control over the banks in the group, in a few cases group operation being scarcely distinguishable from branch banking. Others state that there is little interference with local policies and practices, other than a broad general attempt at insuring that good banking practices be followed.

The Committee's inquiry contained the following: "To what extent does your holding company share in the management of banks? Has it a staff devoted to supervising them and coordinating their activities?" Of the replies to this question three-fifths said that the holding company shared in the management of the member banks to a considerable extent, while the remainder stated that they did so only to a limited extent. In many cases the head office theoretically acts in merely an advisory capacity, but no doubt the local units accept the advice in most cases.

The form of the staff that devotes its time to supervising and coordinating member bank activities varies considerably. In some cases employees of the dominant bank devote considerable time to the affairs of the other units. In others the only agency for the purpose consists of one or more examiners who report the condition of the members to the head office. One group employs a supervisor but no complete staff. In another the staff of the securities affiliate of the dominant bank acts in this capacity.

Still another has organized a separate management corporation, and the holding company takes no part in the management. Some groups attain uniformity of policy by means of interlocking directorates and officers. That is to say, officers or directors of the dominant bank, or more frequently of the holding company, are either officers or directors of the local institutions.

There are some contradictions in the replies to the questionnaire in the matter of the degree of local autonomy allowed members of groups. The amount of control from head office indicated in the preceding discussion is not wholly consistent with allowing local directors a free hand in running a particular bank. The groups were practically unanimous, however, in stating that local directors were free to run their banks as they saw fit, but in almost all of these cases the clause was inserted, "so long as they conform to the stated group policies," or words to that effect. Obviously the holding company, with its control of the stock of the member banks, may remove a board of directors and substitute one which is willing to follow the policies laid down by the head office. Furthermore, the system of frequent and detailed reports employed by most of the groups serves as a check upon the operations of each bank, and in those systems which have representatives of the holding company or dominant bank upon the local boards, this personal contact is able to forestall any radical departures from the established regulations. It is clear that the degree of legal ownership and control of the leading corporations over members of groups is

sufficiently great to be effective. For example, a survey of 322 banks belonging to leading groups at the end of 1930 showed that in the case of nearly half of them more than 90 per cent of their stock was owned by the leading corporation. In nine out of ten cases the degree of control was upwards of 50 per cent. Neither of the two large Minneapolis groups was included in this analysis and in the case of each of these the proportion of stock ownership in the 100 odd banks composing the group is high.

Group Auditing. - Most of the group bank holding companies maintain central auditing activities. The auditing force is responsible, in most cases, to an officer or officers of the dominant bank or holding company. In a few cases the responsibility was said to be directly to the board of directors of the holding corporation. About half of the reports indicated that the audits included loan investigations. In some cases a separate credit department investigates loans, and generally speaking, the controlling agency of a group keeps a fairly detailed and accurate check on the portfolios of its subsidiary banks.

Local Personnel. - The answers to the questionnaires indicated that local directors of banks acquired by group organizations are for the most part retained. In some instances, they are reported to have taken a new interest in the affairs of the bank. It is true that they are elected by the corporation which owns the stock of their bank, but it has been pointed out that in order to retain the good-will of the community, there must be no clash of interest between the local directors and the group headquarters. Two out of three of the groups state that practically all the directors of each of their subsidiary banks are residents of the community in which the bank is located. Some

of the groups place one or two representatives of the head office on each local board, and appoint the remaining members from the local residents, who are acquainted with the needs of the local community and the character of the bank's customers. So long as local directors are given some scope, local sympathy appears to remain with the management.

The almost universal testimony of the group organization operators is to the effect that wherever possible they retain, in addition to local directors, the other local personnel, officers, and clerks, which were operating the local bank at the time of its acquisition.

The Holding Company  
and the Correspondent Relationship

With respect to the correspondent relationship, replies to the Committee's questionnaire indicate a tendency for the correspondent accounts of large numbers of country banks collected into group organizations to be consolidated by the groups. More than a third of the groups reported little or no change in correspondent relationships, but indicated that group members are favored with business whenever possible. A few indicated a policy of changing such relationships only where necessary to eliminate duplicate or excessive balances. In a few the members of groups have correspondent accounts almost exclusively in the leading banks of the group. The outside accounts of this bank then serve the other members of the group. In one case, all correspondent accounts outside the group have been closed.

Nearly half of the groups reported that aggregate correspondent balances are smaller than would have been the case with the members operating independently. This results in part from the lending of surplus funds among members, as well as from increased investments in readily marketable securities, in lieu of deposit in metropolitan centers. A few groups stated that correspondent balances were larger for the group as a whole, because of the improved cash position of the constituent banks.

Another phase of the correspondent problem is illustrated by an experience of the Wisconsin Bankshares Corporation. Some independent unit banks objected to the advertising policy of this organization on the ground that it cast reflections on the comparative safety of unit banks. The protests carried with them threats of severing correspondent relationships with the First Wisconsin National Bank, the leading unit of the Wisconsin Bankshares Corporation. It is said this bank has, however, suffered no loss in its general correspondent business.

The Holding Company  
and the Federal Reserve System

One of the questions which arises in connection with the development of group banking systems is whether it will tend to increase or to diminish membership in the Federal reserve system. Another is the effect which it may have on the use of Federal reserve facilities. Still another is the possibility of influence and control which the holding companies might exercise over the regional reserve banks.

Some indication of the effect which group banking has had upon membership in the system so far may be found in the answers to a question

asked by the Committee: "When a member of the Federal Reserve System joins your group, are its relations with its Federal reserve bank modified in any way? What effect does membership in the group have upon borrowing or rediscounting with the Federal reserve bank?"

Eighteen of the twenty-four groups replying to this question maintained that the relations of their banks with the Federal reserve system were not affected in any way because of their group affiliation. One group reported that it was nationalizing all the State banks it controlled. In one, banks gave up their memberships, except those which would probably make frequent use of the facilities of the system. Some groups reported less frequent use of the rediscount privilege. Some of the group bank organizations have developed check clearing activities within their own group, but in general members of groups make the same use of Federal reserve facilities as do independent unit banks.

As the method of electing directors of the Federal reserve banks under the law gives each member bank one vote, a group which controls many banks could dominate a Federal reserve bank. The Comptroller of the Currency prepared a memorandum showing that the First Bank Stock Corporation and the Northwest Bancorporation could dominate the election of some of the directors of the Ninth Federal Reserve District. His statement in this connection appears in the appendix. This matter will be referred to in later paragraphs dealing with some of the unsolved problems of group banking and public regulation of bank holding companies.

Attitude of Group Management  
Toward Supervisory Authorities

Although at present neither the National Bank Act nor the State banking laws generally provide that holding companies controlling banks shall be under the supervision of the banking authorities, most of the groups have consulted either the Comptroller of the Currency or their respective State banking supervisors in regard to their activities. Two-thirds of the groups indicated that they had cooperated in this manner, although a few of these stated that their consultations had been with the State departments only. One group stated that both the Comptroller and the State supervisor were in full accord with its operations. Another said that supervisory officials had been consulted on every move made by the organization. A third reported that the State banking department had asked the group to allow certain banks to affiliate with it in order to strengthen them.

Two-thirds of the groups expressed the conviction that bank holding companies should be supervised by governmental authorities, while a few stated that they should not. Several of those in favor of supervision thought that because of the possible widespread activities of groups, the Comptroller alone should have this power, and another said that all groups should be composed of either all national or all State banks. One which was not in favor of supervision could not see how it would be effective as long as groups were composed of both national and State banks. Some, while not enthusiastically in favor of supervision, stated that they would have no objection to it. The question was not important with respect to two of the answering groups since the stock of the subsidiary banks in these cases is held by trust companies, which are already supervised by the State banking department.

## CHAPTER VII

### THE BANK HOLDING COMPANY: OPERATING POLICIES

Public interest in banks and banking structures may be said to focus upon the matters of safety and service. The depositor wants to feel secure with respect to his deposits and, at the same time, the community demands service from its banks. Too generous service, however, may be inconsistent with safety, and it is a major problem of good banking to combine safety with adequate service.

With respect to these matters, group banking must be tested in comparison with unit banking on one hand and branch banking on the other. Because of the relative youth of the movement, statistical measurements are largely lacking. Chapter VIII shows that during the 11 years ending with 1931 banks belonging to chains and groups had a somewhat better record in respect to failure than banks in general. The advantage, however, was not decisive.

Information relating to the operating policies of bank holding companies has been assembled by the Committee from the replies made in 1930 and 1931 to its questionnaire already referred to (see page 15). The information obtained from this source is digested in this chapter.

Lending Policies

According to replies to the Committee's inquiry, the lending policies and operations of the banks within a group are unified and coordinated in various ways. Nearly all of the groups require daily or weekly reports from the individual banks. In some cases loans over and above a certain minimum must be approved at the head office of the group. In others a joint loan committee meets to consider credit commitments. Officers in some of the groups make periodic visits to the units to inspect and supervise credit extensions. Almost uniformly the holding companies maintain central credit information files on prospective and active borrowers. In some groups, this includes detailed information with respect to the types of collateral, a classification of the purposes for which borrowings were made, and much other pertinent information which is usually collected by city banks with large and efficient credit departments.

All but three groups reported some form of coordination of lending policies. Meetings and conferences of loan officers of the member banks are held by several groups, at which loan policies are formulated, while others direct loan operations through personal representatives of the head office. One out of every four groups stated that there had been little or no change in the lending policies of its members. A slightly larger proportion, however, maintained that their portfolios now possess a higher degree of liquidity and several that their policies were more conservative, than was true of the banks as independent institutions. An intention to decrease real estate loans was expressed in some cases. Installations of more scientific credit systems, attempts to secure greater diversity, and annual clean-ups are policies emphasized by some managements.

About a third of the groups reported that the ratio of loans and discounts to deposits had undergone little change, while about an equal representation stated that such changes as had occurred were due to economic conditions which have reduced the demand for loans. A few stated, however, that loans had been purposely reduced in the effort to attain liquidity. One reply made the point that the possibility of shifting surplus deposits to members with heavy demands for loans had altered the deposit ratio in several cases.

The banks in the groups have not set any minimum size for loans they are willing to make. Some of them try to avoid too many small loans, and say this is the general practice of banks, owing to the high cost of making them. A minimum charge for small loans, running from fifty cents to a dollar, is usual. One or two of the groups have a number of banks operating small loan departments. Morris Plan banks are sometimes associated with groups. On the other hand, one of the groups relinquished ownership of an industrial bank, in order to confine its activities to commercial banking and fiduciary activities.

#### Rates Charged on Loans

Answers to the questionnaire sent out by the Committee indicate that group bank organization has had little effect on the rates charged by the member banks to their customers for loans made. The almost universal testimony is that rates have continued, as before, to be determined largely by local conditions. Since the usual loaning rate at country banks changes slowly, even variations in market rates in the money centers have been little reflected in the banks outside of the larger cities.

Rates of interest charged by group banks do not vary in general from those charged by independent banks in the same community, according to the group bankers' testimony, competition being the determining factor in fixing rates. One reply said: "It has been impossible to make any changes by way of reduction of rates in many localities, for the reason that they are also being served by independent banks whose income might be seriously impaired by such changes." Another reply: "We have not undertaken to attract business from our local competitors by cutting rates in any case, but have sought rather to fully cooperate with such competitors. A number of such competitors have told us that they feel much more secure in this respect with our competition than they had previously felt with the independent unit bank competition."

Few of the groups operate upon a uniform rate basis. Rates are determined by the same considerations as those in a loan made by any bank: locality, competition, quality of the risk, character or type of loan, and the value of the account of the borrower. "Naturally in the larger communities where there are choicer loans and money is more plentiful, rates are lower on many classes of loans," one group replied, "whereas in the small outlying communities with small lines of credit and greater hazard, the rates are naturally more." Another replied: "Outlying banks by virtue of small loan accommodations have a higher average yield than down-town banks."

A few of the answers indicate that the tendency has been for a lowering of rates to customers, particularly for better names, due to the fact that as prime risks can ordinarily get better rates at city banks, and since the group member is supposed to have access to a city institution,

these borrowers have demanded a lower rate. One group replied, for instance: "On the more favorable lines, our rates have in some cases been reduced from what the independent bank had previously charged, as the inability of the unit bank to meet rate competition and in some cases to provide the size of lines required has been throwing this most desirable business to the large centers." Another replied: "As applied to larger and better borrowers, we have found that the result has been to lower their rates because these borrowers have felt that they were doing business in effect with a city organization and have asked city rates, and being entitled according to city standards to such rates, have been allowed them. We believe this is a natural result of a group or branch banking operation which is helpful to a local situation rather than otherwise."

#### The Effect on the Bank Borrower

The following is another inquiry made by the Committee: "Have there been any changes in the credit policies of any of your banks since they were acquired, with the result that certain types of borrowers find it more difficult to get credit? If so, have you had an undue amount of protest from these quarters with perhaps some propoganda against your group system?"

About half of the groups answered that they have become more strict in their requirements regarding applications for loans, but that no "legitimate" borrower is ever refused accommodation. Nearly half of the answers stated that there had been some criticism or propoganda against them because of their loan restrictions, but in no case was this opposition reported to be of any considerable importance. Nearly all of those that have adopted more conservative policies have received some protests on this

account. Where ill will has arisen from this source, it is stated, a compensating growth in good-will has been experienced among customers who have felt the group to be offering stronger and safer facilities. A certain amount of ill will they attribute to the class of borrower who should not be granted credit by any bank that has a proper sense of its responsibility for the interest of its depositors and its community.

It is incorrect to consider the bank borrower as a separate entity from the bank depositor, or even the bank stockholder, since in most small country banks, at least, many of the customers of the bank are all three at the same time. In so far, however, as the borrowing function is a different phase of bank relationship from bank depositing, it may be pertinent to consider the effect of the new type of bank organization upon the person who borrows from a group unit, as exhibited in the replies made by leading banking groups to the Committee's questionnaire, apart from the effect of the same development upon possibly the same person as a depositor.

Absentee Credit Decisions. - It is often alleged that the group organization like a branch organization tends towards credit decisions at head office, and that the local borrower is not given the same sympathetic and neighborly consideration that he gets from the purely local banker, who is familiar with his peculiar needs and credit standing. The credit risk, which is acceptable from the customary standpoint of neighborhood banking, may not be acceptable under the methods of credit extension in use at the city bank which heads the group.

To combat this allegation, several of the groups insist that credit decisions are made locally to the same degree that they were before the group was formed. It is to be noted, however, that it is difficult to reconcile this with claims of these groups to increased efficiency and higher standards of management.

Group operators do not concede that local borrowers necessarily get less consideration when the credit decisions are made at group headquarters, but reply that if such is the case, it is probably because many of the local borrowers should not have had accommodation, and that it is only inferior bank management which has enabled them to get it. Indeed, an occasional independent banker will testify that the existence of the group as a competitor has made it possible for him to deny credit applications which he would otherwise have felt it necessary to grant, while feeling them unjustified. Some of the independent bankers in the areas where group banking has had its greatest development agree that banking standards have been raised as a result of the group development, and that less poor credit is being extended. The credit decision is an extremely difficult one to make, and it is still an open question in the minds of many whether the liberality of the old style banker may not be better than the coldly analytical methods of the new school.

With respect to this matter, as in other phases of group banking, short experience and an unusual era are handicaps in making proper estimates. Under some conditions it might be possible to compare the relative merits of group banking and independent unit banking by a statistical analysis of the amounts loaned and the number of borrowers accommodated by a bank before and after joining a group. The last few years have been of

such a character, however, as to make such a comparison unfair and lacking in significance. Credit has been granted with caution in recent months, by banks of all descriptions.

Larger Lending Capacity. - One of the advantages claimed for the group bank set-up from the standpoint of the bank borrower is that it enables larger loans to be made to single customers whose credit needs are of a size that exceeds the legal limits of many of the smaller banks. Through the affiliation of many banks, it is argued, large lines may be carried within the group organization. This is regarded by some as of even greater advantage to the local bank or to the dominant bank of the group than to the borrower, although it is recognized as being of some advantage to the latter as well. The statement is also made by some proponents of the traditional banking system that correspondent banking accomplishes the same result with respect to large lines as group banking.

According to the testimony of four-fifths of the groups a demand for loans beyond the resources of the local bank is often met by other member banks, while several stated that such a situation had not yet arisen in their group. Within the groups, situations of the sort are handled in a variety of ways. Local applications may be sent up to the dominant bank for consideration there, or paper already acquired may be sold to it or other institutions within the group, usually without recourse.

Uniformity in Investments. - Speaking generally, the investment function of the banks is more centralized under the group bank holding com-

pany than the lending function. This is, of course, also characteristic of the great branch systems of Canada and England. In some of the groups the holding corporation, or the dominant bank, does all of the buying for the group; in others, purchases are made by the unit banks from a list of approved securities furnished by the head office. A central file of investments held by the various members of the group is frequently maintained, and sometimes analyses of the investment position of individual banks are made.

About a third of the groups reported that the controlling agency acted merely in an advisory capacity as to the purchase of security investments. One in four indicated that a uniform policy of supervision over the bond accounts of member banks existed. In a few organizations practically all investments are purchased by the head office, and thence distributed to the subsidiary banks. In these cases, it may be assumed that the autonomy of the member banks in regard to investment policy has practically disappeared.

#### Profits and Costs

In any process of concentration in business enterprise, such as the bank holding company movement, it is generally assumed that managers see in the amalgamated concern the possibility of increasing the rate of profit on invested capital. It is generally assumed that profit motives have been of first importance in the growth of the concentrated branch banking system of England. Better profits may come about through increasing gross returns or by cutting down the costs of handling a unit of business. The group banking movement is so young and the period since its inception has been so abnormal that any attempt to measure statistically its accom-

plishments in improving profits would be futile.

Gross Income. - There are nevertheless some observations which can be made with respect to profit possibilities. The rate of return on invested capital of the members of a group would be improved if the volume of business could be increased without increasing capital. There are doubtless conditions under which this may be done with safety and conservatism, but the ratio of capital to deposits can not be lowered indefinitely without lessening safety. The minimum limit varies from locality to locality and from bank to bank and many of the banks in the groups have already touched this limit. It is not likely that group managers expect to improve their average gross return on loans, since they are subject to local competition. In fact, if a group brings more conservative bank management to an individual bank, the higher grade portfolio might actually result in a lower rate of gross return per \$100 of loans and investments.

Perhaps, the best possibility of increasing gross income as a result of group management rests in the matter of miscellaneous activities, in the fields of fiduciary business and of merchandising securities and in miscellaneous other undertakings. The extent to which leading groups have become interested in these fields was brought out in a previous chapter.

In the matter of reducing banking costs or expenses, a group management might be expected to achieve results at some points. With respect to interest on deposits local competition would probably be controlling, but handling the same business in a member bank at a lower payroll cost is a possibility. So also among miscellaneous expenses, including office supplies, and advertising, group management makes claims of cutting down costs.

Two-thirds of the groups indicated that weak banks were taken over which became profit makers under their management. Various reasons for being able to turn unprofitable institutions into profitable ones were given. It was stated that sound banking principles were substituted by the group management for the inefficient practices formerly employed. In a number of cases announcement of the fact that the group had assumed control restored public confidence to institutions which had been losing deposits. Most of the groups stated that they have not established new banks, as distinguished from taking over existing banks, where unit banks can not profitably operate, while three maintained they had.

In some isolated cases, with the hope that future developments will enable a favorable return to be secured, banks are being operated which are returning very low dividends to the group or just breaking even. One group reported that the cost of acquiring the weaker banks had been so low that they were able to make money with them whereas their former owners, with a relatively larger investment, could not. In the case of two groups, unprofitable banks which had been acquired were said to be giving promise of becoming profitable.

Losses on Loans and Investments. - At the time when this survey was concluded, in the early months of 1931, the leading groups were still too young to have acquired much actual experience as groups with respect to losses on loans and investments. Interpretation of the experience record, furthermore, was complicated in some cases by the nature of relations between banks and affiliates. In these circumstances, groups replying to the Committee's questionnaire stressed the general principle that diversification of assets has an important bearing on the loss record of banks. The unit bank operating in a small town usually employs a large part of its funds in that locality. If the industry upon which the community is mainly dependent suffers from unfavorable conditions, the bank is often faced with

substantial losses. A group, since it operates institutions in various communities, usually achieves as a whole more diversification than any one of its member banks. If one community in which the group operates is adversely affected by local economic conditions, the others may be prosperous, and the losses in some places may be offset against earnings in others.

It is stated that the individual member bank of a group has not been able to increase diversification to the same extent, as it is under pressure to use a large part of its funds locally. About half of the groups indicated that their member banks had not secured any greater diversification than it is possible for independent unit banks to achieve. The remainder, however, stated that their members had achieved somewhat better diversification. In some cases this has been accomplished by making loans to customers of other members of the group, or to the other member banks directly.

In line with minimizing losses, practically all of the groups have undertaken some method of handling the slow and doubtful assets held by banks when they became members of the group. Upwards of a third of the groups reported that the head office carefully watches over such assets and makes suggestions to the banks owning them as to how they may be most readily and efficiently liquidated. Several groups stated that all such assets were liquidated by the former stockholders of the individual banks, and in two others reserves were set up at the time of acquisition which were sufficient to absorb any loss that might be incurred from this source.

In another group the doubtful assets were not used in calculating the price at which the subsidiary banks were purchased. Other

methods employed in individual cases were the purchase of doubtful assets by the holding company itself, and the organization of a separate company to work out the doubtful paper. One group stated that it was not bothered by this problem for it purchased only "clean banks." Still another frankly admits that it has never found a satisfactory method of handling slow and doubtful assets.

Interest on Deposits. - Interest paid to the depositor is one of the major costs of doing a banking business in this country. It would appear that banks belonging to groups generally pay about the same rate of interest as other banks. Answers to questions indicate that the member of a group must be guided by the local competition with respect to interest paid on deposits. One group replied that the "rates paid on deposits by our banks are for the most part more liberal than rates paid by independent banks here," while another stated that "I think our rate of interest, if anything, is smaller than that of independent banks." One group spoke of cooperative effort with competitors to lower rates. Another said that "in some instances our rates are lower." Still another contributed the statement that "We have been outbid in cases of deposits of public moneys." It should be remembered, of course, and some of the replies indicated this, that recent months have witnessed a reduction in the interest paid on deposits by all banks, group and unit. It would seem clear that whatever changes there have been have not been due so much to group bank organization as to other causes.

Wages and Other Costs. - A fourth of the groups reported that a reduction in payroll costs had been accomplished. In some cases replace-

ments were made at lower salaries, while others had not replaced those leaving the organization. Salary reductions had been instituted in some cases and in one case forty-four employees were eliminated through consolidating three banks. A great number of groups reported economies in the consolidated purchase of supplies and equipment. In one group, 97 of the 117 members were using the central purchasing service at an average saving of 12 per cent. Supplies and equipment, however, represent a rather small proportion of the total costs of banking operations, and saving in these items does not go far towards reducing operating expenses in the aggregate.

A number of organizations have economized time and labor by standardizing forms and operations. The forms used by all the banks of a group must be fairly uniform before any great saving can be secured in their purchase price. Other economies which were mentioned were: the making of a consolidated State income tax return, so that the losses of some banks could be set off against the profits of others; taking out a blanket bond for all affiliated institutions; reducing the aggregate cost to from 50 to 70 per cent of the total of the individual bonds; discouraging excessive activity among the member banks in lines which were not profitable.

Reduction of Non-earning Assets. - Reduction of cash reserves and other non-earning assets among the members of a group would be in the direction of lowering costs or increasing profits. Indications are that little change has been made along this line. According to their statements,

none of the groups had established a definite rule as to how much cash each of its banks must keep in its own vault. Instead, the local requirements of each community are allowed to determine the amount of till money, as a rule. As some group banks operate under laws which require them to keep a certain amount of cash on hand, these banks naturally must meet these requirements whether they coincide with what the management believes to be a safe minimum or not. Two answers stated that inasmuch as banks were practically independently managed, the officers of each unit were permitted to determine the amount kept on hand. In most cases it was stated that cash in vault was never more than was absolutely necessary, so that danger of loss from robbery would be minimized.

High Cost Factors. - Over and against the possible economies of the group, the overhead of the home office, its personnel and office space, complicated reports, and red tape would be an offset. When the groups have been in existence longer, a statistical analysis of conditions before and after formation will test the question of whether this type of banking concentration rests upon sound profit advantages. It is rather widely stated by the friends of the group movement that it does not have the same possibilities in this respect as a branch office system.

Elements of Strength and Weakness

The foregoing discussion of the organization, management, and operating policies of bank holding companies has indicated elements of both strength and weakness which may be briefly summarized in the following paragraphs.

Elements of Strength. - Such elements of strength as are possessed by the holding company grow largely out of the fact that it is a method of concentrating banking resources. It has been pointed out in the various studies on branch banking—especially the Canadian and English reports—that the large banking institutions in those countries have been successful, partly in consequence of their size, in surviving periods of strain. Large financial institutions appear to gain their strength partly through achieving a higher degree of diversification. It has been shown that in many cases a bank holding company has brought together a large aggregate of banking resources, frequently several times that of the leading bank in the group.

The larger aggregation of resources should be able to command a higher grade of management which should work in the direction of reducing costs and losses in all of the banks of the group, especially the smaller units. With respect to loans, the detached central management is less likely under local influence to grant unwise accommodation. With respect to making investments, the larger organization can command experts, not available to small banking units.

The large organization built up through the holding company device can offer a wide range of services to its customers, particularly those in outlying towns. For example, such customers may have access to an expert fiduciary service. The local borrower dealing with a group bank taps a larger reservoir of loanable funds, which is particularly advantageous to the large borrower. The association of many banks in a holding company contributes to the mobility of funds. Surplus lending power arising in one part of the area covered by the group may be made use of in another locality

where a greater demand for credit exists. A member bank suffering a drain of deposits may be supported by other members of the group where the situation is easier. The individual bank shareholder, who exchanges his shares for stock in a holding company, may improve his position in that his risk is more scattered and his equity has a wider marketability than the one he has given up.

Elements of Weakness and Unsolved Problems. - From the point of view of public policy elements of weakness in group banking are the possibilities of manipulation inherent in complicated corporate interrelationships. Safety may be impaired by shifting of funds from one bank to another, by forcing worthless securities on a member bank, by pyramiding of reserves, and by using the funds of one bank to buy the stock in another. All of these can endanger not only one bank, but the whole system. A later chapter, reviewing group and chain bank failures, shows that abuses of this sort have caused disasters in certain cases.

The holding company has resulted in many cases in the close association of commercial banking activities and the merchandising *of* securities. The dangers inherent in these relationships have had many exemplifications of late. The fact that the holding company movement in the banking field enjoyed its greatest development during the recent speculative era adds to the suggestion of its inherent manipulative possibilities. While most of the existing groups are in conservative

banking hands today, the instrument of the holding company lends itself to manipulation. Supervision of a group system is difficult, especially when it contains both national and State chartered banks. The transfer of the double liability of bank shareholders from natural persons to corporations through the holding company device is one of the unsolved problems of the movement. Moreover, the use of the holding company to separate control and ownership of banks through the device of different classes of stock, some non-voting, may be contrary to public policy.

The elaborate structure of a group system in itself has certain drawbacks. Inherently, the type of organization is cumbersome and difficult to supervise and audit. Complicated reporting systems are necessary to bring the separate banks under head office control. Since each unit of the group is a separate corporate entity, it is probable that the holding company can not operate its outlets as economically as a branch system in extending the same services. This, no doubt, accounts for the fact that most group managers would prefer to operate their groups as branch systems.

Thus far the holding company has done little towards solving the problems of the banking structure where they are most acute. Only a minor fraction of the banking units in the major group systems are banks of less than \$500,000 loans and investments. Other sections of

the Committee's report have indicated that independent banks of this size, taken as a whole, have not had satisfactory records of safety or profits.

## CHAPTER VIII

### SUSPENSIONS AMONG GROUP AND CHAIN BANKS: 1921-1931

The group movement, as represented by the leading bank holding companies, has covered such a brief period of time that few conclusions can be drawn as to the safety record of this type of banking. It is not possible for most of the period covered, 1921-1931, to separate those suspensions belonging to chains from those belonging to the group form of organization, but it is clear that the great majority were chain banks. Many of them belonged to systems that combined some of the features of both chains and groups. In some cases where failures occurred the holding company had been used as an instrument by a single individual to secure control over several banks.

There is evidence that in some cases the chain and group vehicles have been used for promotional and manipulative purposes. In other cases of failure, systems have been the victims of honest but incompetent management. The reasons for failures of groups and chains are probably about the same as for failures of independent banks. The test has been the quality of the management. Chains and groups, however, lend themselves more readily to manipulations and are more difficult to supervise.

The small unit banks have been easy prey, in many cases, for unscrupulous individuals who have secured control through these instrumentalities, more for the purpose of exploitation than with the idea of strengthening the banking structure. Control of the larger institutions is somewhat more difficult to acquire owing to the greater outlay of capital needed. During the years 1921-1931 the majority of group and chain banks as of unit banks that have suspended were small institutions.

The abuses which have led to the failure of a number of chains have turned conservative bankers, writers, and banking supervisors against the chains. The attitude of students of the subject is revealed by the oft repeated statement that chain banking has all of the limitations of branch banking with none of its advantages. On the other hand, the group system in the hands of capable and honest management has elements of strength resulting from the common interest and cooperation of a number of banks.

Group and Chain Suspensions, 1921-1931 <sup>1/</sup>

During the eleven-year period, 1921-1931, 551 group and chain banks belonging to 120 systems suspended, involving loans and investments of \$519,696,000.

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<sup>1/</sup> This chapter was written in 1932 before the developments of more recent months had occurred in which several important groups of banks suspended operations.

It is sometimes difficult to identify among suspended banks those belonging to chains and groups because of the limitation in the data regarding these organizations. In compiling these statistics only banks were included that were members of groups or chains at the time they suspended, and nothing was considered a group or chain unless there was definite information to show that it contained at least three banks, exclusive of private and mutual savings banks. As in the other reports of this Committee, mutual savings and private banks are not included in the tables.

It is also difficult to determine how many of the 551 group and chain banks which suspended during the period can be classified as group banks and how many as chain banks. The Witham system contributed 117 suspensions and the Caldwell-Banks system contributed 44.

Both of these systems were on the border line between chains and groups. Of the 390 other banks, 46 appear to have been group banks and 344 chain banks.

Geographic Distribution. - Table 29 shows the geographic distribution of suspensions among group and chain banks during the period, 1921-1931. The agricultural regions, comprised of the Southeastern, Southwestern, and Western Grain States, accounted for 79.5 per cent of the total number of group and chain banks suspending during 1921-1931. The concentration in those areas was even more marked among group and chain suspensions than among all suspensions during the eleven-year period. This was due partly to a few important cases of failure and partly to the concentration of group and chain banking in those areas.

Table 29 - Suspensions of Group and Chain Banks during  
1921-1931 by Geographic Division

Geographic division	Number of sys- tems (1)	Suspended banks			
		Number	Percent of total	Loans and in- vest- ments (000 omitted)	Percent of total
New England	1	10	1.8	\$ 61,934	11.9
Middle Atlantic	7	15	2.7	89,004	17.1
North Central	12	48	8.7	83,626	16.1
Southern Mountain	2	5	.9	85,293	16.4
Southeastern	14	167	30.3	89,359	17.2
Southwestern	12	103	18.7	44,553	8.6
Western Grain	59	168	30.5	45,804	8.8
Rocky Mountain	8	28	5.1	17,534	3.4
Pacific Coast	5	7	1.3	2,589	.5
UNITED STATES	120	551	100.0	\$519,696	100.0

(1) Systems in which one or more banks failed.  
Details by States appear in the Appendix, Tables XIV and XV.

The Eastern part of the United States, the first five geographic divisions named in Table 29, supplied three-quarters of the loans and investments involved in chain and group bank suspensions. Although the number of suspensions in the Western Grain States and in the Southeastern States was about the same, the loans and investments involved were about half as great as in the former as in the latter. The loans and investments of the 15 group and chain banks which failed in the Middle Atlantic States practically equalled those of the 167 suspended banks in the Southeastern States. While the agricultural regions suffered the greatest number of suspensions, the banks were relatively much smaller than those which suspended in such industrial sections as the New England, Middle Atlantic, and North Central States. Because of the Banco Kentucky failure, the average size of suspended banks was much larger in the Southern Mountain States than anywhere else.

Among individual States, Georgia, Arkansas, North Dakota, and Florida, each had over 50 suspensions. The collapse of the Caldwell and Witham systems accounted for most of the failures in the three Southern States. Suspensions in each of the States, Illinois, Pennsylvania, Florida, Massachusetts, and Kentucky, involved over \$50,000,000 of loans and investments. On the other hand, the 71 suspensions among group and chain banks in North Dakota involved less than \$11,000,000 in loans and investments. Details by States and by years are to be found in the Appendix, Tables XIV and XV.

Suspensions 1930-1931. - Table 30 shows that of the 551 group and chain suspensions occurring in eleven years, 237, or 43 per cent, occurred in the last two years. This is slightly higher than the percentage among total bank suspensions. Virtually no suspensions among group and chain banks occurred in the industrial States of New England, Middle Atlantic, and North Central in the first nine years. In the years 1930 and 1931 this area accounted for 30.3 per cent of all group and chain suspensions and for 60.8 per cent of the loans and investments involved. The average size of the suspending group and chain banks in these areas was much larger than the average size of banks elsewhere.

Table 30 -- Suspensions of Group and Chain Banks during 1921-1929  
and during 1930-1931, by Geographic Division

Geographic division	1921-1929				1930-1931			
	Number	Per cent of total	Loans and investments (000 omitted)	Per cent of total	Number	Per cent of total	Loans and investments (000 omitted)	Per cent of total
New England	-	-	-	-	10	4.2	\$ 61,934	16.1
Middle Atlantic	-	-	-	-	15	6.3	89,004	23.1
North Central	1	.3	\$ 707	.5	47	19.8	82,919	21.6
Southern Mountain	-	-	-	-	5	2.1	85,293	22.2
Southeastern	146	46.5	77,434	57.3	21	8.9	11,925	3.1
Southwestern	32	10.2	11,596	8.6	71	30.0	32,957	8.6
Western Grain	109	34.7	28,426	21.0	59	24.9	17,378	4.5
Rocky Mountain	24	7.7	16,305	12.1	4	1.7	1,229	.3
Pacific Coast	2	.6	746	.5	5	2.1	1,843	.5
<b>UNITED STATES</b>	<b>314</b>	<b>100.0</b>	<b>\$135,214</b>	<b>100.0</b>	<b>237</b>	<b>100.0</b>	<b>\$384,482</b>	<b>100.0</b>

Suspensions by Size Groups. - The increase in size of suspended banks in the last two years is brought out in Table 31. During 1921-1929, 80.2 per cent of the suspensions were among banks with loans and investments under \$500,000, while in the years 1930 and 1931 the proportion in this size class was 61.2 per cent. The distribution of loans and investments among the size classes during the two periods is even more striking. In the early period banks larger than \$5,000,000 accounted for 13.8 per cent of the loans and investments of group and chain suspensions, compared with 63.4 per cent in the years 1930-1931. This change in the size of suspended group and chain banks is similar to that shown for all suspended banks.

Table 31 - Suspensions of Group and Chain Banks during 1921-1929 and during 1930-1931, by Size of Loans and Investments

Size group loans and investments	1921-1929				1930-1931			
	Number	Per cent of total	Loans and investments (000 omitted)	Per cent of total	Number	Per cent of total	Loans and investments (000 omitted)	Per cent of total
Under \$150,000	128	40.8	\$ 11,948	8.8	70	29.5	\$ 5,787	1.5
150,000 - 250,000	68	21.6	12,663	9.4	40	16.9	7,852	2.1
250,000 - 500,000	56	17.8	20,250	15.0	35	14.8	12,272	3.2
500,000 - 750,000	19	6.1	11,721	8.7	19	8.0	11,279	2.9
750,000 - 1,000,000	14	4.5	11,913	8.8	16	6.7	13,740	3.6
1,000,000 - 2,000,000	19	6.1	26,152	19.3	23	9.7	32,735	8.5
2,000,000 - 5,000,000	8	2.5	21,840	16.2	18	7.6	56,849	14.8
5,000,000 - 10,000,000	1	.3	5,005	3.7	8	3.4	59,707	15.5
10,000,000 - 50,000,000	1	.3	13,722	10.1	8	3.4	184,261	47.9
50,000,000 and over	-	-	-	-	-	-	-	-
<b>Total</b>	<b>314</b>	<b>100.0</b>	<b>\$135,214</b>	<b>100.0</b>	<b>237</b>	<b>100.0</b>	<b>\$384,482</b>	<b>100.0</b>

Taking the eleven years as a whole, Table 32 brings out the fact that banks of less than \$500,000 accounted for 72.1 per cent of the number of group and chain bank suspensions but for only 13.6 per cent of the loans and investments involved. On the other hand, banks of \$5,000,000 or more account for only 3.2 per cent of the number of suspensions but for 50.6 per cent of the loans and investments involved in group and chain bank suspensions.

Table 32 - Suspensions of Group and Chain Banks during 1921-1931  
by size of Loans and Investments<sup>(1)</sup>

Size group loans and investments	Suspended banks			
	Number	Per cent of total	Loans and invest- ments (000 omitted)	Per cent of total
Under \$150,000	198	36.0	\$ 17,735	3.4
150,000 - 250,000	108	19.6	20,515	3.9
250,000 - 500,000	91	16.5	32,522	6.3
500,000 - 750,000	38	6.9	23,000	4.4
750,000 - 1,000,000	30	5.5	25,653	4.9
1,000,000 - 2,000,000	42	7.6	58,887	11.3
2,000,000 - 5,000,000	26	4.7	78,689	15.2
5,000,000 - 10,000,000	9	1.6	64,712	12.5
10,000,000 - 50,000,000	9	1.6	197,983	38.1
50,000,000 and over	-	-	-	-
<b>Total</b>	<b>551</b>	<b>100.0</b>	<b>\$519,696</b>	<b>100.0</b>

(1) Details by States appear in the Appendix, Tables XVI and XVII.

Disposition of Suspended Banks. - During the ten-year period, 1921-1930, 426 group and chain banks suspended. Of these, 114, or more than one-fourth, were either reopened or taken over, as shown in Table 33. Among all suspensions the comparable proportion was one-fifth. In the Southeastern States, where 161 banks were involved, 59 were reopened or taken over.

Table 33 - Disposition of Group and Chain Bank Suspensions during 1921-1930 by Geographic Division<sup>(1)</sup>

Geographic division	Re-opened	Taken over	Process of liquidation	Completely liquidated	Disposition unknown	Total
New England	-	-	1	-	-	1
Middle Atlantic	-	-	2	-	-	2
North Central	1	-	3	-	-	4
Southern Mountain	1	-	4	-	-	5
Southeastern	54	5	76	26	-	161
Southwestern	22	5	59	6	-	92
Western Grain	20	1	95	17	-	133
Rocky Mountain	4	-	10	9	2	25
Pacific Coast	1	-	2	-	-	3
UNITED STATES	103	11	252	58	2	426

(1) Details by States appear in the Appendix, Table XVIII.

Among group and chain banks reopened or taken over during the period three-fourths occasioned no loss on general claims to depositors, as Table 34 shows. On the other hand, among those banks completely liquidated, in more than two-thirds of the cases depositors realized less than 60 per cent on their general claims, and indeed in a third of the cases less than 20 per cent. This record in general, however, is better than in the case of all national and State bank suspensions.

Table 34 - Distribution of Suspended Group and Chain Banks Reopened, Taken Over, or Completely Liquidated during 1921-1930, Classified According to Per Cent of General Claims Realized by Depositors

Per cent of general claims realized by depositors	Number of suspended banks			Per cent of total		
	Re-opened and taken over(1)	Completely liquidated (2)	Total	Re-opened and taken over	Completely liquidated	Total
0 - 19	1	19	20	.9	33.9	12.1
20 - 39	-	7	7	-	12.5	4.2
40 - 59	6	12	18	5.5	21.4	10.9
60 - 79	12	8	20	11.0	14.3	12.1
80 - 99	6	4	10	5.5	7.2	6.1
100	84	6	90	77.1	10.7	54.6
Total	109	56	165	100.0	100.0	100.0

(1) No data for 5 banks.

(2) No data for 2 banks.

Some Leading Cases of Group and Chain Failures Prior to 1932

An example of early chain suspensions was that of the Heinze-Morse banks, which occurred during the panic of 1907. Banking concentration in that period was often obtained, as it is today, through interlocking directorates, and this chain was held together by that means. The leading institution was the Mercantile National Bank of New York, the directors of which were also on the boards of several other banks, both in New York and elsewhere.

The most important director, F. A. Heinze, moreover, had a substantial interest in the State Savings Bank of Butte, Montana, and after having incurred heavy losses in copper deals, both the Mercantile National and the Montana bank closed on October 17, 1907. Another director, C. F. Morse,

controlled the Bath Trust Company and the Lincoln National Bank, both of Bath, Maine. Immediately after the Mercantile in New York had closed, the first of these Maine banks suspended, and the second required a thirty-day notice for withdrawals of deposits. In view of the fact that many independent banks were involved in difficulties at this time, the Heinze-Morse suspensions were no doubt related to general conditions as well as to chain banking irregularities. The lessons learned from the evil potentialities of interlocking bank directorates influenced some of the provisions of the Clayton Act a few years later. In this instance, as well as in some more recent ones, the directors were able to exercise control over the banks in the chain with very little investment of their own funds. A large block of stock in one bank was held by borrowing on it at another bank of the chain.

The Witham-Manley System

With the collapse of the Florida boom more than 117 banks of the approximately 200 belonging to the Witham chain suspended around the middle of 1926. The suspension of these banks involved \$48,560,000 in loans and investments and affected tremendously the business situation in Georgia and Florida. In Georgia the 82 Witham banks, which suspended, represented 14.7 per cent of the number and 4.5 per cent of the loans and investments of all commercial banks in the State, as reported on June 30, 1926. In Florida the 35 Witham banks which suspended represented 10.5 per cent of the number and 6.4 per cent of the loans and investments of all commercial banks.

The Witham system had its inception three decades before its collapse. In 1896 W. S. Witham of Atlanta began to organize new banks and purchase control in others. Mr. Witham's activities at first were confined to small agricultural communities in Georgia where there were no banking

facilities. As the chain developed, however, banks were established in towns where one or more banks were already in existence, and ultimately it was operating in the States of Georgia, Florida, New York, and New Jersey. The fundamental idea behind the organization of the Witham chain was that for a consideration Mr. Witham agreed to act as financial agent for the banks affiliated with him, assisting them in borrowing money during the lending season and in investing their surplus funds when loans were at their low point. In some of the affiliated banks Mr. Witham held no stock whatever, while in others he voluntarily purchased a majority interest. After a bank was once organized, Mr. Witham left the details of the management to the local stockholders and directors, but was actively interested in supervising and executing loan and investment policies in a broad way. On September 15, 1905, Mr. Witham organized the Bankers Financing Company, a Georgia

corporation, which took over the functions Mr. Witham himself had been exercising as an individual. On July 1, 1911, the Bankers Trust Company, a Georgia corporation, was organized to succeed the Bankers Financing Company as the controlling agency for the affiliated banks.

The Bankers Trust Company transferred funds between the banks and was responsible for them on call, having to repay them from other sources if the borrowing bank was not able to meet the demand. Call loans were made in New York and participating certificates in such loans were sold to member banks desiring to increase such commitments. The Bankers Trust Company also borrowed from the banks and promoted corporations, whose stocks it sold to the banks. It also acted as fiscal agent for the banks charging fees from \$500 to \$1,500 per bank per annum depending on the size of the bank. The member banks submitted semiweekly statements to the Bankers Trust Company and were examined semiannually by its auditors.

By 1911 the number of banks in the chain had increased to approximately 108, and connections with several banks in Florida had been made. Because of the objection of some of the Florida affiliates to doing business with a foreign corporation, a Florida corporation was organized--the Bankers Financing Company--with offices in Jacksonville. The affiliated banks in Florida were served by the Bankers Trust Company through this Florida company. Affiliation between banks in Georgia and Florida was particularly advantageous in the seasonal movement of funds. Deposits in Georgia banks reached their peak in the fall of the year at a time when customers of Florida banks needed financing for winter crops. When Florida loans were repaid in the spring, requirements for accommodation with respect to the summer crops of cotton, tobacco, and the like were high in Georgia.

An associate of Mr. Witham, Mr. W. D. Manley, came to be more and more influential in the chain after 1910, and about 1916 Mr. Witham sold his interest in the company, Mr. Manley becoming the dominating force in the management of the Bankers Trust Company. In 1923 Mr. Manley organized the Georgia State Bank of Atlanta, which began to establish a state-wide branch bank system as an affiliate of the Bankers Trust. Several of the affiliated banks of the chain had acquired so much bad paper that their capital had been entirely wiped out, and rather than liquidate the banks entirely it was decided to convert them into branches of a newly organized bank owned and controlled by the Bankers Trust Company. The original stockholders of the banks in difficulty suffered a 100 per cent loss on their capital stock investment. Some branches in this corporation were established de novo; others represented absorptions of active banks or the purchase of assets of failed banks.

The Witham chain collapsed concurrently with the Florida boom when Georgia banks could not meet the demands of Florida banks for the return of funds. The failures were directly associated with the decline in farm land values after 1921. While land prices were rising, the Georgia banks made real estate loans at excessive valuations, and when the decline set in these banks were left with a large proportion of frozen assets. During 1924 and 1925 deposits in Florida banks more than doubled as the speculative boom in real estate values reached its peak, and the Florida banks in the chain made available to the Bankers Trust Company a large part of their increased funds. A part of these at least was absorbed by Georgia banks in further advances to their farmer customers.

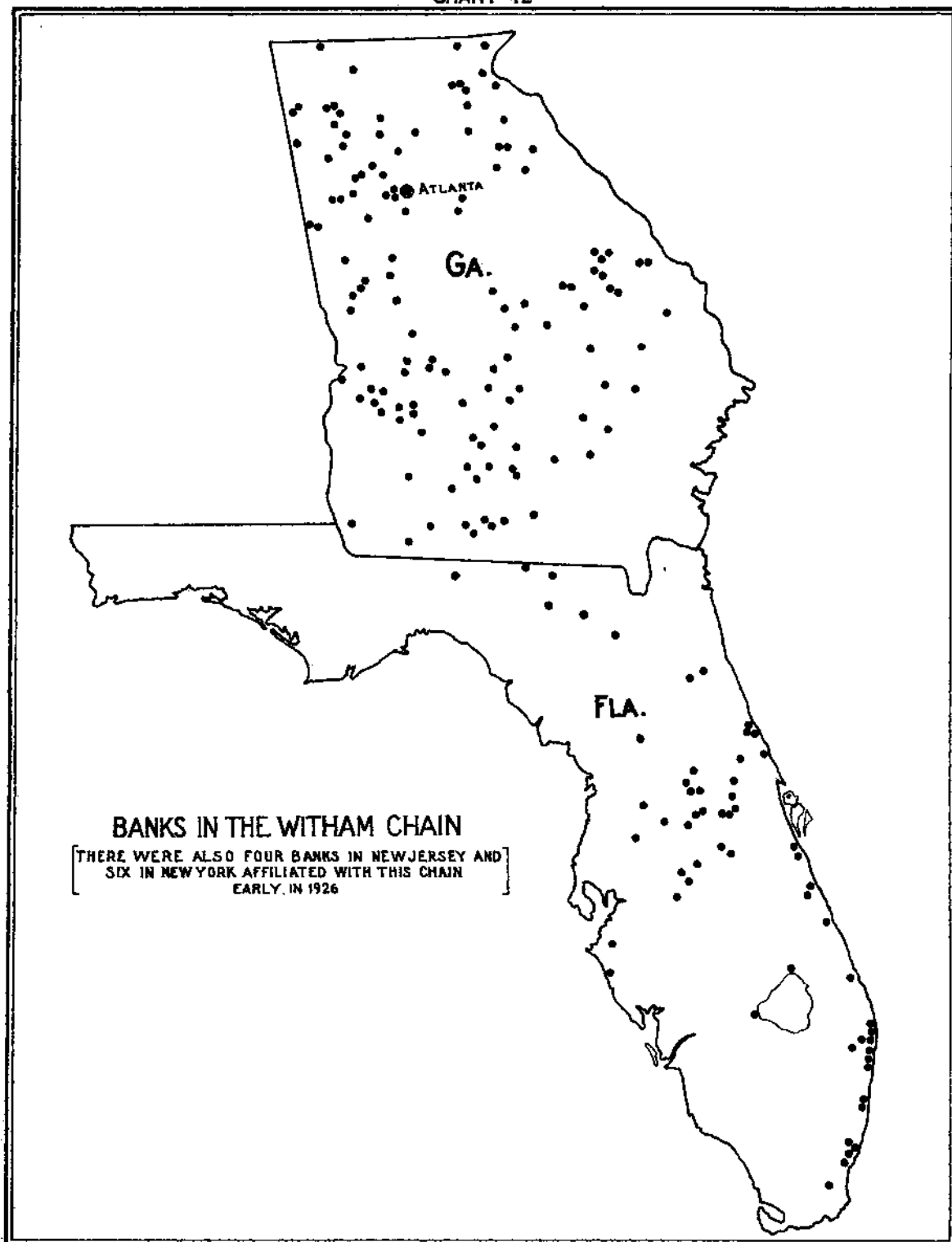
The Bankers Trust Company utilized a part of the increased supply of funds in promotional activities. The capital stock of the company was not fully paid in, and with money borrowed from its member banks it organized and operated subsidiary corporations in a wide variety of lines. Money was borrowed for the purpose also of making further investments in bank stocks and in thus acquiring new affiliates of the chain.

On petition of the Bank of Umatilla, Florida, receivers were appointed for the Bankers Trust Company on July 14, 1926. Immediately, runs began on affiliated banks, and more than 100 of them soon closed. A few of these were able to reopen through the assistance of outside correspondents, but by far the majority of those that suspended remained in the hands of the supervisory authorities.

It is stated that the managing officials of the Witham chain lent funds of the banks in the chain to ventures in which the officials were interested. Their influence on the managements of the affiliated banks was not in the direction of conservative loan procedure. In these circumstances the chain was not able to withstand the untoward economic factors, including the collapse of speculation in farm lands and in Florida real estate, and the stagnation that followed upon these.

Chart 12 shows the location of the banks in the Witham chain just prior to failure.

CHART 12



BancoKentucky-Caldwell-A.B. Banks

The largest of the group and chain suspensions of more recent years concerned three systems, so interwoven that any account of their operations must deal with them together. Statistically it has been possible to separate them into two parts--the Caldwell-Banks system with 44 suspensions involving \$52,314,000 of loans and investments, and the Banco-Kentucky Corporation system with 3, involving \$59,180,000 of loans and investments. The controlling agencies were Caldwell and Company, BancoKentucky Corporation, A. B. Banks and Company, and their affiliates, personal and corporate, operating in Kentucky, Tennessee, and Arkansas. Although the number of banks involved in this group of failures was less than in the Witham system, the loans and investments were much larger.

Caldwell and Company controlled 13 banks, mostly in Tennessee, and was affiliated with others through interlocking directorates and community of interest. It was also interested in 9 insurance companies and 32 other corporations. Rogers Caldwell was said to have been sole owner of the company bearing his name, until he exchanged Caldwell and Company stock in May, 1930, with the BancoKentucky Corporation. This company then owned half of Caldwell and Company.

A. B. Banks had been a stockholder in many banks in Arkansas for some time, the number being about 50 in 1930. Most of their stock was actually held by the Home Fire Insurance Company, the Home Accident Insurance Company, the Home Life Insurance Company, A. B. Banks and Company, Lumber Underwriters, and other corporations controlled by Mr. Banks and his associates. Caldwell and Company, meanwhile, acquired a controlling interest in the three Home insurance companies, and

an independent interest in at least one of the more important Arkansas banks of the Banks chain. These were the links by which the three interests were associated.

Caldwell and Company, the first of the three interests to fail, was placed under the control of a committee of Nashville bankers on November 5, 1930, with a receiver appointed a few days later. Banks in Tennessee of the Caldwell chain were closed shortly thereafter, and other banks, not affiliated with this group, were suspended during the subsequent loss of public confidence. In Arkansas the American Exchange Trust Company, leading unit of the A. B. Banks chain, closed November 17, followed by nearly all the other members of the chain, and the Home insurance companies were taken over by other organizations. A receiver was appointed November 24 for the BancoKentucky Corporation. The National Bank of Kentucky, the leading bank of this group, had suspended on the 17th as had the Louisville Trust Company. Since many matters connected with these failures are still in litigation, it is too early to describe in detail the circumstances that led to the failures.<sup>(1)</sup>

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(1) Many of these circumstances are described in the following sources among others: Report of the Tennessee Legislative Investigating Committee, appointed January, 1931; Plaintiff's Bill, Paul C. Keyes, Receiver of the National Bank of Kentucky of Louisville, Plaintiff, v. John S. Akers et al., Defendants, Louisville Courier-Journal, March 31, 1931; Testimony before the Joint Investigating Committee on Banks and Insurance, Arkansas Legislature, Hearings beginning January 26, 1931.

Minor Chain Suspensions

In addition to the major suspensions just described, the Committee attempted to collect information with respect to the circumstances surrounding some of the lesser chain failures. Some of the information collected was of a confidential nature and not a matter of public record. Certain important facts regarding these lesser chains have been classified in Table 35. The tabulation brings out the extent to which certain characteristics have been common to a number of the failures, including heavy borrowings, and excessive local loans, especially to interests which dominated the chain.

Table 35 - Characteristics of Ten Minor Chain Systems Which Failed

Location of chain	Year of failure	Number of banks suspending	Deposits at time of suspension	Borrowings per \$100 of capital funds	Investments per \$100 of loans and investments	Loans to dominant interests per \$100 of loans and investments
<u>Southeastern</u> 1	1927	11	\$3,727,000	\$40	\$19	Heavy (no exact data)
<u>Southwestern</u> 2	1929	12	2,678,000	30	45	\$16
3	1928 and 1931	6	3,163,000	70, one bank only	4	Excessive (no exact data)
<u>Western Grain</u> 4	1924	4	1,117,000	90	19	Heavy (no exact data)
5	1926	7	3,827,000	90, varies from 0 up to \$300	1	Heavy (no exact data)
6	1926	6	1,443,000	140	9	\$25
7	1926	3	539,000	115	6	\$40
8	1927	7	921,000	45	20	\$38
9	1930	7	1,745,000	120, 6 banks average \$50, the 7th is \$260	6	Heavy (no exact data)
<u>Rocky Mountain</u> 10	1925	4	4,689,000	15	13	\$17

The following paragraphs represent a summation by responsible banking authorities of the causes of failure of several of these chains.

Chain A - "\_\_\_\_\_ completely dominated the policies and was given a free hand in the management of the parent institution as well as the other banks in the chain. In the opinion of the writer, the agricultural depression was only a contributing cause. The prime cause of the failure of the chain of banks was due to mis-management by Mr. \_\_\_\_\_ and his associates. This is indicated by the large accommodations of credit extended to himself and his interests.

"As far back as 1922, Directors and their concerns appeared to be over-extended financially. Paper was freely exchanged between the banks in the chain in large amounts, and practically all of such loans were of a capital and fixed nature. All the banks in the chain have been over-extended for a period of years, were frequently penalized for deficient reserve, and earnings were exceedingly small. Mr. \_\_\_\_\_ and his associates were speculating not only in local land but in land in Southern states.

"I am of the opinion that if the banks had been under conservative management, and independently operated and controlled, they would not have closed."

Chain B - "The failure of this chain may be attributed to the over-extended financial position of \_\_\_\_\_, which resulted in his use of his several banks to an unwarranted extent, and to losses and a frozen condition in the several banks which resulted from a too free extension of credit during and immediately after the war, when high prices prevailed for farm lands and all farm and live stock products, and the subsequent collapse of these prices."

Chain C - "The failure of this chain was chargeable to a combination of circumstances. Mr. \_\_\_\_\_'s optimistic belief in values of farm and coal properties led him to borrow heavily to add to and operate his holdings. This placed him in poor position to meet a situation presented by a depressed condition of the coal industry in southeastern \_\_\_\_\_, due to a falling-off in the demand for the quality of coal found in that section, increased freight rates, and labor troubles. This situation, together with lack of demand for farm and pasture lands, made it difficult or impossible for Mr. \_\_\_\_\_ to raise money by the sale of any of his properties, and resulted in his borrowing, in one way or another, from his various banks, to such an extent that the banks were placed in a weakened and frozen condition. The immediate cause of suspension of the banks of the chain was the discovery of irregularities in Mr. \_\_\_\_\_'s dealings with the banks, and his inability to raise money with which to restore the banks to solvency."

Chain D - "A summing up of the history of this chain of banks indicates that during the last several years of its existence it was operated almost wholly for the benefit of \_\_\_\_\_ and \_\_\_\_\_. It lacked proper supervision. Apparently the State Banking Department was not equipped to make simultaneous examinations, or otherwise properly supervise the system. The credit policies of \_\_\_\_\_ and \_\_\_\_\_ were unsound. Their personal business ventures proved unprofitable and they continued to place increased amounts of their paper in their different banks. Conditions continued to grow worse until suspension was inevitable."

Chain E - "In the inflation period during and following the war, a too-liberal loan policy was followed and the banks became over-extended. Practically unlimited demand for loans at high interest rates tempted the management, through the banks and the \_\_\_\_\_, to take on a large volume of cattle paper. Much of this paper was rediscounted with the \_\_\_\_\_ of \_\_\_\_\_ and the \_\_\_\_\_ of \_\_\_\_\_, and a considerable amount was sold without recourse to banks within and without the chain. The western \_\_\_\_\_ and eastern \_\_\_\_\_ banks were in a section of the country where there is little accumulated wealth, and much of the business is done on borrowed money. In such communities times of falling prices are times of financial difficulties, and in the deflation period, commencing in 1921 and continuing for several years, the \_\_\_\_\_ valley region suffered severely. The cattle industry was particularly hard hit, and the banks in the \_\_\_\_\_ chain were unable to withstand the shrinkage of deposits which came with falling prices, and the pressure exerted by the necessity of taking care of the large volume of placed paper."

Chain F - "The immediate cause of suspension of the banks in this chain was the death, generally believed to be suicide, of Mr. \_\_\_\_\_, immediately following unsuccessful attempts to borrow money to provide working capital for his banks. The frozen condition of the banks, and the resulting exhaustion of liquid funds on which to continue banking operations, was due principally to long continued depression in the communities served by the banks because of cessation of oil production and oil operations, coupled with poor crops and the adjustment in values of farm lands and live stock and agricultural products from the high prices which prevailed during and immediately following the war."

Chain G - "The period immediately following Mr. \_\_\_\_\_'s entry into the banking business was a period of falling prices, particularly as affecting farm land, farm products, and live stock. The \_\_\_\_\_ banks waged active campaigns to enlarge their businesses and in so doing extended credits on a very liberal basis. This unwise loaning policy, in the face of continued reductions in farm and live stock values, brought large losses to the country banks of the chain, and to the three larger \_\_\_\_\_ banks, both on loans made direct by them and on loans taken by them from country bank correspondents, and resulted in the absorption of working capital in an accumulation of an abnormally large volume of loans in the several banks which could not be properly classified as liquid banking assets.

"An important immediate cause of the failure of the \_\_\_\_\_, which was followed by the failure of the other \_\_\_\_\_ banks, was live stock paper made through the \_\_\_\_\_, a \_\_\_\_\_ company, and sold to banks and investors. As this paper matured, much of it could not be paid by the borrowers, and conditions had so changed that the cattle loan company could not keep the usual volume of paper sold out. The loan company and the bank were thus forced into an over-extended condition which they could not withstand."

Chain H - "The immediate cause of the suspension of this chain of banks was a demand by the \_\_\_\_\_ State banking department that the several State banks in the chain withdraw their deposits from the \_\_\_\_\_ of \_\_\_\_\_ and place them with some other reserve agent. There were many contributing causes of the suspension, including the gradual withdrawal of deposits from the State banks, due to general lack of confidence in, and later, the collapse of the \_\_\_\_\_, and frozen and

worthless assets in all of the banks, due to failure to recognize and remove losses as they occurred over the past several years and failure to avoid losses and frozen conditions in loans by making adjustments of loaning policies as conditions changed in the respective communities. The business of all of the banks was predominantly agricultural, and the depression in the agricultural industry since 1921 placed many difficulties in the way of successful operation of small country banks, but with these difficulties must be included the incompetency of the management. Since the failure, investigations have disclosed many irregularities on the part of \_\_\_\_\_ and also on the part of his son, \_\_\_\_\_. \_\_\_\_\_ confessed guilt on a number of criminal charges brought in the State court, and is now serving a long sentence in the \_\_\_\_\_ penitentiary."

- Chain I - "1. Liberal loaning policy of controlling interest.
2. Extending credit on valuations from \$200 to \$275 per acre.
  3. \_\_\_\_\_ involved in land speculation.
  4. Exchanging of paper between the parent bank and members of the so-called chain in order to avoid showing excess loans.
  5. Practically no free secondary reserve.
  6. Inadequate credit data.
  7. Lack of earning power caused by a large volume of other real estate and second mortgage loans on which no interest was received.
  8. Concentration of credit to individuals far in excess of their financial responsibility.
  9. Exorbitant rate of interest paid on deposits.
  10. Values knowingly inflated.
  11. Large extensions of credit to tenants on land owned or controlled by the \_\_\_\_\_.
  12. Agricultural depression was only one of the contributing causes."

## CHAPTER IX

### FEDERAL REGULATION

The status of Federal regulation of group and chain banking may be reviewed in three phases: (1) Federal laws which have a bearing on the movement, (2) attitude of the Comptroller of the Currency and the Federal Reserve Board towards groups and chains, and (3) proposals for new regulation of the group and chain banking movement.

#### Existing Federal Law

National Banks As Holding Companies. - There is no Federal statute under which an organization may be incorporated to act as a holding company for bank stocks. The Federal statutes, on the other hand, contain nothing which has prevented a holding company incorporated under State law from gaining control of a national bank. A part of the Federal anti-trust legislation, the Clayton Act, however, has a bearing on community of interest between banking institutions building upon common directorships.

When Congress made provision for national banks by the Act of 1863, the apparent intention was to limit their activities to the business of discount and deposit, with the note issuing privilege. The central power accorded the new institutions was phrased as follows:(1)

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(1) Act of June 3, 1864, c. 106 Sec. 8; 13 Stat. L. 101.

"To exercise by its board of directors, or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this title."

In the early days of the national banking system, it was established by court decision that national banks did not possess the power to purchase and hold stocks of other corporations generally, including bank stocks. It is not necessary to trace in detail the history of adjudication on this subject, but some typical expressions of the courts may be quoted. In the case of the National Bank vs. Case, the Supreme Court held: "No express

power to acquire the stock of another corporation is conferred upon a national bank."<sup>(1)</sup>

"It is settled that the United States statutes relative to national banks constitute the measure of the authority of such corporations, and that they can not rightfully exercise any powers except those expressly granted, or which are incidental to carrying on the business for which they are established. Logan County Bank v. Townsend, 139 U. S. 67, 73. No express power to acquire the stock of another corporation is conferred upon a national bank, but it has been held that, as incidental to the power to loan money on personal security, a bank may in the usual course of doing such business accept stock of another corporation as collateral, and by the enforcement of its rights as pledgee it may become the owner of the collateral and be subject to liability as other stockholders. National Bank v. Case, 99 U. S. 628. So, also, a national bank may be conceded to possess the incidental power to accept in good faith stock of another corporation as security for a previous indebtedness. It is clear, however, that a national bank does not possess the power to deal in stocks. The prohibition is implied from the failure to grant the power. First National Bank v. National Exchange Bank, 92 U. S. 122, 128."<sup>(2)</sup>

It is true that the general powers of national banks have been broadened from time to time since 1864. Specific statutes allow national banks to purchase stock, usually in very limited amounts, in certain special corporations, e. g., Federal reserve banks, certain corporations engaged in the financing of foreign trade, and safe deposit companies. Neither the statutes nor the courts, however, have extended to national banks the right to purchase and hold corporate stocks generally. Thus a national bank cannot under existing law act as a holding company for bank shares, either as its chief business, or as an auxiliary activity.

Clayton Act. - Although there is nothing in existing Federal law which prohibits holding company control of national banks, a portion of the anti-trust legislation strikes at extended community of interest between

(1) 99 U. S. 628 (1878).

(2) California Bank v. Kennedy, 167 U. S. 362, i. c. 366, quoted in Senate Document No. 92, 72nd Congress, 1st Session, May 9, 1932, p. 5.

one national bank and other banks based on interlocking directorates. The Pujo Commission had found during its investigations that interlocking directorates among city banks were common and believed such community of interest was not wholly desirable. The Clayton Act of 1914 was directed at these relationships. This act was liberalized by amendments in 1916, 1920, 1928, and 1929, so that its present prohibitions and exceptions are complex. In general, it does not limit the number of directorships or positions which a person may hold with any number of banks providing the size of none of the banks exceeds \$5,000,000 in resources and none of them is located in a town of more than 200,000. The directorships and positions which a person may hold in banks of the larger size or located in the larger places are limited. With the permission of the Federal Reserve Board, a person may hold positions with as many as three of these large organizations.

Even in the years immediately following 1914 when the provisions of the act were most rigid, it was not effective in reducing community of interest between banking organizations. Those who had to relinquish positions could easily be represented by their agents.

Attitude of Federal Supervisory Authorities

Both the Comptroller of the Currency and the Federal Reserve Board have believed that their powers were ineffective with respect to regulating the group and chain movement. The Federal supervisory authorities are without visitorial powers with respect to bank holding companies themselves or with respect to nonmember banks associated in a group with national banks or member State banks.

Federal Reserve Board. - During the spring of 1930 Roy A. Young, then Governor of the Federal Reserve Board, testified before the Committee on Banking and Currency of the House of Representatives. At that time, he offered for the record a previously prepared statement outlining the attitude of the Board toward group and chain banking, as follows: <sup>(1)</sup>

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(1) United States Congress, 71st, 2nd Session, Hearings before the Committee on Banking and Currency, House of Representatives, under H. R. 141, March 18, 1930, pp. 442-443.

"1. Conditions of membership. - Prior to the enactment of the McFadden Act, the board prescribed conditions of membership under which State banks could be admitted to the Federal reserve system, in order to effect some degree of control over chain banking. One of the conditions with which State banks entering the Federal reserve system were required to comply, reads as follows:

"(5) Such bank or trust company, except after applying for and receiving the permission of the Federal Reserve Board, shall not consolidate with or absorb or purchase the assets of any other bank or branch bank for the purpose of operating such bank or branch banks as a branch of the applying bank; nor directly or indirectly, through affiliated corporations or otherwise, acquire an interest in another bank in excess of 20 per cent of the capital stock of such other bank; nor directly or indirectly promote the establishment of any new bank for the purpose of acquiring such an interest in it; nor make any arrangement to acquire such an interest."

"This condition of membership was incorporated in the board's regulations of 1924 and was prescribed for every State bank admitted to membership between April 7, 1924, and January 3, 1928. As a result of an amendment to section 9 contained in the McFadden Act (February 25, 1927), there is some doubt whether the board now has authority to prescribe this broad condition and, therefore, it has been unable to exercise the same degree of control over chain banking. It has, however, prescribed the following condition of membership for every State bank or trust company admitted to membership since January 3, 1928.

"(3) Except after applying for and receiving the permission of the Federal Reserve Board, such bank or trust company shall not acquire an interest in any other bank or trust company, through the purchase of stock in such other bank or trust company."

"2. Recommendations for legislation. - As early as January 8, 1926, the board addressed a letter to Congressman McFadden recommending that there be incorporated in the pending McFadden bill certain provisions designed to secure adequate information regarding national and State member banks which are closely related in management, operation or interests to other banking institutions and, in particular, to afford some check upon the abuses frequently occurring from chain banking. These suggestions were not adopted by Congress.

"3. Correspondence with Hon. Louis T. McFadden re administrative control. - Under date of May 2, 1927, Congressman McFadden addressed a letter to the Comptroller of the Currency, suggesting that he adopt administrative measures calculated to

control or prevent the growth of chain banking among national banks and sent a copy of his letter to the Federal Reserve Board with the suggestion that the board should adopt similar administrative measures with reference to State member banks of the Federal reserve system. The board, under date of May 18, 1928 replied that it was powerless under the law to take any such action. The board called attention to the fact that it had suggested legislation along this line, but that Congress had not adopted its suggestions, and also called attention to the fact that Congress in the McFadden Act had amended the law so as apparently to take away the board's power to control this practice through conditions of membership. The board's letter concluded with the statement that the remedy lies with Congress."

In 1932 the Board in making recommendations in connection with the Glass bill made some specific suggestions with respect to the regulation of groups. These will be brought out in later paragraphs in which certain provisions of the Glass bill are dealt with in detail.

Comptroller of the Currency. - The earlier annual reports of the Comptroller of the Currency have taken little note of group banking, but in the 1930 report he points out what he regards as some disadvantages of group banking as compared with branch banking; but agrees that:<sup>(1)</sup>

". . . group banking in the main is in capable hands, and includes some of the best-managed banks in the country. However, the field of group banking is now open to every type of operator or promoter who may be able to purchase bank stocks. This constitutes a source of potential danger. In order to facilitate the supervision of group banking, in those cases where the Federal Government has any responsibility, it is my view that no national bank should be permitted to become a constituent of such a group, except upon the condition that all other banks in the group are also national banks. The Comptroller of the Currency under these conditions could more effectively examine and supervise the entire group operation. It is therefore my view that group banking should be brought under the visitorial powers of the Federal Government in those cases where membership in the group is composed in whole or in part of national or State member banks of the Federal Reserve System. Legislation along these lines seems to be necessary in the public interest."

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(1) Annual Report of the Comptroller of the Currency, 1930, p. 3.

Action Proposed by Members of Congress

After the large scale formation of bank holding companies culminating in 1929, members of Congress began to evince an active interest in the movement and its regulation. Although numerous bills were introduced, no Federal legislation had been enacted by the end of 1932. In the early part of January, 1930, four bills were introduced into the House of Representatives dealing with group banking. Two of the House bills looked toward control of groups; both Congressmen McFadden<sup>(1)</sup> and Beedy<sup>(2)</sup> proposed that visitorial powers be granted the Comptroller of the Currency with respect to the holding corporations where members of the Federal reserve system were involved. Congressmen Strong<sup>(3)</sup> and Goldsborough<sup>(4)</sup> proposed to dissolve the movement by one legislative device or another.

On February 10, 1930, the Committee on Banking and Currency of the House of Representatives was empowered "to make a study and investigate group, chain, and branch banking during the present session of Congress."<sup>(5)</sup> In April, Congressman McFadden introduced a second bill which would have required holding companies to procure permission from Federal supervisory authorities before acquiring control of members of the Federal reserve system.<sup>(6)</sup> For several months the committee held hearings, which aided in clarifying the major issues involved. In the subsequent Congress, Congressman Goldsborough reintroduced his bill.<sup>(7)</sup>

(1) United States Congress, 71st, 2nd Session, H. R. 7966.

(2) Ibid., H. R. 8005.

(3) Ibid., H. R. 8367.

(4) Ibid., H. R. 8363.

(5) Ibid., H. Res. 141.

(6) Ibid., H. R. 12034.

(7) United States Congress, 72nd, 1st Session, H. R. 6400.

Beedy Bill. - The Beedy bill provided "That every corporation which may own or control the majority of the stock of more than one national and/or State member banks of the Federal reserve system shall be subject to the visitorial powers of the Comptroller of the Currency."

McFadden Bills. - The first bill provided that the Comptroller of the Currency should examine at least twice a year all of the affiliated corporations of a member bank, as well as the member banks themselves. Affiliated corporation is defined in the bill. In addition to transferring other visitorial authority to the Comptroller, the bill would give him the new responsibility of examining State member banks at least twice a year.

The second McFadden bill would have made it:(1)

" . . . unlawful for any corporation, copartnership, individual, or trustee to purchase or otherwise to acquire more than 10 per centum of the shares of the capital stock of more than one member bank of the Federal reserve system, whether state or national bank member, except after first obtaining the approval of the Comptroller of the Currency with respect to national banks and the Federal Reserve Board with respect to State member banks."

Penalty for violation of the act would have been made a misdemeanor punishable by a fine up to \$10,000.

Goldsborough Bill. - This bill was intended to prohibit with penal provisions the voting of national bank stock or State member bank stock owned by a corporation. It would also have required the payment of a tax of two cents per \$1 on the face amount of each check drawn on any bank when more than 25 per cent of its stock is owned by any corporation. This bill also proposed by a similar tax to prevent the further extension of branch banking.

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(1) United States Congress, 71st, 2nd Session, H. R. 12034.

Strong Bill. - The Strong bill was designed to "prohibit group or chain banking," although its provisions seem not to reach chains. It would have prohibited "any bank or trust company, whether or not a member of the Federal reserve system . . . . which is one of a group of banks as defined" in the bill, "from (1) using the mails; (2) shipping or delivering, or causing to be shipped or delivered in interstate or foreign commerce, any article or commodity of whatever nature; or (3) transmitting, or causing to be transmitted, any intelligence by wire or wireless in interstate or foreign commerce." Moreover, a national bank belonging to a group would forfeit its franchise; a State member belonging to a group, its membership in the Reserve System; and nonmember banks belonging to groups would be denied all rights and privileges under the Federal Reserve Act.

#### Glass Bill

In the Senate, proposals for Federal regulation of groups, though apparently not chains, have centered in the "Glass Bill." Senator Carter Glass of Virginia introduced into the 71st Congress a preliminary bill: "To provide for the safer operation and more effective use of the assets of national banking associations to regulate interbank control, to prevent the undue diversion of funds into speculative operations, and for other purposes."<sup>(1)</sup>

Subsequently, under the chairmanship of Senator Glass, a subcommittee of the Committee on Banking and Currency began, on January 19, 1931, hearings under a broad resolution permitting a general survey of the national and Federal reserve banking systems. Among the various other subjects,

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(1) United States Congress, 71st, 2nd Session, S. 4723.

the resolution called for an examination into "the desirability of chain banking; the development of branch banking as a part of the national system, together with any related problems which the committee may think it important to investigate."<sup>(1)</sup>

Extensive hearings were held and as a result of this investigation, Senator Glass introduced a new bill on January 21, 1932.<sup>(2)</sup> The bill contained provisions dealing with problems of the banking structure, including the extension of branch banking and the regulation of group banking. Under the terms of the bill (S. 4412, April 18, 1932) regulation of groups would be sought largely by bringing under the visitorial activities of Federal authorities all elements or affiliates of a group organization.

Section 17 of S. 4412 (April 18, 1932). - The most important provisions of the bill which were aimed at bringing the bank holding company under Federal regulation are contained in Section 17. It provided that:

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(1) United States Congress, 71st, 1st Session, S. Res. 71.

(2) Ibid., 72nd, 1st Session, S. 3215.

". . . shares controlled by any holding company affiliate<sup>(1)</sup> of a national bank shall not be voted unless such holding company affiliate shall have first obtained a voting permit . . ."

In order for a holding company affiliate to get a voting permit to cast one vote for each share of national bank stock controlled by it, application would have to be made to the Federal Reserve Board. The Board, in passing on the application, would be required by the statute to cause the holding company to enter certain covenants. It would be required to agree to the examination of itself and all State banks controlled by it, to agree to accumulate assets other than bank stock to serve as a reserve against double liability provisions of bank stock owned by it, and to agree to have no interest in organizations in the business of merchandising securities. These provisions would also be made applicable to holding company affiliates of State member banks by Section 5(b).

Some of the statutory stipulations of Section 17 (S. 4412, April 18, 1932) are:

Examinations and Reports. - "Every such holding company affiliate shall, in making the application for such permit, agree (1) to receive, on dates identical with those fixed for the examination of banks with which it is affiliated, examiners duly authorized to examine such banks, who shall make such examinations of such holding company affiliate as shall be necessary to disclose fully the relations between such banks and such holding company affiliate and the effect of such relations upon the affairs of such banks, such examinations to be at the expense of the holding company affiliate so examined; (2) that the reports of such examiners shall contain such in-

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(1) Sec. 2(c) of S. 4412 (April 18, 1932)

"The term 'holding company affiliate' shall include any corporation, business trust, association, or other similar organization--

"(1) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 per centum of the number of shares voted for the election of directors of such bank at the preceding election, or controls in any manner the election of a majority of the directors of such bank; or

"(2) For the benefit of whose shareholders or members all or substantially all the capital stock of a member bank is held by trustees."

formation as shall be necessary to disclose fully the relations between such affiliate and such banks and the effect of such relations upon the affairs of such banks; (3) that such examiners may examine each bank owned or controlled by the holding company affiliate, both individually and in conjunction with other banks owned or controlled by such holding company affiliate; and (4) that publication of individual or consolidated statements of condition of such banks may be required;"

Reserves Against Double Liability. - "After January 1, 1935, every such holding company affiliate (1) shall possess, and shall continue to possess during the life of such permit, free and clear of ~~the~~ lien, pledge, or hypothecation of any nature, readily marketable assets other than bank stock in an amount not less than 12 per centum of the aggregate par value of all bank stocks controlled by such holding company affiliate, which amount shall be increased by not less than 2 per centum per annum of such aggregate par value until such assets shall amount to 25 per centum of the aggregate par value of such bank stocks; and (2) shall reinvest in readily marketable assets other than bank stock all net earnings over and above 6 per centum per annum on the book value of its own shares outstanding until such assets shall amount to 25 per centum of the aggregate par value of all bank stocks controlled by it;

"Notwithstanding the foregoing provisions of this section, after January 1, 1935, (1) any such holding company affiliate the shareholders or members of which shall be individually and severally liable in proportion to the number of shares of such holding company affiliate held by them respectively, in addition to amounts invested therein, for all statutory liability imposed on such holding company affiliate by reason of its control of shares of stock of banks, shall be required only to establish and maintain out of net earnings over and above 6 per centum per annum on the book value of its own shares outstanding a reserve of readily marketable assets in an amount not less than 12 per centum of the aggregate par value of bank stocks controlled by it, and (2) the assets required by this section to be possessed by such holding company affiliate may be used by it for replacement of capital in banks affiliated with it and for losses incurred in such banks, but any deficiency in such assets resulting from such use shall be made up within such period as the Federal Reserve Board may by regulation prescribe;" . . . .

Divorcement from Securities Business. - "Every such holding company affiliate shall, in its application for such voting permit, (1) show that it does not own, control, or have any in-

terest in, and is not participating in the management or direction of, any corporation, business trust, association, or other similar organization formed for the purpose of, or engaged principally in, the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail or through syndicate participation, of stocks, bonds, debentures, notes, or other securities of any sort (hereinafter referred to as securities company); (2) agree that during the period that the permit remains in force it will not acquire any ownership, control, or interest in any such securities company or participate in the management or direction thereof; (3) agree that if, at the time of filing the application for such permit, it owns, controls, or has an interest in, or is participating in the management or direction of, any such securities company, it will, within three years after the filing of such application, divest itself of its ownership, control, and interest in such securities company and will cease participating in the management or direction thereof, and will not thereafter, during the period that the permit remains in force, acquire any further ownership, control, or interest in any such securities company or participate in the management or direction thereof; and (4) agree that thenceforth it will declare dividends only out of actual net earnings."

National banks belonging to holding companies, which do not comply with these provisions, would have their franchise withdrawn under terms of the bill, and State member banks would have to give up their membership in the Federal reserve system.

Section 3(b) of the bill would provide that in the election of directors of Federal reserve banks "Whenever any two or more member banks within the same Federal reserve district are affiliated with the same holding company affiliate, participation by such member banks in any such nomination or election shall be confined to one of such banks, which may be designated for the purpose by such holding company affiliate."

These are the provisions of the Glass bill (S. 4412, April 18, 1932) aimed directly at bank holding companies. There are several other sections of the bill which incidentally relate to certain types of groups. These are provisions which stipulate examinations and reports to Federal supervisory

authorities for all types of affiliates<sup>(1)</sup> of member banks, both national and State. Member banks are required within a period of a few years to sever all connections with security affiliates. Loans and other commitments by a member bank to all its affiliates must come within a limited total. The practice of joining member banks with other corporations through the device of making one stock certificate represent ownership in two or more corporations would have to be discontinued within a stipulated number of years. The joining of member bank with member bank is expected from this provision.

Federal Reserve Board and Glass Bill. - On March 29, 1932, the Federal Reserve Board, through Governor Eugene Meyer, presented to the Committee on Banking and Currency of the Senate its suggestions on the Glass bill. The general principles of the board's recommendations included bringing holding companies controlling member banks under Federal visitorial

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(1) Sec. 2(b) "Except where otherwise specifically provided, the term 'affiliate' shall include any corporation, business trust, association, or other similar organization--

"(1) Of which a member bank, directly or indirectly, owns or controls either a majority of the voting shares or more than 50 per centum of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions; or

"(2) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a member bank who own or control either a majority of the shares of such bank or more than 50 per centum of the number of shares voted for the election of directors of such bank at the preceding election, or by trustees for the benefit of the shareholders of any such bank; or

"(3) Of which either a majority of the members of its executive committee or a majority of its directors, trustees, or other persons exercising similar functions are directors of a member bank."

authority and providing for the building of reserves by holding companies because of double liability on bank stock owned. The implications of the Glass bill appear to make it mandatory upon the supervising authorities to examine and require reports from bank holding companies while the Board would have made it permissive with respect not only to holding company affiliates but other bank affiliates as well. In this connection the memorandum of the Board presented by the Governor said:

"Under the definition of 'affiliate' contained in Section 2 and under the provisions of Sections 6, 27, and 28 of the Bill,<sup>(1)</sup> if amended in accordance with the recommendations contained in this report, all holding companies which control member banks and all banks owned or controlled by such holding companies will be affiliates of such member banks and will be required to make reports and submit to examinations whenever deemed necessary or advisable by the Comptroller of the Currency, the Federal Reserve Board or examiners appointed by them; and, therefore, it is suggested that the provisions regarding examinations and condition reports of holding companies be omitted from this section and from the corresponding sections regarding holding companies which own or control State member banks."<sup>(2)</sup>

The Board's recommendation to the effect that holding companies controlling one or more member banks and one or more nonmember banks should convert all nonmembers to members upon authorization of the Federal Reserve Board, if they were eligible for such membership, was not included in the April draft of the Glass bill. The Board's recommendation as to the size of reserves against double liability assessments and the method of their accumulation differed in some details from the pending bill.

The Board also criticized provisions of earlier bills in connection with limiting the power of banks belonging to groups and chains in voting for Federal reserve bank directors. The Board's memorandum in this connection said:

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(1) Refers to the earlier draft of the Glass bill.

(2) The memorandum of the Board appears in full in the Federal Reserve Bulletin for April, 1932, pp. 206-222.

"It is recommended that this section be omitted. It prohibits banks that belong to a group or a chain from voting for Federal reserve bank directors. The wording of the section is such as not to confine the prohibition to group and chain banks, however, but to include all banks that are not controlled entirely by locally resident stockholders. Since the stock of many important banks is widely owned throughout the country, this might restrict the voting privilege to smaller and less important banks that are owned by local stockholders. It is to be feared that this section would bar from participation in the selection of Federal reserve directors many of the better managed banks."

The subsequent draft of the bill made some concession to this criticism although it still proposed to prevent a bank holding company from having too strong a voice in the election of Federal reserve bank directors, under the provisions of Section 3(b) of S. 4412 (April 18, 1932) quoted in an earlier paragraph.

Federal Reserve Members in Groups and Chains

It is proposed at this point to refer again to the statistics of group and chain banking in order to bring out the extent to which the proposals of Federal authorities would reach the whole group movement. Only such bank holding companies as have one or more banks which are members of the Federal reserve system would apparently be reached. Table <sup>36</sup>43 shows that of the 674 banks belonging to leading groups as of December 31, 1931, 362 were national banks and 41 were State member banks.

<sup>36</sup>Table 43 - Number and Loans and Investments of Banks in Groups and Chains by Class of Bank, December 31, 1931

Type of group or chain	Number				Loans and investments (in millions of dollars)			
	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks	All banks
Leading groups	362	41	271	674	\$4,416	\$1,070	\$ 815	\$6,301
Other groups	107	34	163	304	875	1,285	255	2,415
Chains	<u>336</u>	<u>23</u>	<u>549</u>	<u>908</u>	<u>528</u>	<u>43</u>	<u>356</u>	<u>927</u>
Total	805	98	983	1,886	\$5,818	\$2,398	\$1,426	\$9,643

Table <sup>37</sup>~~47~~ shows that every one of the leading groups includes one or more banks which are members of the Federal reserve system, either State or national. Therefore, every leading group as it was constituted as of December 31, 1931 would be brought under Section 17 of the Glass bill (S. 4412, April 18, 1932) unless the control by the holding company of member banks in certain cases was less than 50 per cent. One group, however, has only one bank that is a member of the Federal reserve system and two groups have only 2. Out of the 34 leading groups, 24 have five or more banks that are members of the Federal reserve system. All of these groups may be identified in the appendix, Tables I and III.

Table <sup>37</sup>~~44~~ - Groups and Chains by Number of Banks in Each Belonging to the Federal Reserve System, December 31, 1931

Number of national and State member banks in each system	Number of systems		
	Leading groups	Other groups	Chains
0	-	8	31
1	1	12	51
2	2	24	45
3	2	8	22
4	5	5	11
5	5	3	6
6	3	1	5
7	3	1	1
8	2	-	-
9	-	1	2
10	-	-	-
11	1	-	1
12	3	-	1
14	2	-	-
15	1	-	-
19	1	-	-
20	1	-	-
80	1	-	-
83	1	-	-
Total	34	63	176

Of the 304 banks belonging to miscellaneous groups on December 31, 1931, 107 were national banks and 34 were State banks belonging to the Federal Reserve System, as shown in Table <sup>36</sup>~~45~~. Of the 63 miscellaneous groups 8 included no national banks or State banks which were members of the Federal Reserve System. These 8 groups would not be subject to Federal regulation under the Glass bill (S. 4412, April 18, 1932).

Table <sup>36</sup>~~45~~ shows that of the 908 banks belonging to chains 336 were national banks and 23 were State banks which were members of the Federal

Reserve System. Of the 176 chains operating as of December 31, 1931, 145 included at least one national or State member bank. No satisfactory proposals have been worked out to regulate such chains, and yet the suspension chapter has shown that there have been many disastrous banking experiences associated directly with matters peculiarly characteristic of chain operation.

Tables <sup>38 39</sup> 45, <sup>40</sup> 46, and 47, respectively, classify groups and chains according to the number of national banks, of member State banks, and of nonmember banks in each.

<sup>38</sup> Table 45 - Groups and Chains by Number of National Banks in Each, December 31, 1931

Number of national banks in each system	Number of systems		
	Leading groups	Other groups	Chains
0	-	14	36
1	4	18	51
2	1	17	44
3	3	7	21
4	5	3	11
5	5	3	5
6	2	-	3
7	3	1	1
8	1	-	1
9	-	-	1
10	2	-	-
11	-	-	1
12	3	-	1
14	1	-	-
16	2	-	-
79	1	-	-
80	1	-	-
Total	34	63	176

Table <sup>39</sup>~~46~~ - Groups and Chains by Number of State Banks in Each Belonging to the Federal Reserve System December 31, 1931

Number of member State banks in each system	Number of systems		
	Leading groups	Other groups	Chains
0	17	40	159
1	9	17	14
2	1	5	1
3	2	-	1
4	3	-	1
5	1	-	-
7	<u>1</u>	<u>1</u>	<u>-</u>
Total	34	63	176

Table <sup>40</sup>~~47~~ - Group and Chain Systems by Number of Banks in Each not Belonging to the Federal Reserve System December 31, 1931

Number of nonmember State banks in each system	Number of systems		
	Leading groups	Other groups	Chains
0	1	8	13
1	1	16	28
2	4	14	43
3	6	9	46
4	3	7	16
5	1	1	12
6	4	2	5
7	4	3	5
8	2	1	2
9	1	2	2
10	1	-	1
11	-	-	-
12	1	-	-
13	1	-	-
21	1	-	-
24	1	-	-
26	1	-	-
42	-	-	1
44	<u>1</u>	<u>-</u>	<u>-</u>
Total	34	63	176

## CHAPTER X

### STATE REGULATION

Many States prohibit their banks and trust companies from owning stock, and therefore these institutions can not act directly as holding companies in addition to their main banking business. In many cases, however, they may have affiliates which can operate as holding companies of bank stocks, and in these cases the prohibition against direct ownership of stocks is ineffective. In other States the banks and trust companies may hold stock directly and, therefore, they are in position to act as holding companies themselves.

As a general rule, there appears to be little to prevent non-banking corporations from owning State bank stock. Only a few States have attempted to prohibit or to regulate the activity of holding companies in the field of bank stocks. In some States the general corporation law does not provide for the incorporation of ~~pure~~ holding companies, but, as a rule, the powers of most corporations are broad enough to permit the holding of bank stocks in quantity. Even where holding companies may not be organized under the laws of a particular State, foreign holding companies can usually operate there.

The counsel of the Federal Reserve Board with the assistance of the counsels of the various Federal reserve banks has prepared two digests of State laws relating to these questions: one deals with the State statutes regarding the purchase of corporate stocks by banks and trust companies, and the other with State statutes regarding the purchase or ownership of

bank stocks by holding corporations. This chapter is largely a summary of the important points brought out in these digests of the status of the State laws as of August 1, 1932. The digests themselves are incorporated in this report as appendices B and C. Table 41 presents in abbreviated form some of the principal features of the statutes in each State.

#### Banks As Holding Companies

Roughly two States out of five by statute prohibit their commercial banks from owning bank stocks, and another one-fifth of the States place limitations on their commercial banks with respect to their bank stock holdings. Most of these limiting stipulations are to the effect that the bank can not invest more than 10 to 20 per cent of its own invested capital in the capital stock of any other one corporation. In the remaining States unlimited stock ownership is a possibility. In a third of these there is a positive statutory stipulation allowing the purchase of stock. In more than half of the States trust companies are either prohibited or limited in their ownership of bank stock. In the remainder of the States where trust companies exist it may be possible for them to own bank stock without restriction. In the case of both commercial banks and trust companies, however, the power to hold bank stock may have been limited in some States by court decisions or departmental rulings.

Table 41 - State Statutes Bearing on Groups

(This table has been prepared as a rough index to the digests of State statutes made by counsel as they appear in the appendix)

State by geographic division	State statutes governing:			
	Holding companies for banks		Banks as holding companies	
	Right to own bank stock	Double liability of own shareholders	Right of State commercial bank to own stock	Right of trust company to own stock
<u>New England</u>				
Maine	-	-	-	Implied
New Hampshire	-	-	-	Limited
Vermont	Doubtful	-	-	Limited
Massachusetts	-	-	-	Limited
Rhode Island	-	-	-	Permitted
Connecticut	-	-	-	Limited
<u>Middle Atlantic</u>				
New York	-	-	Prohibited <sup>(1)</sup>	Limited
New Jersey	Limited	Banks have no D.L.	-	Permitted
Delaware	-	-	-	Limited
Pennsylvania	Implied	-	-	Permitted
Maryland	-	-	-	Permitted
Dist. of Col.	-	-	-	-
<u>North Central</u>				
Michigan	Implied	-	-	Prohibited
Wisconsin	Regulated and ltd.	Required	-	-
Illinois	Implied prohibition	-	-	-
Indiana	Conflict	Required	-	-
Ohio	-	-	-	Not bank stocks
<u>Southern Mountain</u>				
West Virginia	For investment only	-	-	-
Virginia	-	-	-	Permitted
Kentucky	Implied prohibition	-	Implied prohibition	Implied
Tennessee	Implied	-	-	Permitted
<u>Southeastern</u>				
North Carolina	-	-	-	Prohibited
South Carolina	-	-	Permitted	Limited
Georgia	-	-	Prohibited	Conditionally permitted
Florida	-	-	Prohibited	Conflict of laws
Alabama	No prohibition	-	Limited	Doubtful
Mississippi	-	-	-	Prohibited

Table <sup>#1</sup> 48 - State Statutes Bearing on Groups (Continued)

State by geographic division	State statutes governing:			
	Holding companies for banks		Banks as holding companies	
	Right to own bank stock	Double liability of own shareholders	Right of State commercial bank to own stock	Right of trust company to own stock
<u>Southwestern</u>				
Louisiana	Doubtful	-		Permitted
Texas	Doubtful	-	Amount of bank stock limited	
Arkansas	Implied	-	-	Permitted
Oklahoma	Implied	-		Not bank stocks
<u>Western Grain</u>				
Minnesota	-	No		Prohibited
North Dakota	-	-	Prohibited	-
South Dakota	-	-		Prohibited
Iowa	Implied prohibition	-		Prohibited
Nebraska	-	-	Prohibited	<del>Permitted</del> <i>Limited</i>
Missouri	-	-	Prohibited(1)	Limited
Kansas	Implied(1)	Surety may be exacted	Prohibited	Limited
<u>Rocky Mountain</u>				
Montana	-	-	Prohibited	Permitted
Idaho	No prohibition	Banks have no D.L.		Prohibited
Wyoming	-	-		Prohibited
Colorado	-	-	Prohibited	Permitted
New Mexico	Implied	-	Limited	Permitted
Arizona	No prohibition	-		Must be approved
Utah	Implied	-		Must be approved
Nevada	Implied	-		Prohibited
<u>Pacific Coast</u>				
Washington	Implied	-		Prohibited
Oregon	Permitted	-		Prohibited
California	No prohibition	-	Limited	Prohibited

Blanks indicate no part of the statutes bear on point.

(1) Court decisions.

Holding of Bank Stocks by Other Corporations

Only a few States have positive provisions in their statutes regarding the ownership of bank stock by corporations, and it is difficult to determine with certainty the attitude of the other States regarding this question, particularly their attitude towards holding companies of bank

stocks. In many cases the corporation law appears to provide for holding company operation in general, and nothing appears in the statutes to indicate directly that they might not own bank stocks freely. On the other hand, there is a legal doctrine extant in some jurisdictions to the effect that a holding company is really engaged in that business in which it owns and controls operating corporations. Therefore, a bank holding company might be said to be in the banking business. Many of the State banking codes provide that all banking corporations operating in that State, other than national banks, be organized under the banking laws. A bank holding company might be construed to be operating in violation of this principle. It has not been possible to review the court decisions in the forty-eight States bearing upon these points, and the following paragraphs with respect to existing law are based wholly on statutes.

Two States, West Virginia and New Jersey, have definite statutory provisions which appear to be intended to prevent control of banks by non-banking holding companies. A statute in Vermont, though apparently not directed at bank holding companies, may nevertheless curtail their activities (see Appendix). There is a ruling of the Attorney General of Missouri opposing the bank holding company. Wisconsin and Indiana have attempted to make shareholders in bank holding companies liable for assessments against the company because of bank stock owned. Officials in both Ohio and Michigan have said that in those jurisdictions shareholders in holding companies might be construed to be liable in this connection.

West Virginia. - This State probably has gone further than any other in a positive attempt to curtail bank holding company activity. A law of 1929 provides: (1)

*Section 9, Chapter 23, acts of 1929.*

"It shall be unlawful for any firm, association or corporation to purchase and hold stock in any banking institution organized or authorized to transact business hereunder for the purpose of selling, negotiating or trading participation in the ownership thereof either for the purpose of perfecting control of one or more such banking institutions or for the purpose of inducing other persons, firms or corporations or the general public to become participating owners therein. Nothing herein shall prevent the ownership of stocks in any such banking institution by any corporation for investment purposes."

It will be noted that no penal provision is included in this statute. It raises the question to what extent it would be effective against holding corporations organized in another State.

New Jersey. - The situation in New Jersey presents a curious anomaly. A statute of 1928 ". . . prohibits corporations that own more than ten per cent of the stock of any bank or trust company in the State from purchasing after the date the statute became effective more than ten per cent of the stock of any other bank or trust company doing business in the State. This statute does not require corporations to dispose of any bank stock that they may have owned before the law became effective. . ." On the other hand, neither banks nor trust companies in New Jersey are limited as to stock ownership and they are specifically exempted from the prohibition above outlined. In four other States, California, New York, Washington, and Wisconsin, bills have been proposed which sought to control the movement by machinery comparable to that in New Jersey.

Missouri. - A ruling of the Attorney General of Missouri denies the right of a bank holding company to sell stock in that State on the ground that group banking is branch banking under a different guise. Branch banking is illegal in that State. This ruling, however, would not seem to reach a foreign holding company which buys the stock of Missouri banks, provided its own stock is not offered for sale in that State. There have been legislative

proposals for prevention of group and chain banking among banks in Arkansas and Nebraska.

Wisconsin. - The laws of this State impose double liability on the stockholders of bank holding companies by provisions which have been summarized as follows:(1)

Domestic corporations and foreign corporations authorized to do business in the State which own or control the stock of a State bank or trust company shall be held liable for any assessment made against the stockholders of such bank or trust company to the par value of the stock so owned or controlled; and such holding corporations are required to deposit with the State Treasurer securities equal to fifty per cent of the par value of the stocks of State banks or trust companies owned or controlled by such holding companies, except that the aggregate amount of such securities shall not exceed the largest amount required to be deposited by Wisconsin trust companies.

If the stockholders' liability of any such holding company is not fully paid, the stockholders of such holding company are liable for an assessment sufficient to cover the deficit.'

Indiana. - In this State, the double liability statute is as follows:(2)

"The shareholders in any corporation formed under the provisions of any law of this State for any purpose whatsoever, and the shareholders in any corporation formed under the laws of any other State or country and admitted to do business in this state, shall be held individually responsible for all contracts, debts and engagements of any bank, the shares of which are held by any such corporation, each to the amount which the said shareholder's interests in said corporation, as represented by his shares of capital stock in the same, bears to the total amount necessary to be collected from the holders of shares of stock in any such bank,\*\*\*"

Oregon. - In Oregon a holding company controlling a bank may not borrow from such bank nor may the holding company sell securities of other corporations controlled by the holding company through such bank without receiving permission from the corporation commissioner.

Arkansas. - Arkansas has a provision somewhat similar to that in Oregon:(3)

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(1) Chapter 445, Wisconsin Laws of 1929--Published, August 30, 1929.

(2) Section 4--Act approved March 2, 1931.

(3) Section 3 of Act No. 252 of the 1931 Acts of Arkansas, approved March 31, 1931.

". . . any person or persons, and/or any company, co-partnership, corporation or other legal entity in which such person or persons own or control a substantial interest, owning either singly or jointly an aggregate of fifty (50) per cent or more of the capital stock of three or more banks and/or trust companies, thus forming a chain or group of banks and/or trust companies, shall be, and are hereby prohibited from borrowing from, or becoming indebted to, such banks and/or trust companies, thus owned and controlled, in any amount or in any manner. . ."

#### Ineffectiveness of State Regulation

This summary of the situation in the various States with respect to the regulation of groups and chains indicates that little of importance has been accomplished. In trying to deal with the bank holding company States are confronted with the problem of the dual banking system. A State probably can prevent a holding company from gaining control of its own banks and trust companies by revoking charters of such banks or trust companies, when control is proven. In order to bring to light all cases where such a condition exists elaborate machinery would doubtless be necessary. Revoking of charters, however, is a drastic remedy for either national or State authority to use in view of the competition which exists between the two systems. It is conceivable that a bank holding company might specialize in national banks and be represented in every State in the Union. It is not clear how effective any State could be in reaching such a situation. It might, of course, deny to a national bank belonging to such a holding company the right of being a State depository.

A State might bring under its visitorial activities any holding company which owned control in a bank or trust company, incorporated in that State. It would use much the same machinery as the Glass bill proposes with respect to members of the Federal Reserve System. In fact legislation exists

(S. 4412, April 18, 1932)

in Kansas giving the bank commissioner authority to examine affiliates of banks including those which may own as much as 25 per cent of the stock of any bank in that State. (See digest in appendix.)

CHAPTER XI

SUMMARY

Group Banking

The bank holding company, as it has developed since 1927, is an instrument of banking concentration which aims at objectives similar to those of branch banking. Many of the managers of holding companies themselves have indicated that they would prefer to operate their organizations as branch systems if the law permitted. The most significant part of the group movement consists of less than two score holding companies, controlling in 1931 about 700 banks and about \$6,000,000,000 of loans and investments.

These group organizations have had their greatest development in those States where branch offices are either wholly prohibited or are limited to local areas. Of the 674 banks belonging to the leading groups at the end of 1931, 307 were in States then prohibiting the establishment of branches, and 93 were in States where administrative ruling did not allow new branches although the statute was silent on the subject. Thus, these 400 banks could not at the end of 1931 have been operated as branches of the leading bank. Moreover, 249 of the banks in leading groups were located in States which allowed branch offices only in limited areas adjacent to the head office. Because of such limitations most of this group could not now be converted into branches of the dominant bank.

A very small number, 25, of the banks in the leading groups were located in state-wide branch banking States. In addition to the 700 banks belonging to the major groups, about 300 banks belonged to about 60 miscellaneous groups, many of which bear little resemblance to the major holding companies. Many of the miscellaneous groups came into existence by reason of the association of two or three small banks with some large city bank.

Because of the relatively short experience with the bank holding company, statistical evidence is lacking with respect to what may be accomplished regarding the profits and costs of the individual banks belonging to groups. Moreover, the complicated interrelationships of many corporations makes it difficult to determine the position of the entire group through formal income statements. It is not yet clear whether the holding company will be able to operate a small separately incorporated bank more economically than it could be operated as a separate concern.

The degree of centralization of management varies greatly from group to group. Some of them approximate a well organized branch system in this respect. Others appear to leave more local autonomy to the individual banks. In organizations of this type, however, there is usually a tendency towards increasing centralization of management.

The group movement, as represented by the leading holding companies, has covered such a brief period of time that few conclusions can be drawn as to the safety record of this type of banking compared with the record of independent unit banks. Groups, however, have done little to strengthen the banking structure in the small towns and rural communities. Relatively speaking, holding companies have not acquired many banks of less than \$500,000 of loans and investments.

The Problem of Groups. - The chief weakness of the holding company device as an instrument for strengthening the banking structure lies in its manipulative possibilities, and the difficulties of adequate supervision. In the period of adjustment through which the country has been passing, there have been frequent examples of the abuse of the holding company in fields other than banking. The complicated interrelationship of many corporate entities is a convenient vehicle for the activities of the unscrupulous. The major part of the bank holding company movement has been in the hands of conservative bankers, but there are examples of the consequences when conditions are otherwise. The fact that the bank holding company movement largely matured in an era of speculation makes difficult its dissociation from some of the manipulative operations of the times. Shifting of assets between different elements of a group and the splitting of credit lines are among the more potent abuses to which this form of banking organization is open.

The problem of groups is bound up inextricably with the broader problem of the banking structure in general. Bank holding companies have developed partly because of the legal necessity of separately incorporating banking offices, and the dual system of banking control, State and national, has made adequate supervision and control over groups difficult.

#### Chain Banking

The control of a number of banks by one or more individuals known as chain banking began to appear in this country before the beginning of this century. The number of such arrangements multiplied with the passage of time, and indeed they were the predecessors of the more modern groups. The statistics as of the end of 1931 account for about 175 chains, including about 900 banks with an aggregate banking strength of about \$1,000,000,000 of loans and investments. The community of interest in a chain of banks is elusive, and it is quite possible that the official statistics have not recorded all of the cases. There are instances in which the investment in bank stock brings about a community of interest in several banks, without a deliberate intent to control. Chain interests in many instances do not openly avow their responsibilities as do the modern bank holding companies.

The very elusiveness of the movement presents one of its serious problems. The ease with which new banks have been chartered, partly as a result of the competition between State and

national systems, and the small capital outlay needed to secure control over a string of banks are associated with the growth of chains and the high rate of incompetent management among them. Many failures of chains have resulted because they were operated by men inexperienced in banking. In many cases the chain of banks has been utilized as an avenue through which to finance the often speculative outside undertakings of the dominant interests. In some cases control has been exercised over a string of banks with a very small investment, stock owned in one institution being used as security for a loan the proceeds of which are used in the purchase of stock in another.

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APPENDIX A  
Statistical Tables

Table I - Groups: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating, (1) December 31, 1931

Group number (2)	Name of group and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	Nation- al banks	State member banks	Non- member banks		
<u>New England</u>							
1	Eastern Trust & Banking Co., Bangor, Maine	\$ 10,258	-	-	\$ 10,258	1	3
2	Financial Institutions Inc., Augusta, Maine	79,871	\$ 20,991	-	58,880	1	7
3	First National Bank of Boston, Boston, Massachusetts	480,434	404,650	\$ 52,983	22,801	1	18
4	National Shawmut Bank, Boston, Massachusetts	142,417	138,281	-	4,136	1	6
5	Western Mass. Banking Associates, Greenfield, Mass.	5,436	5,436	-	-	1	3
6	Worcester Co. Bank & Trust Co., Worcester, Mass.	69,326	29,901	36,480	2,945	1	6
7	Industrial Trust Co., Providence, Rhode Island	139,201	6,294	129,378	3,529	1	2
8	Bridgeport City Trust Co., Bridgeport, Connecticut	34,963	-	-	34,968	1	3
9	First National Bank, Bridgeport, Connecticut	20,466	17,611	-	2,855	1	1
10	Hartford Connecticut Trust Co., Hartford, Conn.	38,347	8,953	-	29,394	1	7
<u>Middle Atlantic</u>							
11	Banca Commerciale Italiana Trust Co., New York, N. Y.	13,714	-	-	13,714	3	3
12	Central Hanover Bank & Trust Co., New York, N. Y.	545,533	1,124	538,840	5,569	2	3
13	First National Bank & Trust Co., Elmira, N. Y.	16,578	15,548	-	1,030	1	5
14	First Trust & Deposit Co., Syracuse, N. Y.	97,145	7,681	81,295	8,169	1	15
15	Interbank Investors Co., Buffalo, N. Y.	11,973	6,714	-	5,259	1	3
16	Marine Midland Group Inc., Buffalo, N. Y.	441,553	43,840	312,176	85,537	1	19
17	The Manhattan Co., New York, N. Y.	314,511	-	311,285	3,226	1	3
18	Northern N. Y. Tr. Co. and the Northern N. Y. Securities Corp.	14,514	1,582	11,551	1,381	1	6
19	Ogdensburg Trust Co., Ogdensburg, N. Y.	9,325	2,248	6,652	425	1	7
20	Orange County Associates Inc., Goshen, N. Y.	13,174	13,174	-	-	1	6
21	Camden Safe Deposit & Tr. Co., Camden, New Jersey	33,849	564	32,233	1,052	1	3
22	City National Bank, Hackensack, New Jersey <sup>(3)</sup>	4,920	3,923	297	700	1	5
23	Hudson Co. National Bank, Jersey City, New Jersey <sup>(3)</sup>	43,339	32,305	-	11,034	1	3
24	Mechanics Trust Co., Bayonne, New Jersey	13,626	1,372	-	12,254	1	2
25	Montclair Trust Co., Montclair, New Jersey	18,535	1,483	12,307	4,745	1	2
26	Bank of Nutley, Nutley, New Jersey	4,400	1,645	2,755	-	1	1
27	Peoples Trust & Guaranty Co., Hackensack, New Jersey <sup>(3)</sup>	24,285	1,577	22,708	-	1	8

Table I - Groups: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating,<sup>(1)</sup> December 31, 1931 (Continued)

Group number (2)	Name of group and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	Nation- al banks	State member banks	Non- member banks		
<u>Middle Atlantic (Continued)</u>							
28	Plainfield Trust Co., Plainfield, New Jersey	\$ 18,180	\$ 431	\$ 17,749	-	1	1
29	Union County Trust Co., Elizabeth, New Jersey	15,842	902	2,777	\$ 12,163	1	3
30	United States Trust Co., Paterson, New Jersey	20,515	-	-	20,515	1	1
31	West Jersey Trust Co., Camden, New Jersey	10,019	-	-	10,019	1	2
32	West Side Trust Co., Newark, New Jersey	12,391	2,748	-	9,643	1	1
33	Colonial Trust Co., Pittsburgh, Pennsylvania	28,490	2,050	24,895	1,545	1	2
34	Commonwealth Trust Co., Pittsburgh, Pennsylvania	16,477	-	13,271	3,206	1	4
35	Monongahela Trust Co., Homestead, Pennsylvania	10,223	3,076	-	7,147	1	2
36	Peoples Pittsburgh Trust Co., Pittsburgh, Pennsylvania	166,975	78,558	85,604	2,813	1	2
37	United States National Bank, Johnstown, Pennsylvania	15,961	11,716	-	4,245	1	2
38	Union Trust Co. & Melbank Corp., Pittsburgh, Penna.	582,763	314,751	218,555	49,457	1	16
<u>North Central</u>							
39	Detroit Bankers Inc., Detroit, Michigan <sup>(4)</sup>	513,572	454,668	-	58,904	1	8
40	Guardian Detroit Union Group Inc., Detroit, Michigan	333,769	237,030	46,559	50,180	1	23
41	Wisconsin Bankshares Corp., Milwaukee, Wisconsin	231,394	183,951	16,880	30,563	1	26
42	Central Republic Bank & Trust Co., <sup>(3)</sup> Chicago, Illinois	183,602	10,286	153,370	19,946	1	3
43	First National Bank, <sup>(3)</sup> Chicago, Illinois	596,290	402,437	13,284	180,569	1	1
44	National Republic Bancorporation, Chicago, Illinois	25,273	7,243	908	17,122	1	2
45	State Savings Loan & Trust Co., Quincy, Illinois	4,324	-	3,310	1,014	1	2
46	First and Tri State Corp., Fort Wayne, Indiana	3,759	2,198	-	1,561	1	5
47	Old First National Bank & Trust Co., Fort Wayne, Ind.	35,371	24,242	-	11,129	1	2
48	BancOhio Corp., Columbus, Ohio	61,306	55,147	-	6,159	1	9
<u>Southern Mountain</u>							
49	First National Bank Trustees, Louisville, Kentucky	45,672	24,524	16,385	4,763	1	5
50	American National Bank, Nashville, Tennessee	62,602	48,623	-	13,979	1	15
51	Commerce Union Bank, Nashville, Tennessee	12,263	4,956	-	7,307	1	2
52	Hamilton National Associates Inc., Chattanooga, Tenn.	34,932	32,139	-	2,793	2	17

Table I - Groups: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating, (1) December 31, 1931 (Continued)

Group number (2)	Name of group and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	Nation- al banks	State member banks	Non- member banks		
<u>Southeastern</u>							
53	Socarnat Corp., Charleston, South Carolina	\$ 33,247	\$ 27,088	-	\$ 6,159	2	4
54	Citizens & Southern National Bank, Savannah, Georgia	57,136	52,676	-	4,460	2	6
55	First National Bank of Atlanta, Atlanta, Georgia	94,723	81,239	\$ 13,484	-	1	6
56	Almours Securities Inc., Jacksonville, Florida	21,197	18,151	-	3,046	1	8
57	Atlantic National Bank, Jacksonville, Florida	30,838	29,933	-	905	1	6
58	Barnett National Bank, Jacksonville, Florida	16,571	16,571	-	-	1	5
59	First National Bank, Miami, Florida	16,716	16,100	-	616	1	4
60	American Securities Corp., Mobile, Alabama	3,112	1,614	-	1,498	1	5
61	First National Bank, Birmingham, Alabama	50,108	48,645	-	1,463	1	3
62	Britton & Koontz Inc., Natchez, Mississippi	2,217	2,057	-	160	2	3
<u>Southwestern</u>							
63	Commercial National Bank, Shreveport, Louisiana	26,354	19,254	4,876	2,224	2	5
64	Interstate Trust & Banking Co., New Orleans, Louisiana	23,042	-	19,780	3,262	3	9
65	Continental Bank & Trust Co., Fort Worth, Texas	6,133	5,308	-	825	1	11
66	J. M. Crews & Assoc., Childress, Texas	1,537	857	75	605	1	9
67	Mercantile Bank & Trust Co., Dallas, Texas	15,380	-	14,027	1,353	1	8
68	Republic N. E. & Trust Co., Dallas, Texas	52,202	49,379	-	2,823	1	3
69	Exchange National Bank, Tulsa, Oklahoma	48,026	41,138	-	6,888	3	17
<u>Western Grain</u>							
70	Bank Shares Corp., Minneapolis, Minnesota	5,329	1,680	-	3,649	1	1
71	First Bank Stock Corp., Minneapolis, Minnesota	312,182	268,142	12,802	31,238	5	91
72	Northwest Bancorporation, Minneapolis, Minnesota	316,213	267,040	15,262	33,911	8	115
73	St. Olaf College & P. O. Holland, Northfield, Minn.	2,060	501	-	1,559	2	8
74	C. J. Weiser Inc., Decorah, Iowa	4,075	-	-	4,075	2	8
75	Commerce Trust Co., Kansas City, Missouri	71,594	2,613	65,844	3,137	1	1
76	Lafayette South Side Bank & Trust Co., St. Louis, Mo.	32,795	8,981	23,814	-	1	2

Table I - Groups: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating,<sup>(1)</sup> December 31, 1931 (Continued)

Group number (2)	Name of group and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	Nation- al banks	State member banks	Non- member banks		
	<u>Rocky Mountain</u>						
77	First National Investment Co., Boise, Idaho	\$ 11,035	\$ 7,371	-	\$ 3,664	2	10
78	Vollmer Clearwater Co., Lewiston, Idaho	4,232	3,176	-	1,056	2	9
79	First Security Corp., Ogden, Utah	33,052	11,217	\$ 9,200	12,635	3	26
	<u>Pacific Coast</u>						
80	American Securities Co., Spokane, Washington	5,637	-	-	5,637	1	3
81	Coffman Dobson Bank & Trust Co., Chehalis, Washington	2,118	-	1,659	459	1	4
82	First National Bank, Seattle, Washington	69,128	67,584	-	1,544	1	1
83	Hall Investment Co., Carnation, Washington	613	-	-	613	1	4
84	Marine Bancorporation, Seattle, Washington	32,352	30,831	-	1,521	1	8
85	Old National Corp., Spokane, Washington	29,247	26,875	-	2,372	2	19
86	Peoples Corporation, Seattle, Washington	12,232	986	8,910	2,336	1	2
87	Yakima Holding Co., Yakima, Washington	6,607	6,349	-	258	1	2
88	Linn Securities Co., Albany, Oregon	2,553	868	873	812	1	1
89	Oregon Investor Corp., Hillsboro, Oregon	1,309	917	-	392	1	3
90	Pacific Bancorporation, Portland, Oregon	9,732	9,732	-	-	1	4
91	U. S. National Corp., Portland, Oregon	71,909	70,632	-	1,277	2	7
92	Anglo National Corp., San Francisco, California	160,154	151,256	-	8,898	2	16
93	Associated Calitalo Holdings Ltd., San Francisco, Calif.	4,258	3,327	-	931	2	4
94	Citizens National Trust & Savings Bk., Riverside, Calif.	7,906	4,611	-	3,295	1	2
95	Sebastopol National Securities Co., Sebastopol, Calif.	2,054	760	-	1,294	1	2
96	Security First National Bank, Los Angeles, California	445,549	444,750	-	799	1	3
97	Transamerica Corp., San Francisco, California	877,652	821,350	-	56,302	2	7
	UNITED STATES	\$8,715,779	\$5,290,132	\$2,355,093	\$1,070,554		

(1) States and cities in which head offices of individual banks are located.

(2) On subsequent tables, this number is used in lieu of the group name.

(3) Control both personal and corporate.

(4) Does not include several small banks in which the control is less than 20 per cent of the stock.

Table II - Chains: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating, <sup>(1)</sup> December 31, 1931

Chain number (2)	Name of chain and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	National banks	State member banks	Non-member banks		
<u>New England</u>							
1	J. C. Makepeace & Family, Wareham, Mass.	\$ 8,229	\$ 2,460	-	\$ 5,769	1	4
<u>Middle Atlantic</u>							
2	F. W. Crandall & Family, Westfield, N. Y.	5,576	4,117	\$ 1,034	425	1	4
3	G. W. Hamlin & Family, Holcomb, N. Y.	9,046	5,866	-	3,180	1	4
4	C. E. Hulbert & Associates, Downsville, N. Y.	4,593	4,593	-	-	1	4
5	W. J. & F. J. Humphrey, Warsaw, N. Y.	13,744	8,255	-	5,489	1	7
6	Leslie R. Palmer (Estate of), Irvington, N. Y.	27,263	24,060	-	3,203	1	4
7	Dobler Brothers, Paterson, N. J.	2,338	-	-	2,338	1	2
8	J. D. Everett & H. L. Holmes, Orange, N. J.	8,280	7,013	-	1,267	1	2
9	Wm. C. Heppenheimer, Jersey City, N. J.	75,021	-	-	75,021	1	3
10	Kean Family, Elizabeth, N. J.	37,156	21,741	6,269	9,146	1	4
11	National Iron Bank, Morristown, N. J. (3)	7,341	6,368	-	973	1	3
12	J. J. Stamler, Newark, N. J.	33,813	20,466	-	13,347	1	4
13	Berwind-White Coal Mining Co., Philadelphia, Penna. (4)	6,473	351	6,122	-	2	5
14	Carlisle Trust Company, Carlisle, Penna. (4)	4,290	1,131	3,159	-	1	3
15	First National Bank, Johnstown, Penna. (4)	18,589	15,327	-	3,262	1	1
16	Union Trust Company, New Castle, Penna. (4)	11,563	7,569	-	3,994	1	1
<u>North Central</u>							
17	Cornelius Gerber, Fremont, Mich.	2,173	-	939	1,234	1	5
18	John C. Hicks, St. Johns, Mich.	1,878	615	-	1,263	1	3
19	Frank Hubbard, Detroit, Mich.	1,644	-	-	1,644	1	3
20	C. W. McPhail, Central Lake, Mich.	2,128	-	-	2,128	1	9
21	Frank W. Merrick, Saginaw, Mich.	1,497	-	530	967	1	4
22	A. E. Sleeper, Bad Axe, Mich.	4,250	457	297	3,496	1	13
23	William Alden Smith, Grand Rapids, Mich.	15,678	-	14,880	798	1	2
24	Frank Wolf, Detroit, Mich.	21,555	7,935	-	13,620	1	7
25	Harry D. Baker, St. Croix Falls, Wisconsin	874	-	-	874	1	5
26	C. C. Brown, Kenosha, Wisconsin	9,248	8,872	-	376	1	1

Table II - Chains: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating, (1) December 31, 1931 (Continued)

Chain number (2)	Name of chain and location of head office	Loans and investments in thousands of dollars			Number of States	Number of cities
		Total	National banks	State member banks		
<u>North Central (Continued)</u>						
27	C. C. & A. E. Coe, Almena, Wisconsin	\$ 794	-	-	\$ 794	1 4
28	J. W. Dunegan, Stevens Point, Wisconsin	3,292	\$ 2,390	-	902	1 4
29	First National Bank, Racine, Wisconsin	12,249	10,833	-	1,416	1 2
30	Judson Rosebush, Milwaukee, Wisconsin	8,112	7,356	-	756	1 3
31	Ralph N. Ballou & E. L. Wagoner, Chicago, Ill.	9,370	2,667	-	6,703	1 2
32	A. W. Baltz, East St. Louis, Ill.	10,482	9,759	-	723	1 6
33	Alben F. Bates, Elmhurst, Ill.	3,181	-	\$ 444	2,737	1 4
34	John A. Carroll, Chicago, Ill.	6,226	5,302	-	924	1 1
35	John Clay, Chicago, Ill.	6,496	4,492	1,168	836	4 9
36	First National Bank & Trust Company, Bloomington, Ill. (4)	3,268	3,187	-	81	1 3
37	Morris Family, Chicago, Ill.	15,862	15,862	-	-	3 3
38	W. Pitts Barnes & Associates, Cleveland, Ohio	244	158	-	86	1 3
39	W. G. Mather, Cleveland, Ohio	6,371	5,999	-	372	1 4
<u>Southeastern</u>						
40	L. O. Benton, Monticello, Ga.	397	298	-	99	1 3
41	First National Bank, Columbus, Ga.	3,360	1,561	-	1,799	1 1
42	Exchange National Bank, Tampa, Fla.	14,146	10,271	-	3,875	1 8
43	First National Bank, Tampa, Fla.	15,429	12,785	-	2,644	1 6
44	Cary A. Hardee, Live Oak, Fla.	525	-	-	525	1 3
45	First National Bank, Clanton, Ala.	1,473	950	-	523	1 9
46	First National Bank, Dothan, Ala.	7,622	6,830	-	792	2 5
47	Capital National Bank, Jackson, Miss. (3)	6,533	2,625	-	3,908	1 7
48	First National Bank, Hattiesburg, Miss.	3,984	3,450	-	534	1 4
49	Grenada Bank, Grenada, Miss.	5,653	-	-	5,653	1 3
50	Morris Lewis, Lexington, Miss.	1,233	-	-	1,233	1 3
<u>Southwestern</u>						
51	Calcasieu National Bank, Lake Charles, La. (4)	11,289	11,047	-	242	1 6
52	First National Bank, Shreveport, La.	19,639	13,990	-	5,649	2 2
53	L. P. Atmar, Groveton, Texas	953	684	-	269	1 2

Table II - Chains: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating,<sup>(1)</sup> December 31, 1931 (Continued)

Chain number (2)	Name of chain and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	National banks	State member banks	Non-member banks		
<u>Southwestern (Continued)</u>							
54	R. C. & D. R. Couch, Haskell, Texas	\$ 1,261	\$ 638	\$ 206	\$ 417	1	8
55	F. L. Dennison, Temple, Texas	1,252	1,208	-	44	1	4
56	L. M. Feagin & John K. Kirby, Houston, Texas	546	-	-	546	1	4
57	W. H. Fuqua, Amarillo, Texas	5,682	4,973	-	709	2	5
58	Henry James, Abilene, Texas	2,761	2,648	-	113	1	4
59	M. C. Parrish & Associates, Austin, Texas	1,155	-	-	1,155	1	9
60	H. B. & H. L. Seay & Associates, Mercedes, Texas	2,072	756	-	1,316	1	4
61	Carter Steward & Associates, Houston, Texas	1,059	595	-	464	1	3
62	H. H. Thompson, Houston, Texas	184	-	-	184	1	3
63	C. L. Wilkins & Associates, Brenham, Texas	832	584	-	248	1	4
64	I. H. Nakdimen, Forth Smith, Ark.	4,254	3,685	-	569	2	8
65	Neil Sims, Fort Smith, Ark.	7,298	7,183	-	115	2	3
66	Edward Stevens, Rushing, Ark.	252	-	-	252	1	3
67	B. M., R. G., & G. W. Athey, Enid, Okla.	1,666	312	-	1,354	1	3
68	H. T. & N. Douglas, Shawnee, Okla.	3,024	2,378	-	646	1	6
69	Willard Johnston & Family, Shawnee Mounds, Okla.	2,584	1,974	-	610	1	7
70	E. C. Mullendore & Family, Cleveland, Okla.	900	849	-	51	1	3
71	W. D. Myers, Alva, Okla.	1,007	973	-	34	2	4
72	C. F. Stuart, Pawhuska, Okla.	442	352	-	90	1	3
73	J. W., J. L., and W. E. Stuart, Laverne, Okla.	642	642	-	-	2	3
74	Thurmond Brothers, Oklahoma City, Okla.	3,409	2,388	-	1,021	2	17
75	L. G. Voorhees, Oklahoma City, Okla.	2,645	2,062	-	583	2	3
76	R. A. Vose & Associates, Oklahoma City, Okla.	1,502	1,236	-	266	1	8
77	H. K. Wooten, Chickasha, Okla.	2,641	2,641	-	-	1	6
78	M. L. Harris & W. Mathies, Wister, Okla.	553	-	-	553	1	4
<u>Western Grain</u>							
79	Adams Investment Company, Fergus Falls, Minn. <sup>(3)</sup>	2,715	2,174	-	541	1	3
80	J. W. Black Company, Minneapolis, Minn. <sup>(3)</sup>	2,059	1,723	-	336	2	6
81	Otto Bremer et al, St. Paul, Minn.	46,316	25,200	1,087	20,029	4	47
82	Edwin Brickson, Adrian, Minn.	1,161	118	-	1,043	1	6

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Table II - Chains: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating, (1) December 31, 1931 (Continued)

Chain number (2)	Name of chain and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	National banks	State member banks	Non-member banks		
<u>Western Grain (Continued)</u>							
83	John C. Carlson, Rush City, Minn.	\$ 2,882	\$ 471	-	\$ 2,411	1	6
84	L. G. Castle, Duluth, Minn.	8,347	8,347	-	-	1	2
85	Alfred Christopherson, Albert Lea, Minn.	762	268	-	494	2	5
86	W. W. Dean, Adams, Minn.	974	402	-	572	2	4
87	D. W. DuToit et al, Chaska, Minn.	1,752	128	-	1,624	1	4
88	D. M. Gunn, F. E. King, A. King, Grand Rapids, Minn.	2,108	1,855	-	253	1	7
89	Isaac Hazlett et al, Minneapolis, Minn.	4,536	3,993	-	543	1	16
90	L. H. Ickler, St. Paul, Minn.	1,533	673	-	860	2	5
91	A. J. Johnson, Granite Falls, Minn.	799	-	-	799	2	3
92	C. H. Klein, Chaska, Minn.	3,661	2,662	-	999	1	8
93	J. Lampert Company, St. Paul, Minn. (3)	2,131	1,012	-	1,119	2	8
94	Harry Lee, Long Prairie, Minn.	1,871	879	-	992	1	6
95	Samuel Lewison, Carl C. Swenson & J. F. Fries, Canby, Minn.	856	563	-	293	2	3
96	C. H. March, Litchfield, Minn.	2,047	1,372	-	675	1	4
97	T. F. McClure, Litchfield, Minn.	1,786	-	-	1,786	1	3
98	Midway National Company & H. H. Bigelow, St. Paul, Minn. (3)	4,482	3,215	-	1,267	1	1
99	Rufus R. Rand, <del>Monticello, Minn.</del> <i>Minneapolis, Minn.</i>	989	-	-	989	1	5
100	W. R. Sawyer, Goodhue, Minn.	943	497	-	446	1	2
101	J. G. Schmidt, Northfield, Minn.	989	463	-	526	1	4
102	Geo. E. Towle et al, Minneapolis, Minn.	587	484	-	103	2	3
103	A. L. Ward (Estate of), Fairmont, Minn.	1,828	1,828	-	-	1	4
104	H. A. Warner, White Bear Lake, Minn.	674	-	-	674	2	4
105	F. L. Goodman et al, Grand Forks, N.D.	1,746	1,198	-	548	2	7
106	Peterson, Akin Estate et al, Harvey, N. D.	271	111	-	160	1	3
107	J. H. Wishek, Ashley, N. D.	911	-	-	911	2	6
108	M. Plui Beebe, Ipswich, S. D.	1,378	-	-	1,378	1	6
109	G. F. Schneider et al, Rapid City, S. D.	3,508	-	-	3,508	1	6
110	J. A. Bradley, Centerville, Iowa	2,352	1,014	-	1,338	1	5
111	Brenton Brothers, Des Moines, Iowa	2,282	1,510	-	772	1	4
112	E. T. Dufer, Diagonal, Iowa	763	763	-	-	1	3

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Table II - Chains: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating, (1) December 31, 1931 (Continued)

Chain number (2)	Name of chain and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	National banks	State member banks	Non-member banks		
<u>Western Grain (Continued)</u>							
113	Fred J. Figgy, Calmar, Iowa	\$ 1,061	-	-	\$ 1,061	1	3
114	G. H. Haugen, Northwood, Iowa	1,006	\$ 791	-	215	1	3
115	Johnson, Brush & Annis, Osage, Iowa	3,253	1,167	\$ 772	1,314	2	3
116	E. H. Rich, Ft. Dodge, Iowa	4,252	-	-	4,252	2	7
117	F. L. Sawyers, Centerville, Iowa	1,445	701	-	744	1	3
118	James F. Toy, Sioux City, Iowa	12,496	8,926	-	3,570	3	18
119	R. H. Barber & P. H. Kannow, Kearney, Nebr.	559	-	-	559	1	4
120	T. F. Birmingham & Associates, O'Neill, Nebr.	1,353	1,280	-	73	1	3
121	C. M. Brown, Cambridge, Nebr.	907	459	-	448	1	3
122	C. F. Coffee, Chadron, Nebr.	2,507	2,507	-	-	1	4
123	E. F. Folda & Family, Schuyler, Nebr.	1,556	-	-	1,556	1	3
124	C. A. McCloud & Associates, York, Nebr.	2,656	1,884	-	772	1	7
125	P. O. Southwick & Family, Friend, Nebr.	1,411	810	-	601	1	4
126	G. H. Titus, Holdrege, Nebr.	1,630	1,580	-	50	1	4
127	H. A. & E. A. Wiggerham, Ashland, Nebr.	1,612	1,013	-	599	2	7
128	F. L. Ford & Associates, St. Joseph, Mo. (3)	6,601	3,654	-	2,947	1	1
129	J. M. Kemper et al, Kansas City, Mo.	14,454	3,929	-	10,525	3	10
130	Alex Rieger et al, Kansas City, Mo.	4,226	342	-	3,884	1	2
131	A. A. Speer, Jefferson City, Mo.	3,928	3,389	-	539	1	4
132	J. J. Benjamin, Cambridge, Kansas	177	-	-	177	1	3
133	G. D. & H. O. Benton, Oberlin, Kansas	834	643	-	191	1	4
134	W. H. Burks, Wellington, Kansas	1,597	881	-	716	2	3
135	J. R. Burrow & Family, Topeka, Kansas	8,470	6,686	-	1,784	1	4
136	C. Q. Chandler & Associates, Wichita, Kansas	15,336	15,336	-	-	3	5
137	R. B. Christy, Scott City, Kansas	736	539	-	197	2	3
138	J. H. Collingwood & Family, Topeka, Kansas	2,608	-	1,011	1,597	1	7
139	P. Eresch & Family, Beloit, Kansas	783	664	-	119	1	3
140	J. P. & F. R. Fair, Mankato, Kansas	500	291	-	209	1	3
141	F. F. Fackole & F. M. Harris, Ottawa, Kansas	1,538	1,367	-	171	1	6

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Table II -- Chains: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating, (1) December 31, 1931 (Continued)

Chain number (2)	Name of chain and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	National banks	State member banks	Non-member banks		
<u>Western Grain (Continued)</u>							
142	Linn Frazier, Fowler, Kansas	\$ 459	\$ 178	--	\$ 281	1	3
143	J. B., P. O. & S. L. Gardiner, Wichita, Kansas	1,809	--	--	1,809	1	4
144	G. M. Gray & W. J. Braffenthal, Kansas City, Kansas	4,227	--	--	4,227	1	1
145	A. D. Jellison, Junction City, Kansas	1,745	893	--	852	1	3
146	Leavenworth National Bank, Leavenworth, Kansas	3,268	2,657	--	611	1	2
147	G. W. Lemon, Pratt, Kansas	1,794	1,412	--	382	1	6
148	J. B. Lower, Washington, Kansas	957	613	--	344	1	4
149	W. A. Miller & P. O. Herald, Anthony, Kansas	1,313	919	--	394	2	6
150	A. H. Moffett, Larned, Kansas	807	658	--	149	1	4
151	E. R. Moses & Son, Great Bend, Kansas	670	367	--	303	1	3
152	W. H. & F. H. Myers, Wakefield & Clay Center, Kansas	1,191	671	--	520	1	3
153	F. W. Sponable, Paola, Kansas	2,331	1,660	--	671	1	4
154	J. T. Stewart, Wellington, Kansas	728	289	--	439	2	3
155	W. D. Womer & Family, Manhattan, Kansas	2,060	1,926	--	134	1	4
<u>Rocky Mountain</u>							
156	Fred A. Wochner, Great Falls, Montana	1,202	--	--	1,202	1	6
157	H. E. Hemmingway, Burley Idaho	4,532	502	\$ 3,013	1,017	2	5
158	J. W. Hay, Cheyenne, Wyo.	5,352	4,984	--	368	1	4
159	C. J. Williams, G. A. Hinman, W. E. Pearson, Powell, Wyo.	804	464	122	218	1	3
160	M. B. Holland, Denver, Colo.	613	498	--	115	2	3
161	R. B. & D. E. Holt, Walsh, Colo.-Wheeler, Texas	599	208	--	391	2	4
162	M. D., J. H. & R. C. Thatcher, Pueblo, Colo.	21,417	15,631	--	5,786	1	6
163	F. C. Brophy & Associates, Phoenix, Arizona	14,145	4,175	--	9,970	1	5
164	Chipman Family, American Fork, Utah	1,723	--	--	1,723	1	4
165	J. E. Cosgriff, Salt Lake City, Utah	13,079	12,552	--	527	3	9
166	Deseret National Bank, Salt Lake City, Utah.	12,684	4,687	--	7,997	1	4
167	N. B. Jones, Roy, New Mexico	1,126	969	--	157	1	4
168	O. G. Bates, Ely, Nevada	1,389	1,187	--	202	1	3
169	George Wingfield, Reno, Nevada	19,879	7,525	--	12,354	1	10

Table II - Chains: Loans and Investments by Class of Bank and Number of States and Cities in Which Operating, <sup>(1)</sup> December 31, 1931 (Continued)

Chain number (2)	Name of chain and location of head office	Loans and investments in thousands of dollars				Number of States	Number of cities
		Total	National banks	State member banks	Non-member banks		
	Pacific Coast						
170	C. E. Bingham, Sedro-Wodley, Wash.	\$ 1,078	-	-	\$ 1,078	1	3
171	Wm. C. Butler & Associates, Everett, Wash.	10,938	\$ 8,539	-	2,399	1	3
172	O. A. Fletcher, Yakima, Wash.	2,858	757	\$ 2,101	-	1	3
173	F. M. & F. W. Roberts, Seattle, Wash.	1,008	743	-	265	1	4
174	Mr. & Mrs. W. D. Howard, Pasadena, Calif.	3,420	1,395	-	2,025	1	5
175	T. A. Work, Monterey, Calif.	5,028	4,182	-	846	1	5
176	R. D. & Nelson McCook, San Bernardino & Long Beach, Calif.	6,963	6,963	-	-	2	3
	UNITED STATES	\$926,733	\$527,735	\$43,154	\$355,844		

- (1) States and cities in which head offices of individual banks are located.  
(2) On subsequent tables, this number is used in lieu of the chain name.  
(3) Not in possession of definite information with respect to method of control.  
(4) Control both personal and corporate.

Table III - Groups: Number of Banks by Classes, Number of Banks Operating Branches, and Number of Branches December 31, 1931

Group number (1)	Number of banks				Number of banks operating branches	Number of branches			
	Total	National	State member	Non-member		Total	In head office city	Outside head office city	
								In own county	In other counties
1	3	-	-	3	3	5	-	3	2
2	12	5	-	7	4	31	3	17	11
3	20	10	4	6	7	36	36	-	-
4	6	4	-	2	1	12	12	-	-
5	3	3	-	-	-	-	-	-	-
6	7	5	1	1	2	5	4	1	-
7	3	1	1	1	1	14	4	5	5
8	4	-	-	4	-	-	-	-	-
9	3	1	-	2	-	-	-	-	-
10	9	5	-	4	-	-	-	-	-
11	3	-	-	3	2	7	7	-	-
12	3	1	1	1	1	15	15	-	-
13	6	4	-	2	1	1	1	-	-
14	15	7	1	7	1	13	13	-	-
15	5	2	-	3	-	-	-	-	-
16	19	4	7	8	8	55	55	-	-
17	4	-	2	2	1	79	79	-	-
18	7	1	2	4	-	-	-	-	-
19	7	5	1	1	-	-	-	-	-
20	7	7	-	-	-	-	-	-	-
21	3	1	1	1	1	5	3	1	1
22	5	3	1	1	-	-	-	-	-
23	5	2	-	3	3	7	6	1	-
24	4	2	-	2	1	1	1	-	-
25	4	2	1	1	2	2	2	-	-
26	3	2	1	-	-	-	-	-	-
27	9	2	7	-	-	-	-	-	-
28	3	1	2	-	-	-	-	-	-
29	3	1	1	1	-	-	-	-	-
30	3	-	-	3	-	-	-	-	-
31	4	-	-	4	-	-	-	-	-
32	3	2	-	1	3	5	5	-	-
33	3	1	1	1	-	-	-	-	-
34	4	-	1	3	-	-	-	-	-
35	3	2	-	1	-	-	-	-	-
36	3	1	1	1	2	8	8	-	-
37	3	1	-	2	1	1	1	-	-
38	26	16	3	7	-	-	-	-	-
39	9	1	-	8	5	188	188	-	-
40	27	10	5	12	11	75	75	-	-

Table III - Groups: Number of Banks by Classes, Number of Banks Operating Branches, and Number of Branches December 31, 1931 (Continued)

Group number (1)	Number of banks				Number of banks operating branches	Number of branches			
	Total	National	State member	Non-member		Total	In head office city	Outside head office city	
								In own county	In other counties
41	46	16	4	26	3	6	6	-	-
42	10	3	1	6	-	-	-	-	-
43	10	1	2	7	-	-	-	-	-
44	8	1	1	6	-	-	-	-	-
45	4	-	1	3	-	-	-	-	-
46	5	1	-	4	-	-	-	-	-
47	4	2	-	2	1	3	3	-	-
48	11	7	-	4	1	11	11	-	-
49	6	3	1	2	1	8	8	-	-
50	18	5	-	13	5	15	10	4	1
51	3	2	-	1	2	11	2	-	9
52	17	12	-	5	2	5	5	-	-
53	5	4	-	1	2	22	3	-	19
54	7	4	-	3	2	11	3	-	8
55	7	6	1	-	1	8	8	-	-
56	8	5	-	3	-	-	-	-	-
57	9	6	-	3	-	-	-	-	-
58	5	5	-	-	-	-	-	-	-
59	5	3	-	2	-	-	-	-	-
60	5	1	-	4	-	-	-	-	-
61	6	4	-	2	-	-	-	-	-
62	3	2	-	1	-	-	-	-	-
63	7	4	1	2	3	3	1	2	-
64	9	-	2	7	3	8	6	2	-
65	11	2	-	9	-	-	-	-	-
66	10	3	1	6	-	-	-	-	-
67	10	-	1	9	-	-	-	-	-
68	5	3	-	2	-	-	-	-	-
69	21	12	-	9	-	-	-	-	-
70	5	1	-	4	-	-	-	-	-
71	104	79	1	24	1	3	3	-	-
72	127	80	3	44	1	3	3	-	-
73	8	2	-	6	-	-	-	-	-
74	8	-	-	8	-	-	-	-	-
75	6	1	1	4	-	-	-	-	-
76	5	3	2	-	-	-	-	-	-
77	10	3	-	7	-	-	-	-	-
78	9	2	-	7	-	-	-	-	-

Table III - Groups: Number of Banks by Classes, Number of Banks Operating Branches, and Number of Branches December 31, 1931 (Continued)

Group number (1)	Number of banks				Number of banks operating branches	Number of branches			
	Total	National	State member	Non-member		Total	In head office city	Outside head office city	
								In own county	In other counties
79	27	2	4	21	-	-	-	-	
80	5	-	-	5	-	-	-	-	
81	4	-	1	3	-	-	-	-	
82	6	3	-	3	1	2	-	-	
83	4	-	-	4	-	-	-	-	
84	10	7	-	3	-	-	-	-	
85	22	12	-	10	-	-	-	-	
86	4	1	1	2	-	-	-	-	
87	3	2	-	1	-	-	-	-	
88	3	1	1	1	-	-	-	-	
89	3	1	-	2	-	-	-	-	
90	4	4	-	-	-	-	-	-	
91	11	8	-	3	-	-	-	-	
92	17	14	-	3	1	1	-	-	
93	4	2	-	2	-	-	-	-	
94	3	1	-	2	-	-	-	-	
95	3	1	-	2	2	-	2	-	
96	4	2	-	2	1	125	68	30	
97	11	5	-	6	2	407	44	-	
<b>UNITED STATES</b>	<b>978</b>	<b>469</b>	<b>75</b>	<b>434</b>		<b>1,219</b>	<b>705</b>	<b>68</b>	<b>446</b>

(1) See Table I for names represented by group numbers.

Table IV - Chains: Number of Banks by Classes, Number of Banks Operating Branches, and Number of Branches December 31, 1931

Chain number (1)	Number of banks			Number of banks operating branches	Number of branches				
	Total	National	State member		Non-member	Total	In head office city	Outside head office city	
								In own county	In other counties
1	4	2	-	2	2	1	1	-	
2	4	2	1	1	-	-	-	-	
3	4	2	-	2	-	-	-	-	
4	4	4	-	-	-	-	-	-	
5	7	4	-	3	-	-	-	-	
6	4	3	-	1	1	4	-	-	
7	3	-	-	3	-	-	-	-	
8	3	2	-	1	2	2	-	-	
9	3	-	-	3	2	9	2	-	
10	5	3	1	1	3	4	-	-	
11	3	2	-	1	-	-	-	-	
12	4	2	-	2	2	7	-	-	
13	5	1	4	-	-	-	-	-	
14	3	2	1	-	-	-	-	-	
15	4	1	-	3	2	2	-	-	
16	3	1	-	2	-	-	-	-	
17	5	-	1	4	-	-	-	-	
18	5	2	-	3	-	-	-	-	
19	3	-	-	3	-	-	-	-	
20	9	-	-	9	-	-	-	-	
21	4	-	1	3	-	-	-	-	
22	13	1	1	11	-	-	-	-	
23	4	-	1	3	1	16	-	-	
24	7	1	-	6	1	22	-	-	
25	5	-	-	5	-	-	-	-	
26	3	2	-	1	-	-	-	-	
27	4	-	-	4	-	-	-	-	
28	4	1	-	3	-	-	-	-	
29	4	1	-	3	-	-	-	-	
30	3	2	-	1	-	-	-	-	
31	4	1	-	3	-	-	-	-	
32	6	4	-	2	-	-	-	-	
33	5	-	1	4	-	-	-	-	
34	4	2	-	2	-	-	-	-	
35	9	3	3	3	-	-	-	-	
36	3	2	-	1	-	-	-	-	
37	3	3	-	-	1	1	-	-	
38	3	1	-	2	-	-	-	-	
39	4	3	-	1	-	-	-	-	
40	3	1	-	2	-	-	-	-	

Table IV - Chains: Number of Banks by Classes, Number of Banks Operating Branches, and Number of Branches December 31, 1931 (Continued)

Chain number (1)	Number of banks			Number of banks operating branches	Number of branches				
	Total	National	State member		Non-member	Total	In head office city	Outside head office city	
								In own county	In other counties
41	3	1	-	2	-	-	-	-	
42	12	2	-	10	-	-	-	-	
43	7	2	-	5	-	-	-	-	
44	3	-	-	3	-	-	-	-	
45	9	2	-	7	-	-	-	-	
46	7	5	-	2	-	-	-	-	
47	8	1	-	7	-	-	-	-	
48	4	1	-	3	-	-	-	-	
49	3	-	-	3	1	12	-	12	
50	3	-	-	3	-	-	-	-	
51	6	5	-	1	1	8	3	5	
52	3	2	-	1	1	3	2	1	
53	3	1	-	2	-	-	-	-	
54	9	4	2	3	-	-	-	-	
55	4	3	-	1	-	-	-	-	
56	4	-	-	4	-	-	-	-	
57	5	3	-	2	-	-	-	-	
58	4	3	-	1	-	-	-	-	
59	9	-	-	9	-	-	-	-	
60	4	2	-	2	-	-	-	-	
61	3	2	-	1	-	-	-	-	
62	3	-	-	3	-	-	-	-	
63	4	1	-	3	-	-	-	-	
64	8	5	-	3	-	-	-	-	
65	3	1	-	2	-	-	-	-	
66	3	-	-	3	-	-	-	-	
67	3	1	-	2	-	-	-	-	
68	6	4	-	2	-	-	-	-	
69	7	2	-	5	-	-	-	-	
70	3	2	-	1	-	-	-	-	
71	4	3	-	1	-	-	-	-	
72	3	2	-	1	-	-	-	-	
73	3	3	-	-	-	-	-	-	
74	17	9	-	8	-	-	-	-	
75	3	2	-	1	-	-	-	-	
76	8	7	-	1	-	-	-	-	
77	6	6	-	-	-	-	-	-	
78	4	-	-	4	-	-	-	-	
79	3	1	-	2	-	-	-	-	
80	6	3	-	3	-	-	-	-	
81	51	8	-	43	-	-	-	-	
82	6	1	-	5	-	-	-	-	
83	6	1	-	5	-	-	-	-	

Table IV - Chains: Number of Banks by Classes, Number of Banks Operating Branches, and Number of Branches December 31, 1931 (Continued)

Chain number (1)	Total	Number of banks			Number of banks operating branches	Total	Number of branches		
		National	State member	Non-member			In head office city	Outside office in own country	head office in other countries
84	3	3	-	1	-	-	-	-	-
85	5	1	-	3	-	-	-	-	-
86	4	1	-	3	-	-	-	-	-
87	4	1	-	3	-	-	-	-	-
88	7	5	-	2	-	-	-	-	-
89	17	12	-	5	-	-	-	-	-
90	5	2	-	3	-	-	-	-	-
91	3	1	-	2	-	-	-	-	-
92	8	4	-	4	-	-	-	-	-
93	8	3	-	5	-	-	-	-	-
94	6	3	-	3	-	-	-	-	-
95	6	1	-	5	-	-	-	-	-
96	3	1	-	2	-	-	-	-	-
97	3	2	-	1	-	-	-	-	-
98	4	1	-	3	-	-	-	-	-
99	5	1	-	4	-	-	-	-	-
100	3	1	-	2	-	-	-	-	-
101	4	1	-	3	-	-	-	-	-
102	3	2	-	1	-	-	-	-	-
103	4	1	-	3	-	-	-	-	-
104	4	1	-	3	-	-	-	-	-
105	7	4	-	3	-	-	-	-	-
106	3	1	-	2	-	-	-	-	-
107	6	1	-	5	-	-	-	-	-
108	6	1	-	5	-	-	-	-	-
109	6	1	-	5	-	-	-	-	-
110	6	2	-	4	-	-	-	-	-
111	4	2	-	2	-	-	-	-	-
112	3	3	-	-	-	-	-	-	-
113	3	1	-	2	-	-	-	-	-
114	4	2	-	2	-	-	-	-	-
115	4	1	-	3	-	-	-	-	-
116	7	1	-	6	-	-	-	-	-
117	4	1	-	3	-	-	-	-	-
118	19	11	-	8	-	-	-	-	-
119	4	2	-	2	-	-	-	-	-
120	3	1	-	2	-	-	-	-	-
121	3	1	-	2	-	-	-	-	-
122	4	1	-	3	-	-	-	-	-
123	3	1	-	2	-	-	-	-	-
124	8	3	-	5	-	-	-	-	-
125	4	1	-	3	-	-	-	-	-
126	4	3	-	1	-	-	-	-	-
127	4	2	-	2	-	-	-	-	-
128	7	1	-	6	-	-	-	-	-
129	3	1	-	2	-	-	-	-	-
130	3	1	-	2	-	-	-	-	-

Table IV - Chains: Number of Banks by Classes, Number of Banks Operating Branches, and Number of Branches December 31, 1931 (Continued)

Chain number (1)	Number of banks				Number of banks operating branches	Number of branches			
	Total	National	State member	Non-member		Total	In head office city	Outside head office city	
								In own county	In other counties
131	4	1	-	3	-	-	-	-	
132	3	-	-	3	-	-	-	-	
133	4	2	-	2	-	-	-	-	
134	3	1	-	2	-	-	-	-	
135	5	5	-	3	-	-	-	-	
136	5	5	-	2	-	-	-	-	
137	3	1	-	2	-	-	-	-	
138	3	1	1	7	-	-	-	-	
139	3	1	-	2	-	-	-	-	
140	3	1	-	2	-	-	-	-	
141	6	2	-	4	-	-	-	-	
142	3	1	-	2	-	-	-	-	
143	4	-	-	4	-	-	-	-	
144	4	-	-	3	-	-	-	-	
145	4	1	-	3	-	-	-	-	
146	4	2	-	2	-	-	-	-	
147	6	3	-	3	-	-	-	-	
148	4	2	-	2	-	-	-	-	
149	6	2	-	4	-	-	-	-	
150	4	1	-	3	-	-	-	-	
151	3	1	-	2	-	-	-	-	
152	4	1	-	2	-	-	-	-	
153	4	1	-	2	-	-	-	-	
154	3	1	-	2	-	-	-	-	
155	4	3	-	1	-	-	-	-	
156	7	-	-	7	-	-	-	-	
157	4	1	1	3	-	-	-	-	
158	4	2	-	2	-	-	-	-	
159	3	1	1	1	-	-	-	-	
160	4	2	-	1	-	-	-	-	
161	4	1	-	3	-	-	-	-	
162	8	6	-	2	-	-	-	-	
163	4	1	-	5	1	1	1	-	
164	4	1	-	4	-	-	-	-	
165	4	1	-	3	-	-	-	-	
166	4	1	-	4	-	-	-	-	
167	4	3	-	1	-	-	-	-	
168	3	2	-	1	-	-	-	-	
169	13	2	-	11	-	-	-	-	
170	3	-	-	3	-	-	-	-	
171	4	1	-	2	1	2	1	1	
172	3	2	1	1	-	-	-	-	
173	4	2	-	2	-	-	-	-	
174	6	2	-	4	1	2	2	-	
175	5	4	-	1	-	-	-	-	
176	3	3	-	-	-	-	-	-	
UNITED STATES	908	336	23	549		101	73	9	19

(1) See Table II for names represented by chain numbers.

Table V - Number and Loans and Investments of Banks in Groups and Chains  
By Geographic Division, June 30, 1929-December 31, 1931(1)

Location of bank by geographic division	Number				Loans and investments in thousands of dollars			
	All banks	Nation- al banks	State member banks	Non- member banks	All banks	National banks	State member banks	Non- member banks
<b>New England</b>								
June 30, 1929	44	23	6	15	\$762,837	\$301,843	\$362,457	\$ 98,537
Dec. 31, 1929	75	43	7	25	1,086,597	749,767	207,484	129,346
June 30, 1930	82	42	7	33	1,266,969	883,958	209,548	173,463
Dec. 31, 1930	87	43	8	36	1,235,153	802,551	243,170	189,432
June 30, 1931	88	43	8	37	1,208,114	761,469	245,623	201,022
Dec. 31, 1931	75	36	6	33	1,030,973	634,577	218,841	177,555
<b>Middle Atlantic</b>								
June 30, 1929	204	95	43	66	3,236,322	1,066,621	1,756,576	413,125
Dec. 31, 1929	235	104	46	85	3,783,503	1,085,799	2,247,424	450,280
June 30, 1930	245	109	45	91	4,082,033	1,253,060	2,327,048	501,925
Dec. 31, 1930	254	115	46	93	3,533,407	1,192,522	1,891,784	449,101
June 30, 1931	257	113	46	98	5,331,810	2,788,596	2,073,475	469,739
Dec. 31, 1931	222	98	40	84	2,773,689	674,745	1,710,040	388,904
<b>North Central</b>								
June 30, 1929	238	56	19	163	1,744,616	893,069	448,581	402,966
Dec. 31, 1929	299	78	28	193	2,681,817	1,261,402	846,224	574,191
June 30, 1930	332	87	30	215	2,839,337	1,379,216	842,282	617,839
Dec. 31, 1930	346	92	27	227	2,810,019	1,353,935	807,973	648,111
June 30, 1931	276	83	21	172	2,545,384	1,280,901	729,968	534,515
Dec. 31, 1931	252	77	19	156	2,138,269	1,465,173	251,401	421,695
<b>Southern Mountain</b>								
June 30, 1929	33	14	1	18	153,547	108,311	1,345	43,891
Dec. 31, 1929	49	21	3	25	269,520	174,661	41,207	53,652
June 30, 1930	56	25	3	28	302,903	190,772	39,927	72,204
Dec. 31, 1930	43	20	2	21	184,003	127,125	18,136	38,742
June 30, 1931	42	21	2	19	185,363	132,457	18,300	34,606
Dec. 31, 1931	39	20	2	17	152,845	108,673	17,879	26,293
<b>Southeastern</b>								
June 30, 1929	141	41	5	95	382,430	288,585	28,929	64,916
Dec. 31, 1929	139	48	5	86	406,634	333,219	15,509	57,906
June 30, 1930	158	58	4	96	432,960	355,161	10,680	67,119
Dec. 31, 1930	151	59	3	89	428,635	361,925	10,197	56,513
June 30, 1931	139	59	2	78	421,463	364,161	6,120	51,182
Dec. 31, 1931	133	57	2	74	399,156	335,293	14,902	48,961
<b>Southwestern</b>								
June 30, 1929	272	104	6	162	293,633	206,434	38,109	49,090
Dec. 31, 1929	294	119	5	170	335,662	247,128	37,171	51,363
June 30, 1930	293	116	5	172	315,116	222,042	41,127	51,947
Dec. 31, 1930	235	107	4	124	275,563	199,944	33,638	41,981
June 30, 1931	248	108	7	133	345,651	203,616	97,518	44,517
Dec. 31, 1931	221	101	6	114	253,008	180,764	37,546	34,698

Table V - Number and Loans and Investments of Banks in Groups and Chains  
By Geographic Division, June 30, 1929-December 31, 1931<sup>(1)</sup> (Continued)

Location of bank by geographic division	Number				Loans and investments in thousands of dollars			
	All banks	Nation- al banks	State member banks	Non- member banks	All banks	National banks	State member banks	Non- member banks
<u>Western Grain</u>								
June 30, 1929	665	253	9	403	\$849,575	\$546,126	\$109,144	\$194,305
Dec. 31, 1929	724	296	9	419	1,012,515	691,917	104,186	216,412
June 30, 1930	701	298	10	393	986,206	674,364	104,723	207,119
Dec. 31, 1930	685	289	10	386	985,174	667,897	106,008	211,269
June 30, 1931	675	292	10	373	982,701	679,272	101,190	202,239
Dec. 31, 1931	629	282	9	338	900,477	640,988	93,696	165,793
<u>Rocky Mountain</u>								
June 30, 1929	167	54	11	102	223,176	113,686	34,725	74,765
Dec. 31, 1929	180	64	12	104	265,818	144,985	40,650	80,183
June 30, 1930	187	63	12	112	260,142	137,463	39,817	82,862
Dec. 31, 1930	188	65	12	111	248,658	132,528	37,072	79,058
June 30, 1931	185	63	13	109	235,799	127,632	34,832	73,335
Dec. 31, 1931	167	56	9	102	215,123	116,040	31,305	67,778
<u>Pacific Coast</u>								
June 30, 1929	157	75	6	76	2,122,107	1,487,389	228,124	406,594
Dec. 31, 1929	170	81	9	80	2,250,775	1,646,997	246,407	357,371
June 30, 1930	175	88	10	77	2,279,975	1,669,165	260,689	350,121
Dec. 31, 1930	165	82	9	74	2,155,142	1,810,015	242,394	102,733
June 30, 1931	161	81	7	73	2,099,188	1,761,311	235,854	102,023
Dec. 31, 1931	148	78	5	65	1,778,972	1,661,614	22,637	94,721
<u>United States</u>								
June 30, 1929	1,921	715	106	1,100	9,768,243	5,012,064	3,007,990	1,748,189
Dec. 31, 1929	2,165	854	124	1,187	12,092,841	6,335,875	3,786,262	1,970,704
June 30, 1930	2,229	886	126	1,217	12,765,641	6,765,201	3,875,841	2,124,599
Dec. 31, 1930	2,154	872	121	1,161	11,855,754	6,648,442	3,390,372	1,816,940
June 30, 1931	2,071	863	116	1,092	13,355,473	8,099,415	3,542,850	1,713,178
Dec. 31, 1931	1,886	805	98	983	9,642,512	5,817,867	2,398,247	1,426,398

(1) These figures exclude mutual savings and private banks. Inclusion of such banks affects 10 States for which figures are given in Table VII with mutual savings and private banks included.

Table VI - Number and Loans and Investments of Banks in Groups and Chains by States, June 30, 1929-December 31, 1931(1)

Location of bank	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<u>New England</u>								
Maine								
June 30, 1929	5	2	-	3	\$ 53,268	\$ 10,033	-	\$ 43,235
Dec. 31, 1929	13	6	-	7	70,742	14,665	-	56,077
June 30, 1930	17	6	-	11	84,033	16,065	-	67,968
Dec. 31, 1930	17	7	-	10	88,701	21,160	-	67,541
June 30, 1931	18	8	-	10	94,250	23,183	-	71,067
Dec. 31, 1931	15	5	-	10	90,129	20,991	-	69,138
New Hampshire								
Vermont								
Dec. 31, 1929	1	1	-	-	1,173	1,173	-	-
Massachusetts								
June 30, 1929	32	19	5	8	523,289	280,557	\$220,388	22,344
Dec. 31, 1929	48	30	6	12	824,804	719,599	67,556	37,649
June 30, 1930	49	30	6	13	959,509	852,877	69,202	37,430
Dec. 31, 1930	50	29	7	14	898,565	748,125	104,280	46,160
June 30, 1931	50	28	7	15	862,839	705,422	102,840	54,577
Dec. 31, 1931	41	24	5	12	707,862	580,728	89,463	37,671
Rhode Island								
June 30, 1929	3	1	1	1	153,331	7,340	142,069	3,922
Dec. 31, 1929	3	1	1	1	151,603	6,825	139,928	4,850
June 30, 1930	3	1	1	1	151,100	6,949	140,346	3,805
Dec. 31, 1930	3	1	1	1	149,889	6,832	138,890	4,167
June 30, 1931	3	1	1	1	153,091	6,604	142,783	3,704
Dec. 31, 1931	3	1	1	1	139,201	6,294	129,378	3,529
Connecticut								
June 30, 1929	4	1	-	3	32,949	3,913	-	29,036
Dec. 31, 1929	10	5	-	5	38,275	7,505	-	30,770
June 30, 1930	13	5	-	8	72,327	8,067	-	64,260
Dec. 31, 1930	17	6	-	11	97,998	26,434	-	71,564
June 30, 1931	17	6	-	11	97,934	26,260	-	71,674
Dec. 31, 1931	16	6	-	10	93,781	26,564	-	67,217

Table VI - Number and Loans and Investments of Banks in Groups and Chains by States, June 30, 1929-December 31, 1931<sup>(1)</sup> (Continued)

Location of bank	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<u>Middle Atlantic</u>								
New York								
June 30, 1929	82	45	17	20	\$2,041,261	\$ 576,399	\$1,330,543	\$134,319
Dec. 31, 1929	104	52	19	33	2,529,214	597,277	1,762,637	169,300
June 30, 1930	103	52	19	32	2,674,085	656,743	1,863,138	154,204
Dec. 31, 1930	103	51	18	34	2,078,024	547,004	1,380,383	150,637
June 30, 1931	104	52	16	36	3,671,908	2,114,979	1,384,775	172,154
Dec. 31, 1931	95	45	15	35	1,527,615	137,678	1,262,833	127,104
New Jersey								
June 30, 1929	64	31	14	19	384,482	131,938	69,865	182,679
Dec. 31, 1929	72	33	15	24	424,309	133,586	108,869	181,854
June 30, 1930	80	36	15	29	511,313	197,485	113,008	200,820
Dec. 31, 1930	87	36	17	34	520,295	179,010	140,728	200,557
June 30, 1931	93	36	19	38	682,414	182,412	295,657	204,345
Dec. 31, 1931	70	27	15	28	383,850	102,538	97,095	184,217
Delaware								
June 30, 1929	3	-	-	3	1,141	-	-	1,141
Dec. 31, 1929	3	-	-	3	1,152	-	-	1,152
June 30, 1930	3	-	-	3	1,115	-	-	1,115
Pennsylvania								
June 30, 1929	55	19	12	24	809,438	358,284	356,168	94,986
Dec. 31, 1929	56	19	12	25	828,828	354,936	375,918	97,974
June 30, 1930	59	21	11	27	895,520	398,832	350,902	145,786
Dec. 31, 1930	64	28	11	25	935,088	466,508	370,673	97,907
June 30, 1931	60	25	11	24	977,488	491,205	393,043	93,240
Dec. 31, 1931	57	26	10	21	862,224	434,529	350,112	77,583
Maryland								
District of Col.								
<u>North Central</u>								
Michigan								
June 30, 1929	79	10	11	58	415,546	21,657	339,549	54,340
Dec. 31, 1929	118	25	19	74	1,098,555	316,480	598,499	183,576
June 30, 1930	119	25	17	77	1,099,076	324,602	586,147	188,327
Dec. 31, 1930	119	25	15	79	1,071,153	316,844	574,732	179,577
June 30, 1931	102	23	10	69	1,036,607	323,703	541,805	171,099
Dec. 31, 1931	95	23	9	63	913,720	715,909	63,205	134,606

Table VI - Number and Loans and Investments of Banks in Groups and Chains by States, June 30, 1929-December 31, 1931<sup>(1)</sup> (Continued)

Location of bank	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<b>Wisconsin</b>								
June 30, 1929	54	20	-	34	\$ 211,077	\$ 184,889	-	\$ 26,188
Dec. 31, 1929	56	21	-	35	210,584	185,355	-	25,229
June 30, 1930	67	27	2	38	263,007	217,093	\$ 16,060	29,854
Dec. 31, 1930	85	31	4	50	297,385	238,486	18,003	40,896
June 30, 1931	85	31	4	50	301,566	243,646	17,681	40,239
Dec. 31, 1931	82	29	4	49	275,862	220,561	16,880	38,421
<b>Illinois</b>								
June 30, 1929	88	20	7	61	1,065,552	671,822	86,741	306,989
Dec. 31, 1929	93	21	5	67	1,205,097	685,902	173,241	345,954
June 30, 1930	103	22	7	74	1,297,042	760,161	167,334	369,547
Dec. 31, 1930	108	24	6	78	1,292,669	725,655	166,682	400,332
June 30, 1931	66	19	6	41	1,090,260	648,772	140,688	300,800
Dec. 31, 1931	55	15	6	34	848,251	447,116	171,316	229,819
<b>Indiana</b>								
June 30, 1929	17	6	1	10	52,441	14,701	22,291	15,449
Dec. 31, 1929	26	9	1	16	83,605	45,224	20,667	17,714
June 30, 1930	30	9	1	20	85,699	42,153	21,113	22,433
Dec. 31, 1930	24	7	1	16	78,400	39,172	20,021	19,207
June 30, 1931	13	4	-	9	45,873	29,436	-	16,437
Dec. 31, 1931	9	3	-	6	39,130	26,440	-	12,690
<b>Ohio</b>								
Dec. 31, 1929	6	2	3	1	83,976	28,441	53,817	1,718
June 30, 1930	13	4	3	6	94,513	35,207	51,628	7,678
Dec. 31, 1930	10	5	1	4	70,412	33,778	28,535	8,099
June 30, 1931	10	6	1	3	71,078	35,344	29,794	5,940
Dec. 31, 1931	11	7	-	4	61,306	55,147	-	6,159
<b>Southern Mountain</b>								
<b>West Virginia</b>								
June 30, 1929	1	-	1	-	1,345	-	1,345	-
Dec. 31, 1929	1	-	1	-	1,260	-	1,260	-
June 30, 1930	1	-	1	-	1,428	-	1,428	-
Dec. 31, 1930	1	-	1	-	1,471	-	1,471	-
June 30, 1931	1	-	1	-	1,488	-	1,488	-
Dec. 31, 1931	1	-	1	-	1,494	-	1,494	-
<b>Virginia</b>								

Table VI - Number and Loans and Investments of Banks in Groups and Chains by States, June 30, 1929-December 31, 1931<sup>(1)</sup> (Continued)

Location of bank	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<b>Kentucky</b>								
June 30, 1929	4	4	-	-	\$ 8,120	\$ 8,120	-	-
Dec. 31, 1929	16	10	2	4	119,421	73,013	\$ 39,947	\$ 6,461
June 30, 1930	13	6	2	5	121,320	64,166	38,499	18,655
Dec. 31, 1930	6	3	1	2	43,289	20,562	16,665	6,062
June 30, 1931	6	3	1	2	51,334	29,044	16,812	5,478
Dec. 31, 1931	6	3	1	2	45,672	24,524	16,385	4,763
<b>Tennessee</b>								
June 30, 1929	28	10	-	18	144,082	100,191	-	43,891
Dec. 31, 1929	32	11	-	21	148,839	101,648	-	47,191
June 30, 1930	42	19	-	23	180,155	126,606	-	53,549
Dec. 31, 1930	36	17	-	19	139,243	106,563	-	32,680
June 30, 1931	35	18	-	17	132,541	103,413	-	29,128
Dec. 31, 1931	32	17	-	15	105,679	84,149	-	21,530
<b>Southeastern</b>								
<b>North Carolina</b>								
June 30, 1930	1	1	-	-	2,943	2,943	-	-
Dec. 31, 1930	1	1	-	-	3,253	3,253	-	-
June 30, 1931	1	1	-	-	2,973	2,973	-	-
Dec. 31, 1931	1	1	-	-	2,908	2,908	-	-
<b>South Carolina</b>								
June 30, 1929	2	1	-	1	7,733	3,455	-	4,278
Dec. 31, 1929	6	3	-	3	39,659	29,735	-	9,924
June 30, 1930	11	7	-	4	43,415	31,321	-	12,094
Dec. 31, 1930	11	7	-	4	43,766	32,654	-	11,112
June 30, 1931	11	7	-	4	40,241	29,798	-	10,443
Dec. 31, 1931	6	4	-	2	35,755	26,259	-	9,496
<b>Georgia</b>								
June 30, 1929	23	9	4	10	161,543	144,121	13,827	3,595
Dec. 31, 1929	25	10	5	10	170,889	150,960	15,509	4,420
June 30, 1930	28	14	4	10	173,334	157,172	10,680	5,482
Dec. 31, 1930	28	14	3	11	167,039	150,857	10,197	5,985
June 30, 1931	24	13	1	10	163,313	152,131	5,444	5,738
Dec. 31, 1931	24	13	1	10	154,318	135,264	13,484	5,570
<b>Florida</b>								
June 30, 1929	55	15	1	39	146,910	97,874	15,102	33,934
Dec. 31, 1929	47	19	-	28	131,245	110,579	-	20,666
June 30, 1930	53	22	-	31	144,073	121,462	-	22,611
Dec. 31, 1930	54	23	-	31	123,695	103,790	-	19,905
June 30, 1931	54	24	1	29	131,509	112,489	676	18,344
Dec. 31, 1931	55	25	1	29	128,419	109,029	1,418	17,972

Table VI - Number and Loans and Investments of Banks in Groups and Chains  
By States, June 30, 1929-December 31, 1931<sup>(1)</sup> (Continued)

Location of bank	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<b>Alabama</b>								
June 30, 1929	22	13	-	9	\$ 31,763	\$ 30,867	-	\$ 896
Dec. 31, 1929	22	13	-	9	31,087	30,243	-	844
June 30, 1930	26	11	-	15	35,269	30,442	-	4,827
Dec. 31, 1930	26	11	-	15	65,092	61,094	-	3,998
June 30, 1931	26	11	-	15	61,534	57,629	-	3,905
Dec. 31, 1931	24	11	-	13	57,429	53,945	-	3,484
<b>Mississippi</b>								
June 30, 1929	39	3	-	36	34,481	12,268	-	22,213
Dec. 31, 1929	39	3	-	36	33,754	11,702	-	22,052
June 30, 1930	39	3	-	36	33,926	11,821	-	22,105
Dec. 31, 1930	31	3	-	28	25,790	10,277	-	15,513
June 30, 1931	23	3	-	20	21,893	9,141	-	12,752
Dec. 31, 1931	23	3	-	20	20,327	7,888	-	12,439
<b>Southwestern</b>								
<b>Louisiana</b>								
June 30, 1929	17	6	1	10	51,462	29,842	\$ 12,852	8,768
Dec. 31, 1929	17	6	1	10	51,394	30,543	11,857	8,994
June 30, 1930	17	7	1	9	52,213	30,502	12,844	8,867
Dec. 31, 1930	21	8	1	12	64,122	30,167	19,699	14,256
June 30, 1931	21	9	3	9	139,971	42,594	82,421	14,956
Dec. 31, 1931	19	9	2	8	74,211	40,547	23,238	10,426
<b>Texas</b>								
June 30, 1929	99	36	4	59	93,306	68,235	14,117	10,954
Dec. 31, 1929	101	38	3	60	118,608	93,996	13,623	10,989
June 30, 1930	105	39	3	63	115,074	89,082	13,951	12,041
Dec. 31, 1930	104	37	3	64	112,028	85,787	13,939	12,302
June 30, 1931	108	38	4	66	110,410	82,572	15,097	12,741
Dec. 31, 1931	99	34	4	61	98,526	72,813	14,308	11,405
<b>Arkansas</b>								
June 30, 1929	60	10	1	49	41,604	15,413	11,140	15,051
Dec. 31, 1929	74	14	1	59	49,955	20,634	11,691	17,630
June 30, 1930	71	11	1	59	38,300	6,423	14,332	17,545
Dec. 31, 1930	8	5	-	3	4,100	3,824	-	276
June 30, 1931	18	6	-	12	14,564	11,889	-	2,675
Dec. 31, 1931	9	6	-	3	11,120	10,868	-	252
<b>Oklahoma</b>								
June 30, 1929	96	52	-	44	107,261	92,944	-	14,317
Dec. 31, 1929	102	61	-	41	115,705	101,955	-	13,750
June 30, 1930	100	59	-	41	109,529	96,035	-	13,494
Dec. 31, 1930	102	57	-	45	95,313	80,166	-	15,147
June 30, 1931	101	55	-	46	80,706	66,561	-	14,145
Dec. 31, 1931	94	52	-	42	69,151	56,536	-	12,615

Table VI - Number and Loans and Investments of Banks in Groups and Chains by States, June 30, 1929-December 31, 1931<sup>(1)</sup> (Continued)

Location of bank	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<b>Western Grain</b>								
<b>Minnesota</b>								
June 30, 1929	242	104	2	136	\$ 444,807	\$ 349,992	\$ 1,848	\$ 92,967
Dec. 31, 1929	276	123	2	151	544,228	430,531	1,894	111,803
June 30, 1930	282	125	2	155	527,304	410,272	1,687	115,345
Dec. 31, 1930	276	120	2	154	537,781	414,319	1,650	121,812
June 30, 1931	270	117	2	151	539,753	420,582	1,613	117,558
Dec. 31, 1931	256	119	1	136	496,198	404,528	1,087	90,583
<b>North Dakota</b>								
June 30, 1929	86	27	-	59	40,681	28,125	-	12,556
Dec. 31, 1929	91	38	-	53	52,515	40,681	-	11,834
June 30, 1930	96	42	-	54	57,590	46,111	-	11,479
Dec. 31, 1930	96	43	-	53	55,518	44,295	-	11,223
June 30, 1931	95	44	-	51	54,680	44,204	-	10,476
Dec. 31, 1931	83	39	-	44	48,317	39,769	-	8,548
<b>South Dakota</b>								
June 30, 1929	54	24	3	27	38,618	28,185	1,754	8,679
Dec. 31, 1929	60	30	3	27	44,572	33,457	1,828	9,287
June 30, 1930	62	33	3	26	46,773	34,946	1,661	10,166
Dec. 31, 1930	60	32	3	25	43,872	32,939	1,540	9,393
June 30, 1931	57	35	3	19	44,893	35,639	1,504	7,750
Dec. 31, 1931	53	33	3	17	40,202	32,290	1,168	6,744
<b>Iowa</b>								
June 30, 1929	79	31	1	47	65,489	44,665	910	19,914
Dec. 31, 1929	85	32	1	52	84,756	62,466	898	21,392
June 30, 1930	70	26	1	43	79,260	58,831	922	19,507
Dec. 31, 1930	64	22	1	41	72,342	51,911	880	19,551
June 30, 1931	63	22	1	40	73,357	54,028	873	18,456
Dec. 31, 1931	61	22	1	38	67,359	49,520	772	17,067
<b>Nebraska</b>								
June 30, 1929	72	25	-	47	35,137	20,519	-	14,618
Dec. 31, 1929	77	29	-	48	66,785	50,031	-	16,754
June 30, 1930	61	28	-	33	58,973	50,481	-	8,492
Dec. 31, 1930	62	29	-	33	63,300	54,796	-	8,504
June 30, 1931	62	29	-	33	63,242	55,309	-	7,933
Dec. 31, 1931	53	27	-	26	54,867	48,817	-	6,050

Table VI - Number and Loans and Investments of Banks in Groups and Chains by States, June 30, 1929-December 31, 1931(1) (Continued)

Location of bank	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<b>Missouri</b>								
June 30, 1929	31	10	2	19	\$ 160,199	\$ 32,161	\$103,177	\$ 24,861
Dec. 31, 1929	32	10	2	20	151,982	29,441	98,161	24,380
June 30, 1930	31	9	3	19	150,017	26,947	99,046	24,024
Dec. 31, 1930	28	8	3	17	150,876	26,971	100,640	23,265
June 30, 1931	28	9	3	16	146,231	27,099	95,850	23,282
Dec. 31, 1931	27	9	3	15	136,144	25,695	89,658	20,791
<b>Kansas</b>								
June 30, 1929	101	32	1	68	64,644	42,479	1,455	20,710
Dec. 31, 1929	103	34	1	68	67,677	45,310	1,405	20,962
June 30, 1930	99	35	1	63	66,289	46,776	1,407	18,106
Dec. 31, 1930	99	35	1	63	61,485	42,666	1,298	17,521
June 30, 1931	100	36	1	63	60,545	42,411	1,350	16,784
Dec. 31, 1931	96	33	1	62	57,390	40,369	1,011	16,010
<b>Rocky Mountain</b>								
<b>Montana</b>								
June 30, 1929	28	9	3	16	44,478	15,423	23,125	5,930
Dec. 31, 1929	41	17	5	19	79,750	42,302	28,925	8,523
June 30, 1930	46	19	4	23	77,552	40,762	24,817	11,973
Dec. 31, 1930	46	19	4	23	74,334	40,360	22,813	11,161
June 30, 1931	45	18	4	23	69,623	38,929	21,362	9,332
Dec. 31, 1931	42	17	3	22	63,548	36,249	18,970	8,329
<b>Idaho</b>								
June 30, 1929	41	11	3	27	36,798	16,731	8,607	11,460
Dec. 31, 1929	41	11	3	27	38,874	18,194	9,233	11,447
June 30, 1930	44	9	3	32	39,368	15,700	8,822	14,846
Dec. 31, 1930	45	10	3	32	38,417	15,905	9,099	13,413
June 30, 1931	45	10	3	32	36,501	14,855	8,687	12,959
Dec. 31, 1931	45	10	3	32	34,124	14,285	8,278	11,561
<b>Wyoming</b>								
June 30, 1929	25	8	1	16	19,781	14,456	143	5,182
Dec. 31, 1929	25	8	1	16	20,171	14,326	115	5,730
June 30, 1930	25	8	1	16	19,484	13,502	142	5,840
Dec. 31, 1930	25	8	2	15	18,455	12,356	759	5,340
June 30, 1931	25	8	3	14	18,691	12,727	977	4,987
Dec. 31, 1931	16	6	1	9	13,642	10,268	122	3,252

Table VI - Number and Loans and Investments of Banks in Groups and Chains by States, June 30, 1929-December 31, 1931<sup>(1)</sup> (Continued)

Location of bank	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<b>Colorado</b>								
June 30, 1929	15	10	-	5	\$ 27,829	\$ 20,687	-	\$ 7,142
Dec. 31, 1929	16	11	-	5	27,670	20,557	-	7,113
June 30, 1930	17	11	-	6	27,790	20,771	-	7,019
Dec. 31, 1930	17	11	-	6	25,252	18,674	-	6,578
June 30, 1931	17	11	-	6	24,211	17,917	-	6,294
Dec. 31, 1931	16	10	-	6	22,564	16,465	-	6,099
<b>New Mexico</b>								
June 30, 1929	9	5	-	4	3,031	2,197	-	834
Dec. 31, 1929	9	5	-	4	3,173	2,255	-	918
June 30, 1930	6	4	-	2	2,099	1,465	-	634
Dec. 31, 1930	6	5	-	1	1,516	1,295	-	221
June 30, 1931	5	4	-	1	1,389	1,217	-	172
Dec. 31, 1931	5	4	-	1	1,240	1,083	-	157
<b>Arizona</b>								
June 30, 1929	6	1	-	5	17,646	5,833	-	11,813
Dec. 31, 1929	6	1	-	5	17,660	5,790	-	11,870
June 30, 1930	6	1	-	5	17,585	5,526	-	12,059
Dec. 31, 1930	6	1	-	5	15,855	5,083	-	10,772
June 30, 1931	6	1	-	5	14,729	4,735	-	9,994
Dec. 31, 1931	6	1	-	5	14,145	4,175	-	9,970
<b>Utah</b>								
June 30, 1929	27	6	4	17	50,514	29,248	2,850	18,416
Dec. 31, 1929	26	6	3	17	52,290	31,441	2,377	18,472
June 30, 1930	26	6	4	16	51,838	29,916	6,036	15,886
Dec. 31, 1930	26	6	3	17	50,404	28,960	4,401	17,043
June 30, 1931	25	6	3	16	48,223	27,885	3,806	16,532
Dec. 31, 1931	21	4	2	15	44,592	24,803	3,935	15,854
<b>Nevada</b>								
June 30, 1929	16	4	-	12	23,099	9,111	-	13,988
Dec. 31, 1929	16	5	-	11	26,230	10,120	-	16,110
June 30, 1930	17	5	-	12	24,426	9,821	-	14,605
Dec. 31, 1930	17	5	-	12	24,425	9,895	-	14,530
June 30, 1931	17	5	-	12	22,432	9,367	-	13,065
Dec. 31, 1931	16	4	-	12	21,268	8,712	-	12,556

Table VI - Number and Loans and Investments of Banks in Groups and Chains by States, June 30, 1929-December 31, 1931<sup>(1)</sup> (Continued)

Location of bank	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<b>Pacific Coast</b>								
<b>Washington</b>								
June 30, 1929	62	24	-	38	\$ 91,325	\$ 74,648	-	\$ 16,677
Dec. 31, 1929	74	28	3	43	186,888	151,085	\$ 14,087	21,716
June 30, 1930	79	33	5	41	203,068	155,115	25,410	22,543
Dec. 31, 1930	80	33	5	42	201,907	155,050	25,172	21,685
June 30, 1931	81	33	5	43	207,976	160,835	25,816	21,325
Dec. 31, 1931	73	32	4	37	182,762	143,148	21,764	17,850
<b>Oregon</b>								
June 30, 1929	33	16	4	13	76,452	68,203	2,182	6,067
Dec. 31, 1929	36	18	5	13	80,291	70,334	3,231	6,726
June 30, 1930	36	19	4	13	134,393	124,735	2,621	7,037
Dec. 31, 1930	33	18	3	12	126,253	117,386	2,312	6,555
June 30, 1931	29	18	1	10	124,763	117,395	907	6,461
Dec. 31, 1931	26	16	1	9	122,620	116,558	873	5,189
<b>California</b>								
June 30, 1929	62	35	2	25	1,954,330	1,344,538	225,942	383,850
Dec. 31, 1929	60	35	1	24	1,983,596	1,425,578	229,089	328,929
June 30, 1930	60	36	1	23	1,942,514	1,389,315	232,658	320,541
Dec. 31, 1930	52	31	1	20	1,826,982	1,537,579	214,910	74,493
June 30, 1931	51	30	1	20	1,766,449	1,483,081	209,131	74,237
Dec. 31, 1931	49	30	-	19	1,473,590	1,401,908	-	71,682

(1) See footnote (1), Table V.

Table VII - Number and Loans and Investments of Banks in Groups and Chains Including Mutual Savings and Private Banks in Certain States,<sup>(1)</sup> June 30, 1929-December 31, 1931

Location of bank	Number						Loans and investments in thousands of dollars					
	All banks	National banks	State member banks	Non-member banks	Mutual savings banks	Private banks	All banks	National banks	State member banks	Non-member banks	Mutual savings banks	Private banks
<b>Maine</b>												
June 30, 1929	6	2	-	3	1	-	\$ 54,830	\$ 10,033	-	\$ 43,235	\$ 1,562	-
Dec. 31, 1929	14	6	-	7	1	-	72,287	14,665	-	56,077	1,545	-
June 30, 1930	18	6	-	11	1	-	85,591	16,065	-	67,968	1,558	-
Dec. 31, 1930	18	7	-	10	1	-	90,306	21,160	-	67,541	1,605	-
June 30, 1931	19	8	-	10	1	-	95,930	23,183	-	71,067	1,680	-
Dec. 31, 1931	16	5	-	10	1	-	91,855	20,991	-	69,138	1,726	-
<b>New Hampshire</b>												
June 30, 1929	8	2	-	2	4	-	66,201	6,839	-	249	59,113	-
Dec. 31, 1929	8	2	-	2	4	-	56,412	7,206	-	255	48,951	-
June 30, 1930	8	2	-	2	4	-	66,984	7,275	-	251	59,458	-
Dec. 31, 1930	8	2	-	2	4	-	67,559	7,680	-	251	59,628	-
June 30, 1931	8	2	-	2	4	-	69,626	8,511	-	230	60,885	-
Dec. 31, 1931	3	2	-	2	4	-	68,471	7,550	-	241	60,680	-
<b>Massachusetts</b>												
June 30, 1929	34	19	5	8	2	-	533,008	280,557	\$ 220,388	22,344	9,719	-
Dec. 31, 1929	50	30	6	12	2	-	834,701	719,599	67,556	37,649	9,897	-
June 30, 1930	51	30	6	13	2	-	969,924	852,877	69,202	37,430	10,415	-
Dec. 31, 1930	55	30	7	15	3	-	917,424	748,387	104,280	52,116	12,641	-
June 30, 1931	55	29	7	16	3	-	881,786	705,690	102,840	60,596	12,660	-
Dec. 31, 1931	46	25	5	13	3	-	727,495	580,994	89,463	44,009	13,029	-
<b>Connecticut</b>												
June 30, 1929	4	1	-	3	-	-	32,949	3,913	-	29,036	-	-
Dec. 31, 1929	11	5	-	5	1	-	43,768	7,505	-	30,770	5,493	-
June 30, 1930	14	5	-	8	1	-	77,594	8,067	-	64,260	5,267	-
Dec. 31, 1930	18	6	-	11	1	-	103,247	26,434	-	71,564	5,249	-
June 30, 1931	18	6	-	11	1	-	103,092	26,260	-	71,674	5,158	-
Dec. 31, 1931	17	6	-	10	1	-	98,991	26,564	-	67,217	5,210	-

Table VII - Number and Loans and Investments of Banks in Groups and Chains Including Mutual Savings and Private Banks in Certain States,<sup>(1)</sup> June 30, 1929-December 31, 1931 (Continued)

Location of bank	Number						Loans and investments in thousands of dollars					
	All banks	National banks	State member banks	Non-member banks	Mutual savings banks	Private banks	All banks	National banks	State member banks	Non-member banks	Mutual savings banks	Private banks
<b>New York</b>												
June 30, 1929	83	45	17	20	-	1	\$2,041,261	\$ 576,399	\$1,330,543	\$134,319	-	N.S.
Dec. 31, 1929	105	52	19	33	-	1	2,529,214	597,277	1,762,637	169,300	-	N.S.
June 30, 1930	104	52	19	32	-	1	2,674,085	656,743	1,863,138	154,204	-	N.S.
Dec. 31, 1930	104	51	18	34	-	1	2,078,467	547,004	1,380,383	150,637	-	\$ 443
June 30, 1931	105	52	16	36	-	1	3,672,341	2,114,979	1,384,775	172,154	-	433
Dec. 31, 1931	96	45	15	35	-	1	1,528,019	137,678	1,262,833	127,104	-	404
<b>Pennsylvania</b>												
June 30, 1929	59	20	12	25	-	2	813,146	359,187	356,168	96,536	-	1,255
Dec. 31, 1929	60	20	12	26	-	2	832,701	355,955	375,918	99,573	-	1,255
June 30, 1930	63	22	11	28	-	2	899,319	399,828	350,902	147,334	-	1,255
Dec. 31, 1930	68	29	11	26	-	2	938,849	467,460	370,673	99,442	-	1,274
June 30, 1931	64	26	11	25	-	2	981,096	492,040	393,043	94,763	-	1,250
Dec. 31, 1931	58	26	10	21	-	1	863,465	434,529	350,112	77,583	-	1,241
<b>Michigan</b>												
June 30, 1929	91	10	11	58	-	12	416,597	21,657	339,549	54,340	-	1,051
Dec. 31, 1929	130	25	19	74	-	12	1,099,642	316,480	598,499	183,576	-	1,087
June 30, 1930	129	25	17	77	-	10	1,100,136	324,602	586,147	188,327	-	1,060
Dec. 31, 1930	129	25	15	79	-	10	1,072,116	316,844	574,732	179,577	-	963
June 30, 1931	112	23	10	69	-	10	1,037,550	323,703	541,805	171,099	-	943
Dec. 31, 1931	105	23	9	63	-	10	914,616	715,909	63,205	134,606	-	896
<b>Indiana</b>												
June 30, 1929	18	6	1	10	-	1	52,503	14,701	22,291	15,449	-	62
Dec. 31, 1929	27	9	1	16	-	1	83,696	45,224	20,667	17,714	-	91
June 30, 1930	31	9	1	20	-	1	85,773	42,153	21,113	22,433	-	74
Dec. 31, 1930	29	9	1	16	-	3	79,817	40,433	20,021	19,207	-	156
June 30, 1931	18	6	-	9	-	3	47,322	30,701	-	16,437	-	184
Dec. 31, 1931	14	5	-	6	-	3	40,608	27,703	-	12,690	-	215

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Table VII - Number and Loans and Investments of Banks in Groups and Chains Including Mutual Savings and Private Banks in Certain States,<sup>(1)</sup> June 30, 1929-December 31, 1931 (Continued)

Location of bank	Number						Loans and investments in thousands of dollars					
	All banks	National banks	State member banks	Non-member banks	Mutual savings banks	Private banks	All banks	National banks	State member banks	Non-member banks	Mutual savings banks	Private banks
<b>Texas</b>												
June 30, 1929	107	39	4	60	-	4	\$102,420	\$ 75,605	\$ 14,117	\$ 12,384	-	\$ 314
Dec. 31, 1929	109	41	3	61	-	4	128,358	101,595	13,623	12,826	-	314
June 30, 1930	113	42	3	64	-	4	126,190	98,185	13,951	13,740	-	314
Dec. 31, 1930	112	40	3	65	-	4	121,482	93,504	13,939	13,725	-	314
June 30, 1931	116	41	4	67	-	4	120,416	90,917	15,097	14,088	-	314
Dec. 31, 1931	106	37	4	62	-	3	107,387	80,307	14,308	12,697	-	75
<b>Iowa</b>												
June 30, 1929	88	31	1	47	-	9	68,389	44,665	910	19,914	-	2,900
Dec. 31, 1929	94	32	1	52	-	9	87,672	62,466	898	21,392	-	2,916
June 30, 1930	80	27	1	44	-	8	82,215	59,020	922	19,657	-	2,616
Dec. 31, 1930	70	22	1	41	-	6	74,535	51,911	880	19,551	-	2,193
June 30, 1931	69	22	1	40	-	6	75,496	54,028	873	18,456	-	2,139
Dec. 31, 1931	67	22	1	38	-	6	69,429	49,520	772	17,067	-	2,070

N. S.--not shown.

(1) See footnote (1), Table V.

Table VIII - Number of Group and Chain Systems, by Geographic Division<sup>(1)</sup>  
June 30, 1929-December 31, 1931

Geographic division	Number of systems	Geographic division	Number of systems	Geographic division	Number of systems
<u>New England</u>		June 30, 1930	6	June 30, 1931	96
June 30, 1929	7	Dec. 31, 1930	5	Dec. 31, 1931	84
Dec. 31, 1929	10	June 30, 1931	5		
June 30, 1930	11	Dec. 31, 1931	4	<u>Rocky Mountain</u>	
Dec. 31, 1930	12			June 30, 1929	22
June 30, 1931	12	<u>Southeastern</u>		Dec. 31, 1929	21
Dec. 31, 1931	11	June 30, 1929	23	June 30, 1930	20
		Dec. 31, 1929	24	Dec. 31, 1930	19
<u>Middle Atlantic</u>		June 30, 1930	23	June 30, 1931	19
June 30, 1929	48	Dec. 31, 1930	24	Dec. 31, 1931	17
Dec. 31, 1929	54	June 30, 1931	21		
June 30, 1930	56	Dec. 31, 1931	21	<u>Pacific Coast</u>	
Dec. 31, 1930	55			June 30, 1929	26
June 30, 1931	53	<u>Southwestern</u>		Dec. 31, 1929	28
Dec. 31, 1931	43	June 30, 1929	41	June 30, 1930	27
		Dec. 31, 1929	39	Dec. 31, 1930	26
<u>North Central</u>		June 30, 1930	38	June 30, 1931	26
June 30, 1929	40	Dec. 31, 1930	37	Dec. 31, 1931	25
Dec. 31, 1929	42	June 30, 1931	38		
June 30, 1930	44	Dec. 31, 1931	35	<u>United States</u>	
Dec. 31, 1930	42			June 30, 1929	321
June 30, 1931	35	<u>Western Grain</u>		Dec. 31, 1929	332
Dec. 31, 1931	33	June 30, 1929	109	June 30, 1930	325
		Dec. 31, 1929	107	Dec. 31, 1930	316
<u>Southern Mountain</u>		June 30, 1930	100	June 30, 1931	305
June 30, 1929	5	Dec. 31, 1930	96	Dec. 31, 1931	273
Dec. 31, 1929	7				

(1) According to location of head office.

Table IX - Number of Group and Chain Systems, by State<sup>(1)</sup>  
June 30, 1929-December 31, 1931

State by geographic division	Number of systems	State by geographic division	Number of systems	State by geographic division	Number of systems
<u>New England</u>		<u>New York (Cont.)</u>		<u>Wisconsin (Cont.)</u>	
Maine		June 30, 1930	20	Dec. 31, 1929	7
June 30, 1929	1	Dec. 31, 1930	20	June 30, 1930	7
Dec. 31, 1929	2	June 30, 1931	18	Dec. 31, 1930	7
June 30, 1930	2	Dec. 31, 1931	15	June 30, 1931	7
Dec. 31, 1930	2			Dec. 31, 1931	7
June 30, 1931	2	New Jersey			
Dec. 31, 1931	2	June 30, 1929	16	Illinois	
New Hampshire		Dec. 31, 1929	18	June 30, 1929	13
		June 30, 1930	20	Dec. 31, 1929	14
		Dec. 31, 1930	22	June 30, 1930	15
Vermont		June 30, 1931	24	Dec. 31, 1930	15
		Dec. 31, 1931	18	June 30, 1931	12
Massachusetts				Dec. 31, 1931	11
June 30, 1929	4	Delaware			
Dec. 31, 1929	6	June 30, 1929	1	Indiana	
June 30, 1930	6	Dec. 31, 1929	1	June 30, 1929	4
Dec. 31, 1930	6	June 30, 1930	1	Dec. 31, 1929	5
June 30, 1931	6			June 30, 1930	6
Dec. 31, 1931	5	Pennsylvania		Dec. 31, 1930	4
Rhode Island		June 30, 1929	14	June 30, 1931	2
June 30, 1929	1	Dec. 31, 1929	14	Dec. 31, 1931	2
Dec. 31, 1929	1	June 30, 1930	15		
June 30, 1930	1	Dec. 31, 1930	13	Ohio	
Dec. 31, 1930	1	June 30, 1931	11	June 30, 1929	2
June 30, 1931	1	Dec. 31, 1931	10	Dec. 31, 1929	3
Dec. 31, 1931	1	Maryland		June 30, 1930	3
Connecticut		Dist. of Col.		Dec. 31, 1930	3
June 30, 1929	1			June 30, 1931	3
Dec. 31, 1929	1			Dec. 31, 1931	3
June 30, 1930	2	<u>North Central</u>			
Dec. 31, 1930	3	Michigan		<u>Southern Mountain</u>	
June 30, 1931	3	June 30, 1929	14	West Virginia	
Dec. 31, 1931	3	Dec. 31, 1929	13		
		June 30, 1930	13	Virginia	
		Dec. 31, 1930	13		
		June 30, 1931	11	Kentucky	
		Dec. 31, 1931	10	June 30, 1929	1
<u>Middle Atlantic</u>				Dec. 31, 1929	3
New York		Wisconsin		June 30, 1930	2
June 30, 1929	17	June 30, 1929	7	Dec. 31, 1930	1
Dec. 31, 1929	21				

Table IX - Number of Group and Chain Systems, by State<sup>(1)</sup>  
 June 30, 1929-December 31, 1931 (Continued)

State by geographic division	Number of systems	State by geographic division	Number of systems	State by geographic division	Number of systems
Kentucky (Cont.)		Mississippi		Minnesota (Cont.)	
June 30, 1931	1	June 30, 1929	6	June 30, 1930	35
Dec. 31, 1931	1	Dec. 31, 1929	6	Dec. 31, 1930	33
Tennessee		June 30, 1930	6	June 30, 1931	33
June 30, 1929	4	Dec. 31, 1930	7	Dec. 31, 1931	30
Dec. 31, 1929	4	June 30, 1931	5	North Dakota	
June 30, 1930	4	Dec. 31, 1931	5	June 30, 1929	6
Dec. 31, 1930	4	<u>Southwestern</u>		Dec. 31, 1929	5
June 30, 1931	4	Louisiana		June 30, 1930	5
Dec. 31, 1931	3	June 30, 1929	4	Dec. 31, 1930	5
<u>Southeastern</u>		Dec. 31, 1929	4	June 30, 1931	5
North Carolina		June 30, 1930	4	Dec. 31, 1931	3
South Carolina		Dec. 31, 1930	4	South Dakota	
Dec. 31, 1929	1	June 30, 1931	4	June 30, 1929	6
June 30, 1930	1	Dec. 31, 1931	4	Dec. 31, 1929	5
Dec. 31, 1930	1	Texas		June 30, 1930	5
June 30, 1931	1	June 30, 1929	18	Dec. 31, 1930	5
Dec. 31, 1931	1	Dec. 31, 1929	18	June 30, 1931	4
Georgia		June 30, 1930	18	Dec. 31, 1931	2
June 30, 1929	7	Dec. 31, 1930	17	Iowa	
Dec. 31, 1929	6	June 30, 1931	16	June 30, 1929	13
June 30, 1930	5	Dec. 31, 1931	15	Dec. 31, 1929	14
Dec. 31, 1930	5	Arkansas		June 30, 1930	12
June 30, 1931	4	June 30, 1929	6	Dec. 31, 1930	11
Dec. 31, 1931	4	Dec. 31, 1929	5	June 30, 1931	11
Florida		June 30, 1930	4	Dec. 31, 1931	10
June 30, 1929	6	Dec. 31, 1930	2	Nebraska	
Dec. 31, 1929	7	June 30, 1931	4	June 30, 1929	14
June 30, 1930	7	Dec. 31, 1931	3	Dec. 31, 1929	14
Dec. 31, 1930	7	Oklahoma		June 30, 1930	12
June 30, 1931	7	June 30, 1929	13	Dec. 31, 1930	12
Dec. 31, 1931	7	Dec. 31, 1929	12	June 30, 1931	12
Alabama		June 30, 1930	12	Dec. 31, 1931	9
June 30, 1929	4	Dec. 31, 1930	14	Missouri	
Dec. 31, 1929	4	June 30, 1931	14	June 30, 1929	8
June 30, 1930	4	Dec. 31, 1931	13	Dec. 31, 1929	8
Dec. 31, 1930	4	<u>Western Grain</u>		June 30, 1930	7
June 30, 1931	4	Minnesota		Dec. 31, 1930	6
Dec. 31, 1931	4	June 30, 1929	37	June 30, 1931	6
		Dec. 31, 1929	36	Dec. 31, 1931	6

Table IX - Number of Group and Chain Systems, by State<sup>(1)</sup>  
 June 30, 1929-December 31, 1931 (Continued)

State by geographic division	Number of systems	State by geographic division	Number of systems	State by geographic division	Number of systems
<b>Kansas</b>		<b>Colorado</b>		<b>Nevada</b>	
June 30, 1929	25	June 30, 1929	3	June 30, 1929	2
Dec. 31, 1929	25	Dec. 31, 1929	3	Dec. 31, 1929	2
June 30, 1930	24	June 30, 1930	3	June 30, 1930	2
Dec. 31, 1930	24	Dec. 31, 1930	3	Dec. 31, 1930	2
June 30, 1931	25	June 30, 1931	3	June 30, 1931	2
Dec. 31, 1931	24	Dec. 31, 1931	3	Dec. 31, 1931	2
<b>Rocky Mountain</b>		<b>New Mexico</b>		<b>Pacific Coast</b>	
<b>Montana</b>		June 30, 1929	2	<b>Washington</b>	
June 30, 1929	3	Dec. 31, 1929	2	June 30, 1929	12
Dec. 31, 1929	2	June 30, 1930	1	Dec. 31, 1929	12
June 30, 1930	2	Dec. 31, 1930	1	June 30, 1930	13
Dec. 31, 1930	1	June 30, 1931	1	Dec. 31, 1930	13
June 30, 1931	1	Dec. 31, 1931	1	June 30, 1931	13
Dec. 31, 1931	1			Dec. 31, 1931	12
<b>Idaho</b>		<b>Arizona</b>		<b>Oregon</b>	
June 30, 1929	3	June 30, 1929	1	June 30, 1929	6
Dec. 31, 1929	3	Dec. 31, 1929	1	Dec. 31, 1929	7
June 30, 1930	3	June 30, 1930	1	June 30, 1930	5
Dec. 31, 1930	3	Dec. 31, 1930	1	Dec. 31, 1930	4
June 30, 1931	3	June 30, 1931	1	June 30, 1931	4
Dec. 31, 1931	3	Dec. 31, 1931	1	Dec. 31, 1931	4
<b>Wyoming</b>		<b>Utah</b>		<b>California</b>	
June 30, 1929	3	June 30, 1929	5	June 30, 1929	8
Dec. 31, 1929	3	Dec. 31, 1929	5	Dec. 31, 1929	9
June 30, 1930	3	June 30, 1930	5	June 30, 1930	9
Dec. 31, 1930	3	Dec. 31, 1930	5	Dec. 31, 1930	9
June 30, 1931	3	June 30, 1931	5	June 30, 1931	9
Dec. 31, 1931	2	Dec. 31, 1931	4	Dec. 31, 1931	9

(1) According to location of head office.

Table X - Banks in Leading Groups: Number of Banks, Number of Branches, and Loans and Investments by Class of Bank and by State, December 31, 1931

State classified according to law regarding branch banking	Number of banks				Loans and investments in thousands of dollars				Number of branches			
	Total	National	State member	Non-member	Total	National banks	State member banks	Non-member banks	Total	National banks	State member banks	Non-member banks

State-wide Branch Banking Permitted

Arizona	-	-	-	-	-	-	-	-	-	-	-	-
California	23	17	-	6	\$1,000,632	\$ 938,140	-	\$ 62,492	408	345	-	63
Delaware	-	-	-	-	-	-	-	-	-	-	-	-
Dist. of Col.	-	-	-	-	-	-	-	-	-	-	-	-
Maryland	-	-	-	-	-	-	-	-	-	-	-	-
North Carolina	-	-	-	-	-	-	-	-	-	-	-	-
Rhode Island	-	-	-	-	-	-	-	-	-	-	-	-
South Carolina	2	1	-	1	5,416	2,079	-	3,337	1	1	-	-
Vermont	-	-	-	-	-	-	-	-	-	-	-	-
Virginia	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>25</b>	<b>18</b>	<b>-</b>	<b>7</b>	<b>\$1,006,048</b>	<b>\$ 940,219</b>	<b>-</b>	<b>\$ 65,829</b>	<b>409</b>	<b>346</b>	<b>-</b>	<b>63</b>

Branches Restricted As to Location

Georgia	18	11	1	6	\$ 150,561	\$ 133,405	\$ 13,484	\$ 3,672	18	18	-	-
Indiana	-	-	-	-	-	-	-	-	-	-	-	-
Iowa	5	4	-	1	35,730	35,114	-	616	-	-	-	-
Kentucky	6	3	1	2	45,672	24,524	16,385	4,763	8	8	-	-
Louisiana	5	2	1	2	22,933	15,833	4,876	2,224	3	-	1	2
Maine	12	5	-	7	79,871	20,991	-	58,880	31	-	-	31
Massachusetts	33	19	5	9	692,177	572,832	89,463	29,882	53	40	11	2
Michigan	40	15	5	20	855,971	700,328	46,559	109,084	263	237	16	10
Mississippi	-	-	-	-	-	-	-	-	-	-	-	-
Montana	30	14	3	13	58,881	34,664	18,970	5,247	-	-	-	-
New Jersey	-	-	-	-	-	-	-	-	-	-	-	-
New York	34	11	8	15	538,698	51,521	393,471	93,706	68	2	57	9
Ohio	11	7	-	4	61,306	55,147	-	6,159	11	11	-	-
Pennsylvania	26	16	3	7	582,763	314,751	218,555	49,457	-	-	-	-
Tennessee	29	15	-	14	93,416	79,193	-	14,223	20	14	-	6
<b>Total</b>	<b>249</b>	<b>122</b>	<b>27</b>	<b>100</b>	<b>\$3,217,979</b>	<b>\$2,038,303</b>	<b>\$801,763</b>	<b>\$377,913</b>	<b>475</b>	<b>330</b>	<b>85</b>	<b>60</b>

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Table X -- Banks in Leading Groups: Number of Banks, Number of Branches, and Loans and Investments by Class of Bank and by State, December 31, 1931 (Continued)

State classified according to law regarding branch banking	Number of banks				Loans and investments in thousands of dollars				Number of branches			
	Total	National	State member	Non-member	Total	National banks	State member banks	Non-member banks	Total	National banks	State member banks	Non-member banks
<u>Establishment of Branches Prohibited by Law</u>												
Alabama	6	4	-	2	\$ 50,108	\$ 48,645	-	\$ 1,463	-	-	-	-
Arkansas	-	-	-	-	-	-	-	-	-	-	-	-
Colorado	-	-	-	-	-	-	-	-	-	-	-	-
Connecticut	9	5	-	4	38,347	8,953	-	29,394	-	-	-	-
Florida	9	6	-	3	30,838	29,933	-	905	-	-	-	-
Idaho	22	3	3	16	17,027	2,668	\$ 8,278	6,081	-	-	-	-
Illinois	28	5	4	19	805,165	419,966	167,562	217,637	-	-	-	-
Kansas	1	1	-	-	622	622	-	-	-	-	-	-
Minnesota	104	63	-	41	407,837	353,261	-	54,576	6	6	-	-
Missouri	6	1	1	4	71,594	2,613	65,844	3,137	-	-	-	-
Nebraska	7	5	-	2	34,807	33,456	-	1,351	-	-	-	-
Nevada	-	-	-	-	-	-	-	-	-	-	-	-
New Mexico	-	-	-	-	-	-	-	-	-	-	-	-
Oregon	14	8	-	6	107,853	103,863	-	3,985	-	-	-	-
Texas	3	3	-	-	4,164	4,164	-	-	-	-	-	-
Utah	9	2	1	6	18,113	11,217	922	5,974	-	-	-	-
Washington	36	22	1	13	137,880	124,447	9,094	4,339	2	2	-	-
West Virginia	-	-	-	-	-	-	-	-	-	-	-	-
Wisconsin	53	22	4	27	239,011	190,768	16,880	31,363	6	4	1	1
Total	307	150	14	143	\$1,963,366	\$1,334,581	\$ 268,580	\$360,205	14	12	1	1
<u>No Provision in State Law Regarding Branch Banking</u>												
New Hampshire	-	-	-	-	-	-	-	-	-	-	-	-
North Dakota	38	31	-	7	\$ 32,219	\$ 31,183	-	\$ 1,036	-	-	-	-
Oklahoma	19	10	-	9	46,661	39,773	-	6,888	-	-	-	-
South Dakota	34	31	-	3	32,985	31,462	-	1,523	-	-	-	-
Wyoming	2	-	-	2	1,678	-	-	1,678	-	-	-	-
Total	93	72	-	21	\$ 113,543	\$ 102,418	-	\$ 11,125	-	-	-	-
UNITED STATES	674	362	41	271	\$6,300,936	\$4,415,521	\$1,070,343	\$815,072	898	688	86	124

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Table XI - Banks in Other Groups: Number of Banks, Number of Branches, and Loans and Investments by Class of Bank and by State, December 31, 1931

State classified according to law regarding branch banking	Number of banks			Loans and investments in thousands of dollars				Number of branches			
	Total	National	State member	Non-member	Total	National banks	State member banks	Non-member banks	Total	National banks	State member banks

State-wide Branch Banking Permitted

Arizona	-	-	-	-	-	-	-	-	-	-	-	-
California	13	5	-	8	\$ 458,440	\$452,121	-	\$ 6,319	127	125	-	2
Delaware	-	-	-	-	-	-	-	-	-	-	-	-
Dist. of Col.	-	-	-	-	-	-	-	-	-	-	-	-
Maryland	-	-	-	-	-	-	-	-	-	-	-	-
North Carolina	1	1	-	-	2,908	2,908	-	-	-	-	-	-
Rhode Island	3	1	1	1	139,201	6,294	\$ 129,378	3,529	14	-	14	-
South Carolina	4	3	-	1	30,339	24,180	-	6,159	22	5	-	17
Vermont	-	-	-	-	-	-	-	-	-	-	-	-
Virginia	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21</b>	<b>10</b>	<b>1</b>	<b>10</b>	<b>\$ 630,888</b>	<b>\$485,503</b>	<b>\$ 129,378</b>	<b>\$ 16,007</b>	<b>163</b>	<b>130</b>	<b>14</b>	<b>19</b>

Branches Restricted As to Location

Georgia	-	-	-	-	-	-	-	-	-	-	-	-
Indiana	9	3	-	6	\$ 39,130	\$ 26,440	-	\$ 12,690	3	3	-	-
Iowa	6	-	-	6	3,458	-	-	3,458	-	-	-	-
Kentucky	-	-	-	-	-	-	-	-	-	-	-	-
Louisiana	6	1	1	4	20,917	244	\$ 18,362	2,311	8	-	5	3
Maine	3	-	-	3	10,258	-	-	10,258	5	-	-	5
Massachusetts	4	3	-	1	7,456	5,436	-	2,020	-	-	-	-
Michigan	-	-	-	-	-	-	-	-	-	-	-	-
Mississippi	5	1	-	4	2,924	1,813	-	1,111	-	-	-	-
Montana	-	-	-	-	-	-	-	-	-	-	-	-
New Jersey	49	18	14	17	219,901	46,950	90,826	82,125	20	7	6	7
New York	38	19	6	13	928,695	39,266	868,328	21,101	101	1	94	6
Ohio	-	-	-	-	-	-	-	-	-	-	-	-
Pennsylvania	17	5	3	9	240,040	95,400	123,770	20,870	10	1	7	2
Tennessee	3	2	-	1	12,263	4,956	-	7,307	11	1	-	10
<b>Total</b>	<b>140</b>	<b>52</b>	<b>24</b>	<b>64</b>	<b>\$1,485,042</b>	<b>\$220,505</b>	<b>\$1,101,286</b>	<b>\$163,251</b>	<b>158</b>	<b>13</b>	<b>112</b>	<b>33</b>

Table XI - Banks in Other Groups: Number of Banks, Number of Branches, and Loans and Investments by Class of Bank and by State, December 31, 1931 (Continued)

State classified according to law regarding branch banking	Number of banks			Loans and investments in thousands of dollars				Number of branches				
	Total	National	State member	Non-member	Total	National banks	State member banks	Non-member banks	Total	National banks	State member banks	Non-member banks
<u>Establishment of Branches Prohibited by Law</u>												
Alabama	5	1	-	4	\$ 3,112	\$ 1,614	-	\$ 1,498	-	-	-	-
Arkansas	-	-	-	-	-	-	-	-	-	-	-	-
Colorado	-	-	-	-	-	-	-	-	-	-	-	-
Connecticut	7	1	-	6	55,434	17,611	-	37,823	-	-	-	-
Florida	21	14	1	6	62,595	51,946	\$ 1,418	9,231	-	-	-	-
Idaho	15	3	-	12	13,628	9,374	-	4,254	-	-	-	-
Illinois	4	-	1	3	4,324	-	3,310	1,014	-	-	-	-
Kansas	-	-	-	-	-	-	-	-	-	-	-	-
Minnesota	10	1	-	9	6,860	1,680	-	5,180	-	-	-	-
Missouri	5	3	2	-	32,795	8,981	23,814	-	-	-	-	-
Nebraska	-	-	-	-	-	-	-	-	-	-	-	-
Nevada	-	-	-	-	-	-	-	-	-	-	-	-
New Mexico	-	-	-	-	-	-	-	-	-	-	-	-
Oregon	12	8	1	3	14,767	12,690	873	1,204	-	-	-	-
Texas	36	8	2	26	75,252	55,544	14,102	5,606	-	-	-	-
Utah	-	-	-	-	-	-	-	-	-	-	-	-
Washington	23	4	2	17	29,000	8,662	10,569	9,769	-	-	-	-
West Virginia	-	-	-	-	-	-	-	-	-	-	-	-
Wisconsin	-	-	-	-	-	-	-	-	-	-	-	-
Total	138	43	9	86	\$ 297,767	\$168,102	\$ 54,086	\$ 75,579	-	-	-	-
<u>No Provision in State Law Regarding Branch Banking</u>												
New Hampshire	-	-	-	-	-	-	-	-	-	-	-	-
North Dakota	5	2	-	3	\$ 1,146	\$ 501	-	\$ 645	-	-	-	-
Oklahoma	-	-	-	-	-	-	-	-	-	-	-	-
South Dakota	-	-	-	-	-	-	-	-	-	-	-	-
Wyoming	-	-	-	-	-	-	-	-	-	-	-	-
Total	5	2	-	3	\$ 1,146	\$ 501	-	\$ 645	-	-	-	-
UNITED STATES	304	107	34	163	\$2,414,843	\$874,611	\$1,284,750	\$255,482	321	143	126	52

Table XII - Banks in Chains: Number of Banks, Number of Branches, and Loans and Investments  
by Class of Bank and by State, December 31, 1931

State classified according to law regarding branch banking	Number of banks			Loans and investments in thousands of dollars				Number of branches			
	Total	National	State member	Non-member	Total	National banks	State member banks	Non-member banks	Total	National banks	State member banks

State-wide Branch Banking Permitted

Arizona	6	1	-	5	\$ 14,145	\$ 4,175	\$ -	\$ 9,970	1	-	-	1
California	13	8	-	5	14,518	11,647	-	2,871	2	2	-	-
Delaware	-	-	-	-	-	-	-	-	-	-	-	-
Dist. of Col.	-	-	-	-	-	-	-	-	-	-	-	-
Maryland	-	-	-	-	-	-	-	-	-	-	-	-
North Carolina	-	-	-	-	-	-	-	-	-	-	-	-
Rhode Island	-	-	-	-	-	-	-	-	-	-	-	-
South Carolina	-	-	-	-	-	-	-	-	-	-	-	-
Vermont	-	-	-	-	-	-	-	-	-	-	-	-
Virginia	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19</b>	<b>9</b>	<b>-</b>	<b>10</b>	<b>\$ 28,663</b>	<b>\$ 15,822</b>	<b>-</b>	<b>\$ 12,841</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>1</b>

Branches Restricted As to Location

Georgia	6	2	-	4	\$ 3,757	\$ 1,859	-	\$ 1,898	-	-	-	-
Indiana	-	-	-	-	-	-	-	-	-	-	-	-
Iowa	50	18	1	31	28,171	14,406	\$ 772	12,993	2	-	-	2
Kentucky	-	-	-	-	-	-	-	-	-	-	-	-
Louisiana	8	6	-	2	30,361	24,470	-	5,891	11	8	-	3
Maine	-	-	-	-	-	-	-	-	-	-	-	-
Massachusetts	4	2	-	2	8,229	2,460	-	5,769	2	-	-	2
Michigan	55	8	4	43	57,749	15,581	16,646	25,522	38	-	16	22
Mississippi	18	2	-	16	17,403	6,075	-	11,328	12	-	-	12
Montana	12	3	-	9	4,667	1,585	-	3,082	-	-	-	-
New Jersey	21	9	1	11	163,949	55,588	6,269	102,092	24	9	1	14
New York	23	15	1	7	60,222	46,891	1,034	12,297	4	4	-	-
Ohio	-	-	-	-	-	-	-	-	-	-	-	-
Pennsylvania	14	5	4	5	39,421	24,378	7,787	7,256	2	1	-	1
Tennessee	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>211</b>	<b>70</b>	<b>11</b>	<b>130</b>	<b>\$ 413,929</b>	<b>\$ 193,293</b>	<b>\$ 32,508</b>	<b>\$ 188,128</b>	<b>95</b>	<b>22</b>	<b>17</b>	<b>56</b>

Table XII - Banks in Chains: Number of Banks, Number of Branches, and Loans and Investments by Class of Bank and by State, December 31, 1931 (Continued)

State classified according to law regarding branch banking	Number of banks				Loans and investments in thousands of dollars				Number of branches			
	Total	National	State member	Non-member	Total	National banks	State member banks	Non-member banks	Total	National banks	State member banks	Non-member banks
<u>Establishment of Branches Prohibited by Law</u>												
Alabama	13	6	-	7	\$ 4,209	\$ 3,686	-	\$ 523	-	-	-	-
Arkansas	9	6	-	3	11,120	10,868	-	252	-	-	-	-
Colorado	16	10	-	6	22,564	16,465	-	6,099	-	-	-	-
Connecticut	-	-	-	-	-	-	-	-	-	-	-	-
Florida	25	5	-	20	34,986	27,150	-	7,836	-	-	-	-
Idaho	8	4	-	4	3,469	2,243	-	1,226	-	-	-	-
Illinois	23	10	1	12	38,762	27,150	\$ 444	11,168	-	-	-	-
Kansas	95	32	1	62	56,768	39,747	1,011	16,010	-	-	-	-
Minnesota	142	55	1	86	81,501	49,587	1,087	30,827	-	-	-	-
Missouri	16	5	-	11	31,755	14,101	-	17,654	-	-	-	-
Nebraska	46	22	-	24	20,060	15,361	-	4,699	1	1	-	-
Nevada	16	4	-	12	21,268	8,712	-	12,556	-	-	-	-
New Mexico	5	4	-	1	1,240	1,083	-	157	-	-	-	-
Oregon	-	-	-	-	-	-	-	-	-	-	-	-
Texas	60	23	2	35	19,110	13,105	206	5,799	-	-	-	-
Utah	12	2	1	9	26,479	13,585	3,013	9,880	-	-	-	-
Washington	14	6	1	7	15,882	10,039	2,101	3,742	2	-	-	2
West Virginia	1	-	1	-	1,494	-	1,494	-	-	-	-	-
Wisconsin	29	7	-	22	36,851	29,793	-	7,058	-	-	-	-
Total	530	201	8	321	\$427,518	\$282,676	\$ 9,356	\$135,486	3	1	-	2

No Provision in State Law Regarding Branch Banking

New Hampshire	-	-	-	-	-	-	-	-	-	-	-	-
North Dakota	40	6	-	34	\$ 14,952	\$ 8,085	-	\$ 6,867	-	-	-	-
Oklahoma	75	42	-	33	22,490	16,763	-	5,727	-	-	-	-
South Dakota	19	2	3	14	7,217	828	\$ 1,168	5,221	-	-	-	-
Wyoming	14	6	1	7	11,964	10,268	122	1,574	-	-	-	-
Total	148	56	4	88	\$ 56,623	\$ 35,944	\$ 1,290	\$ 19,389	-	-	-	-
UNITED STATES	908	336	23	549	\$926,733	\$527,735	\$43,154	\$355,844	101	25	17	59

Table XIII - Number and Loans and Investments of Banks in Two-bank Affiliations by States, December 31, 1931

State by geographic division	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<u>New England</u>	42	23	-	19	\$ 129,630	\$ 75,801	-	\$ 53,829
Maine	4	3	-	1	4,901	3,285	-	1,616
New Hampshire	12	6	-	6	24,119	11,680	-	12,439
Vermont	11	6	-	5	15,026	9,494	-	5,532
Massachusetts	6	4	-	2	20,019	6,465	-	13,554
Rhode Island	-	-	-	-	-	-	-	-
Connecticut	9	4	-	5	65,565	44,877	-	20,688
<u>Middle Atlantic</u>	152	73	19	60	2,050,868	1,410,263	\$321,107	319,498
New York	36	26	2	8	1,257,073	1,130,143	11,183	115,747
New Jersey	38	13	8	17	193,696	77,116	77,487	39,093
Delaware	-	-	-	-	-	-	-	-
Pennsylvania	78	34	9	35	600,099	203,004	232,437	164,658
Maryland	-	-	-	-	-	-	-	-
Dist. of Col.	-	-	-	-	-	-	-	-
<u>North Central</u>	129	53	8	68	665,723	269,611	314,486	81,626
Michigan	15	5	3	7	62,525	25,595	21,479	15,451
Wisconsin	14	2	-	12	15,052	1,283	-	13,769
Illinois	30	13	1	16	109,760	72,820	12,282	24,658
Indiana	48	22	-	26	70,535	49,130	-	21,405
Ohio	22	11	4	7	407,851	120,783	280,725	6,343
<u>Southern Mountain</u>	54	24	2	28	174,814	105,726	39,835	29,253
West Virginia	4	2	1	1	27,182	14,881	11,182	1,119
Virginia	12	4	1	7	58,842	20,279	28,653	9,910
Kentucky	18	8	-	10	51,792	41,955	-	9,837
Tennessee	20	10	-	10	36,998	28,611	-	8,387
<u>Southeastern</u>	32	13	1	18	45,737	26,216	707	18,814
North Carolina	16	7	-	9	25,678	19,068	-	6,610
South Carolina	8	2	1	5	12,736	2,996	707	9,033
Georgia	4	2	-	2	2,639	2,134	-	505
Florida	-	-	-	-	-	-	-	-
Alabama	2	1	-	1	3,452	1,444	-	2,008
Mississippi	2	1	-	1	1,232	574	-	658
<u>Southwestern</u>	109	65	4	40	281,995	224,676	2,545	54,774
Louisiana	10	5	-	5	78,421	45,438	-	32,983
Texas	64	36	4	24	139,014	118,128	2,545	18,341
Arkansas	4	1	-	3	3,107	1,629	-	1,478
Oklahoma	31	23	-	8	61,453	59,481	-	1,972

Table XIII - Number and Loans and Investments of Banks in Two-bank Affiliations by States, December 31, 1931 (Continued)

State by geographic division	Number				Loans and investments in thousands of dollars			
	All banks	National banks	State member banks	Non-member banks	All banks	National banks	State member banks	Non-member banks
<u>Western Grain</u>	164	81	5	78	\$ 514,914	\$ 324,939	\$134,149	\$ 55,826
Minnesota	12	7	-	5	10,479	9,087	-	1,392
North Dakota	6	3	-	3	3,023	2,292	-	731
South Dakota	2	1	-	1	2,325	1,854	-	471
Iowa	50	21	2	27	72,312	22,688	27,807	21,817
Nebraska	44	25	-	19	77,181	70,994	-	6,187
Missouri	20	8	1	11	324,103	197,757	105,208	21,138
Kansas	30	16	2	12	25,491	20,267	1,134	4,090
<u>Rocky Mountain</u>	24	14	1	9	95,923	66,577	12,057	17,289
Montana	2	1	-	1	559	450	-	109
Idaho	-	-	-	-	-	-	-	-
Wyoming	6	3	-	3	5,829	5,031	-	798
Colorado	6	5	1	-	50,840	38,783	12,057	-
New Mexico	6	3	-	3	13,755	10,679	-	3,076
Arizona	2	1	-	1	2,568	2,438	-	130
Utah	2	1	-	1	22,372	9,196	-	13,176
Nevada	-	-	-	-	-	-	-	-
<u>Pacific Coast</u>	90	43	3	44	344,303	194,557	10,873	138,873
Washington	2	1	-	1	3,967	3,281	-	686
Oregon	12	6	2	4	5,105	2,569	1,005	1,531
California	76	36	1	39	335,231	188,707	9,868	136,656
UNITED STATES	796	389	43	364	\$4,303,907	\$2,698,366	\$835,759	\$769,782

Table XIV - Number of Suspended Banks in Groups and Chains,  
by States and by Years

State by geographic division	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	Total
<u>New England</u>	-	-	-	-	-	-	-	-	-	1	9	10
Massachusetts	-	-	-	-	-	-	-	-	-	-	9	9
Vermont	-	-	-	-	-	-	-	-	-	1	-	1
<u>Middle Atlantic</u>	-	-	-	-	-	-	-	-	-	2	13	15
New Jersey	-	-	-	-	-	-	-	-	-	-	4	4
New York	-	-	-	-	-	-	-	-	-	1	3	4
Pennsylvania	-	-	-	-	-	-	-	-	-	1	6	7
<u>North Central</u>	-	-	-	-	-	-	1	-	-	3	44	48
Michigan	-	-	-	-	-	-	1	-	-	-	12	13
Wisconsin	-	-	-	-	-	-	-	-	-	-	2	2
Illinois	-	-	-	-	-	-	-	-	-	-	29	29
Indiana	-	-	-	-	-	-	-	-	-	3	1	4
<u>Southern Mountain</u>	-	-	-	-	-	-	-	-	-	5	-	5
Kentucky	-	-	-	-	-	-	-	-	-	3	-	3
Tennessee	-	-	-	-	-	-	-	-	-	2	-	2
<u>Southeastern</u>	-	-	-	-	-	111	7	-	28	15	6	167
Georgia	-	-	-	-	-	80	2	-	1	1	2	86
Florida	-	-	-	-	-	30	5	-	27	1	-	63
Alabama	-	-	-	-	-	-	-	-	-	4	1	5
Mississippi	-	-	-	-	-	1	-	-	-	9	3	13
<u>Southwestern</u>	2	-	-	-	-	1	9	8	12	60	11	103
Arkansas	2	-	-	-	-	-	3	3	-	56	8	72
Oklahoma	-	-	-	-	-	-	6	-	12	1	1	20
Texas	-	-	-	-	-	1	-	5	-	3	2	11
<u>Western Grain</u>	1	-	17	17	11	31	15	4	13	24	35	168
Minnesota	-	-	-	-	-	2	-	1	-	3	12	18
North Dakota	1	-	17	16	4	6	3	2	7	4	11	71
South Dakota	-	-	-	-	-	-	-	1	3	4	2	10
Iowa	-	-	-	-	1	17	4	-	-	6	3	31
Missouri	-	-	-	1	6	3	-	-	-	1	2	13
Nebraska	-	-	-	-	-	-	1	-	3	6	5	15
Kansas	-	-	-	-	-	3	7	-	-	-	-	10
<u>Rocky Mountain</u>	3	-	4	7	8	1	-	1	-	1	3	28
Montana	-	-	2	1	1	1	-	-	-	1	2	8
Idaho	-	-	2	-	-	-	-	-	-	-	-	2
Wyoming	-	-	-	6	-	-	-	-	-	-	-	7
Colorado	-	-	-	-	4	-	-	-	-	-	-	4
Arizona	3	-	-	-	3	-	-	-	-	-	-	6
Utah	-	-	-	-	-	-	-	1	-	-	-	1
<u>Pacific Coast</u>	1	-	-	-	-	-	1	-	-	1	4	7
Washington	1	-	-	-	-	-	-	-	-	1	4	6
Oregon	-	-	-	-	-	-	1	-	-	-	-	1
<b>UNITED STATES</b>	<b>7</b>	<b>-</b>	<b>21</b>	<b>24</b>	<b>19</b>	<b>144</b>	<b>33</b>	<b>13</b>	<b>53</b>	<b>112</b>	<b>125</b>	<b>551</b>

Table XV - Loans and Investments of Suspended Banks in Groups and Chains,  
by State and by Year

(in thousands of dollars)

State by geographic division	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	Total
<u>New England</u>	-	-	-	-	-	-	-	-	-	\$1,139	\$ 60,795	\$ 61,934
Massachusetts	-	-	-	-	-	-	-	-	-	-	60,795	60,795
Vermont	-	-	-	-	-	-	-	-	-	1,139	-	1,139
<u>Middle Atlantic</u>	-	-	-	-	-	-	-	-	-	48,406	40,598	89,004
New Jersey	-	-	-	-	-	-	-	-	-	-	12,224	12,224
New York	-	-	-	-	-	-	-	-	-	474	10,253	10,727
Pennsylvania	-	-	-	-	-	-	-	-	-	47,932	18,121	66,053
<u>North Central</u>	-	-	-	-	-	-	\$ 707	-	-	3,379	79,540	83,626
Michigan	-	-	-	-	-	-	707	-	-	-	7,682	8,389
Wisconsin	-	-	-	-	-	-	-	-	-	-	552	552
Illinois	-	-	-	-	-	-	-	-	-	-	71,077	71,077
Indiana	-	-	-	-	-	-	-	-	-	3,379	229	3,608
<u>Southern Mountain</u>	-	-	-	-	-	-	-	-	-	85,293	-	85,293
Kentucky	-	-	-	-	-	-	-	-	-	59,180	-	59,180
Tennessee	-	-	-	-	-	-	-	-	-	26,113	-	26,113
<u>Southeastern</u>	-	-	-	-	-	\$40,502	8,422	-	\$28,510	9,853	2,072	89,359
Georgia	-	-	-	-	-	16,517	175	-	83	173	160	17,108
Florida	-	-	-	-	-	23,621	8,247	-	28,427	1,342	-	61,637
Alabama	-	-	-	-	-	-	-	-	-	2,234	89	2,323
Mississippi	-	-	-	-	-	364	-	-	-	6,104	1,823	8,291
<u>Southwestern</u>	\$ .951	-	-	-	-	100	3,950	\$4,095	2,500	30,378	2,579	44,553
Arkansas	951	-	-	-	-	-	1,189	1,814	-	29,823	2,035	35,812
Oklahoma	-	-	-	-	-	-	2,761	-	2,500	139	138	5,538
Texas	-	-	-	-	-	100	-	2,281	-	416	406	3,203

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Table XV - Loans and Investments of Suspended Banks in Groups and Chains,  
by States and by Years (Continued)

(in thousands of dollars)

State by geographic division	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	Total
<u>Western Grain</u>	\$ 131	-	\$2,765	\$2,727	\$ 2,564	\$13,809	\$ 4,657	\$ 389	\$ 1,384	\$ 5,882	\$ 11,496	\$ 45,804
Minnesota	-	-	-	-	-	362	-	206	-	837	3,947	5,352
North Dakota	131	-	2,765	2,286	527	933	494	119	672	527	2,357	10,811
South Dakota	-	-	-	-	-	-	-	64	379	777	276	1,496
Iowa	-	-	-	-	1,000	8,310	2,926	-	-	1,550	1,676	15,462
Missouri	-	-	-	441	1,037	3,366	-	-	-	539	256	5,639
Nebraska	-	-	-	-	-	-	320	-	333	1,652	2,984	5,289
Kansas	-	-	-	-	-	838	917	-	-	-	-	1,755
<u>Rocky Mountain</u>	2,968	-	2,224	2,697	7,954	74	-	388	-	183	1,046	17,534
Montana	-	-	260	119	281	74	-	-	-	183	204	1,121
Idaho	-	-	1,964	-	-	-	-	-	-	-	-	1,964
Wyoming	-	-	-	2,578	-	-	-	-	-	-	842	3,420
Colorado	-	-	-	-	4,569	-	-	-	-	-	-	4,569
Arizona	2,968	-	-	-	3,104	-	-	-	-	-	-	6,072
Utah	-	-	-	-	-	-	-	388	-	-	-	388
<u>Pacific Coast</u>	435	-	-	-	-	-	311	-	-	846	997	2,589
Washington	435	-	-	-	-	-	-	-	-	846	997	2,278
Oregon	-	-	-	-	-	-	311	-	-	-	-	311
UNITED STATES	\$4,485	-	\$4,989	\$5,424	\$10,518	\$54,485	\$18,047	\$4,872	\$32,394	\$185,359	\$199,123	\$519,696

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Table XVI- Number of Suspended Banks in Groups and Chains, by State and by Size of Loans and Investments

State by geographic division	Size group -- loans and investments in thousands of dollars										
	Under \$150	\$150-250	\$250-500	\$500-750	\$750-1,000	\$1,000-2,000	\$2,000-5,000	\$5,000-10,000	\$10,000-50,000	\$50,000 and over	Total
<u>New England</u>	-	-	-	-	-	4	3	2	1	-	10
Massachusetts	-	-	-	-	-	3	3	2	1	-	9
Vermont	-	-	-	-	-	1	-	-	-	-	1
<u>Middle Atlantic</u>	-	-	1	-	1	6	3	3	1	-	15
New Jersey	-	-	-	-	-	3	-	1	-	-	4
New York	-	-	1	-	-	2	-	1	-	-	4
Pennsylvania	-	-	-	-	1	1	3	1	1	-	7
<u>North Central</u>	3	4	7	6	10	7	7	3	1	-	48
Michigan	2	2	1	2	4	2	-	-	-	-	13
Wisconsin	-	1	1	-	-	-	-	-	-	-	2
Illinois	-	-	5	4	5	5	6	3	1	-	29
Indiana	1	1	-	-	1	-	1	-	-	-	4
<u>Southern Mountain</u>	-	-	-	-	-	-	1	-	4	-	5
Kentucky	-	-	-	-	-	-	1	-	2	-	3
Tennessee	-	-	-	-	-	-	-	-	2	-	2
<u>Southeastern</u>	63	36	27	11	11	12	5	1	1	-	167
Georgia	49	24	12	-	-	-	1	-	-	-	86
Florida	8	8	12	10	11	10	2	1	1	-	63
Alabama	3	-	-	1	-	1	-	-	-	-	5
Mississippi	3	4	3	-	-	1	2	-	-	-	13
<u>Southwestern</u>	50	19	17	8	-	6	2	-	1	-	103
Arkansas	32	13	13	8	-	4	1	-	1	-	72
Oklahoma	14	3	1	-	-	1	1	-	-	-	20
Texas	4	3	3	-	-	1	-	-	-	-	11

Table XVI - Number of Suspended Banks in Groups and Chains, by State and by Size of Loans and Investments (Continued)

State by geographic division	Size group--loans and investments in thousands of dollars										
	Under \$150	\$150- 250	\$250- 500	\$500- 750	\$750- 1,000	\$1,000- 2,000	\$2,000- 5,000	\$5,000- 10,000	\$10,000- 50,000	\$50,000 and over	Total
<u>Western Grain</u>	72	45	31	10	3	4	3	-	-	-	168
Minnesota	5	5	4	3	1	-	-	-	-	-	18
North Dakota	41	20	9	1	-	-	-	-	-	-	71
South Dakota	6	2	2	-	-	-	-	-	-	-	10
Louisiana	4	8	10	2	2	4	1	-	-	-	31
Missouri	4	2	4	2	-	-	1	-	-	-	13
Nebraska	7	4	2	1	-	-	1	-	-	-	15
Kansas	5	4	-	1	-	-	-	-	-	-	10
<u>Rocky Mountain</u>	7	4	6	3	3	3	2	-	-	-	28
Montana	5	2	1	-	-	-	-	-	-	-	8
Idaho	-	-	-	1	-	1	-	-	-	-	2
Wyoming	2	-	2	-	3	-	-	-	-	-	7
Colorado	-	1	1	-	-	1	1	-	-	-	4
Arizona	-	1	1	2	-	1	1	-	-	-	6
Utah	-	-	1	-	-	-	-	-	-	-	1
<u>Pacific Coast</u>	3	-	2	-	2	-	-	-	-	-	7
Washington	3	-	1	-	2	-	-	-	-	-	6
Oregon	-	-	1	-	-	-	-	-	-	-	1
<b>UNITED STATES</b>	<b>198</b>	<b>108</b>	<b>91</b>	<b>38</b>	<b>30</b>	<b>42</b>	<b>26</b>	<b>9</b>	<b>9</b>	<b>-</b>	<b>551</b>

Table XVII - Loans and Investments of Suspended Banks in Groups and Chains, by State  
and by Size of Loans and Investments, 1921-1931

State by geographic division	Size group--loans and investments in thousands of dollars										
	Under \$150	\$150- 250	\$250- 500	\$500- 750	\$750- 1,000	\$1,000- 2,000	\$2,000- 5,000	\$5,000- 10,000	\$10,000- 50,000	\$50,000 and over	Total
<u>New England</u>	-	-	-	-	-	\$ 5,790	\$11,232	\$16,428	\$ 28,484	-	\$ 61,934
Massachusetts	-	-	-	-	-	4,651	11,232	16,428	28,484	-	60,795
Vermont	-	-	-	-	-	1,139	-	-	-	-	1,139
<u>Middle Atlantic</u>	-	-	\$ 474	-	\$ 760	8,286	10,478	21,074	47,932	-	89,004
New Jersey	-	-	-	-	-	3,409	-	8,815	-	-	12,224
New York	-	-	474	-	-	3,078	-	7,175	-	-	10,727
Pennsylvania	-	-	-	-	760	1,799	10,478	5,084	47,932	-	66,053
<u>North Central</u>	\$ 268	\$ 772	2,846	\$ 3,735	8,759	10,941	23,189	22,205	10,911	-	83,626
Michigan	233	337	398	1,379	3,493	2,549	-	-	-	-	8,389
Wisconsin	-	206	346	-	-	-	-	-	-	-	552
Illinois	-	-	2,102	2,356	4,336	8,392	20,775	22,205	10,911	-	71,077
Indiana	35	229	-	-	930	-	2,414	-	-	-	3,608
<u>Southern Mountain</u>	-	-	-	-	-	-	2,142	-	83,151	-	85,293
Kentucky	-	-	-	-	-	-	2,142	-	57,038	-	59,180
Tennessee	-	-	-	-	-	-	-	-	26,113	-	26,113
<u>Southeastern</u>	5,949	6,486	9,775	6,808	9,477	17,024	15,113	5,005	13,722	-	89,359
Georgia	4,766	4,279	4,073	-	-	-	3,990	-	-	-	17,108
Florida	768	1,458	4,823	6,257	9,477	13,986	6,141	5,005	13,722	-	61,637
Alabama	175	-	-	551	-	1,597	-	-	-	-	2,323
Mississippi	240	749	879	-	-	1,441	4,982	-	-	-	8,291
<u>Southwestern</u>	3,985	3,830	6,277	4,904	-	7,284	4,490	-	13,783	-	44,553
Arkansas	2,394	2,671	4,838	4,904	-	4,838	2,384	-	13,783	-	35,812
Oklahoma	1,350	506	388	-	-	1,188	2,106	-	-	-	5,538
Texas	241	653	1,051	-	-	1,258	-	-	-	-	3,203

Table XVII - Loans and Investments of Suspended Banks in Groups and Chains, by State and by Size of Loans and Investments, 1921-1931 (Continued)

State by geographic division	Size group--loans and investments in thousands of dollars										
	Under \$150	\$150-250	\$250-500	\$500-750	\$750-1,000	\$1,000-2,000	\$2,000-5,000	\$5,000-10,000	\$10,000-50,000	\$50,000 and over	Total
<u>Western Grain</u>	\$ 6,584	\$ 8,609	\$10,450	\$ 5,867	\$ 2,591	\$ 4,779	\$ 6,924	-	-	-	\$ 45,804
Minnesota	510	956	1,420	1,685	781	-	-	-	-	-	5,352
North Dakota	3,798	3,680	2,803	530	-	-	-	-	-	-	10,811
South Dakota	502	379	615	-	-	-	-	-	-	-	1,496
Iowa	443	1,627	3,431	1,252	1,810	4,779	2,120	-	-	-	15,462
Missouri	258	360	1,577	1,082	-	-	2,362	-	-	-	5,639
Nebraska	680	818	604	745	-	-	2,442	-	-	-	5,289
Kansas	393	789	-	573	-	-	-	-	-	-	1,755
<u>Rocky Mountain</u>	707	818	1,954	1,686	2,465	4,783	5,121	-	-	-	17,534
Montana	474	366	281	-	-	-	-	-	-	-	1,121
Idaho	-	-	-	549	-	1,415	-	-	-	-	1,964
Wyoming	233	-	722	-	2,465	-	-	-	-	-	3,420
Colorado	-	246	301	-	-	1,401	2,621	-	-	-	4,569
Arizona	-	206	262	1,137	-	1,967	2,500	-	-	-	6,072
Utah	-	-	388	-	-	-	-	-	-	-	388
<u>Pacific Coast</u>	242	-	746	-	1,601	-	-	-	-	-	2,589
Washington	242	-	435	-	1,601	-	-	-	-	-	2,278
Oregon	-	-	311	-	-	-	-	-	-	-	311
<b>UNITED STATES</b>	<b>\$17,735</b>	<b>\$20,515</b>	<b>\$32,522</b>	<b>\$23,000</b>	<b>\$25,653</b>	<b>\$58,887</b>	<b>\$78,689</b>	<b>\$64,712</b>	<b>\$197,983</b>	<b>-</b>	<b>\$519,696</b>

Table XX - Disposition of Suspended Banks in Groups and Chains  
1921-1930(1)

State by geographic division	Reopened	Taken over	In process of liquidation	Disposition not recorded	Completely liquidated	Total number suspended
<u>New England</u>	-	-	1	-	-	1
Vermont	-	-	1	-	-	1
<u>Middle Atlantic</u>	-	-	2	-	-	2
New York	-	-	1	-	-	1
Pennsylvania	-	-	1	-	-	1
<u>North Central</u>	1	-	3	-	-	4
Michigan	-	-	1	-	-	1
Indiana	1	-	2	-	-	3
<u>Southern Mountain</u>	1	-	4	-	-	5
Kentucky	1	-	2	-	-	3
Tennessee	-	-	2	-	-	2
<u>Southeastern</u>	54	5	76	-	26	161
Georgia	26	3	32	-	23	84
Florida	27	1	32	-	3	63
Alabama	-	-	4	-	-	4
Mississippi	1	1	8	-	-	10
<u>Southwestern</u>	22	5	59	-	6	92
Texas	1	-	8	-	-	9
Arkansas	20	4	37	-	3	64
Oklahoma	1	1	14	-	3	19
<u>Western Grain</u>	20	1	95	-	17	133
Minnesota	1	-	5	-	-	6
North Dakota	3	-	50	-	7	60
South Dakota	-	-	8	-	-	8
Iowa	11	-	12	-	5	28
Nebraska	3	-	7	-	-	10
Missouri	-	1	6	-	4	11
Kansas	2	-	7	-	1	10
<u>Rocky Mountain</u>	4	-	10	2	9	25
Montana	1	-	1	-	4	6
Idaho	-	-	1	-	1	2
Wyoming	-	-	1	2	3	6
Colorado	-	-	3	-	1	4
Arizona	2	-	4	-	-	6
Utah	1	-	-	-	-	1
<u>Pacific Coast</u>	1	-	2	-	-	3
Washington	1	-	1	-	-	2
Oregon	-	-	1	-	-	1
<b>UNITED STATES</b>	<b>103</b>	<b>11</b>	<b>252</b>	<b>2</b>	<b>58</b>	<b>426</b>

(1) Disposition at the time the schedules were prepared during the latter half of 1930 and the first half of 1931.

**"POSSIBLE CONTROL OF ELECTIONS OF FEDERAL RESERVE BANK DIRECTORS  
BY GROUP BANKS IN NINTH FEDERAL RESERVE DISTRICT**

"For purposes of election of class A and class B directors of Federal reserve banks, member banks in each Federal reserve district are divided into three groups, each electoral group consisting as nearly as possible of banks of similar capitalization. Each group of banks is permitted to elect one class A and one class B director. Each member bank certifies its first, second, and other choices for a director of class A and class B, respectively. Only one choice for any one candidate may be voted. A candidate having a majority of first choice votes is declared elected. In case no candidate has a majority of first choice votes, the first and second choice votes are added together and if any candidate then have a majority of electors voting he is declared elected; if not, the first, second, and other choice votes are added and the candidate then having the highest number is declared elected.

"In the ninth Federal reserve district the electoral groups of member banks are as follows: Group 1 consists of banks having a capital and surplus of \$400,000 and over, Group 2 of banks having a capital and surplus of from \$60,000 to \$399,999, and Group 3 of banks having a capital and surplus of less than \$60,000. At the end of 1929, there were 683 member banks in the Minneapolis district, of which 30 were in Group 1, 299 in Group 2, and 354 in Group 3.

"The number of member banks in the ninth district belonging to the Northwest Bancorporation group and in the First Bank Stock Corporation group, together with the percentage of the number of banks in each of these groups to the total number of banks in each electoral group are shown below:

Member banks in the ninth Federal reserve district, by electoral groups,  
December 31, 1929

	All member banks	Number of banks in -		
		Group 1	Group 2	Group 3
All member banks	683	30	299	354
First Bank Stock Corporation:				
Number	65	7	47	11
Per cent of total in group	9.5	23.3	15.7	3.1
Northwest Bancorporation:				
Number	55	13 <sup>(1)</sup>	30	12
Per cent of total in group	8.1	43.3	10.0	3.4
First Bank Stock Corporation and Northwest Bancorporation combined:				
Number	120	20	77	23
Per cent of total in group	17.6	66.7	25.8	6.5

(1) Includes 1 bank which joined the group in January, 1930.

"It will be noted that the First Bank Stock Corporation and the Northwest Bancorporation together control 66.7 per cent of the member banks Group 1, the group of largest banks, in the Minneapolis Federal reserve district; and it is manifest that acting together these two corporations could easily control the elections of class A and class B directors in this group by having the member banks which they own vote for a particular candidate. On the basis of their present holdings, therefore, these two corporations by their combined action would be able to place upon the board of directors of the Federal Reserve Bank of Minneapolis a class A director and a class B director from Group 1. Moreover, the First Bank Stock Corporation and the Northwest Bancorporation together control approximately 25 per cent of the banks in Group 2 in the Minneapolis district. While this number is, of course, not sufficient to control absolutely the elections of class A and class B directors in the district, it is obvious that by acting jointly, they could give to any specified candidate a large number of votes and with some additional votes from independent banks might bring about the election of the desired candidate. This would be more easily accomplished in an election where there were several candidates in the field, in which case control of a plurality of the votes might be sufficient to elect. Under some circumstances, therefore, on the basis of present stockholdings, the two corporations acting together might conceivably succeed in electing a class A and a class B director from both Group 1 and Group 2 in the Minneapolis district, a total of four directors.

"Acting separately, the Northwest Bancorporation, owning as it does, approximately 43 per cent of the member banks in Group 1, could probably control the election of class A and class B directors in that group in many cases, unless the opposition were united on one other candidate. The First Bank Stock Corporation, however, owning about 23 per cent of the member banks in Group 1, would probably find it difficult to compel the election of any candidate in the group unless it were able to obtain the support of at least some of the banks owned by the Northwest Bancorporation. It is doubtful whether either the First Bank Stock Corporation or the Northwest Bancorporation could, acting separately, control the elections of class A or class B directors in Group 2, as their separate holdings in this group are only about 16 per cent and 10 per cent, respectively.

"As shown in the above table, the holdings of these two corporations in member banks in Group 3, the group of smallest banks, are relatively small and it is very doubtful, on the basis of the present holdings, that much influence could be exerted by these two corporations on elections of class A and class B directors in this group, unless it be by moral suasion or some method other than direct control of votes.

"While the above shows the possibility of the control of elections of Federal reserve bank directors by group banking systems, I wish to point out that there would be no likelihood of similar control of such elections in the case of branch banking. A parent bank and all its branches constitute but one corporate entity and, accordingly, a member bank with any number

of branches would be entitled under the law to only one vote in elections of class A and class B directors. For example, if the Northwest Bancorporation were a member bank with a large number of branches instead of a holding corporation owning stock in a large number of individual banks, it would have only one vote in elections of class A and class B directors, whereas it now controls a large number of votes as indicated above."

(Source: United States Congress, 71st, 2nd Session, Hearings before the House Committee on Banking and Currency on Branch, Chain, and Group Banking under H. Res. 141, February 27, 1930, pp. 185, 186.)

APPENDIX B

Digest of State Laws Relating to the Purchase of Corporate  
Stocks by Banks and Trust Companies

DIGEST OF STATE LAWS RELATING TO THE PURCHASE OF CORPORATE

STOCKS BY BANKS AND TRUST COMPANIES.

(Superseding X-<sup>7259</sup>~~6606~~)

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On page 456 of the Federal Reserve Bulletin for July, 1930, there was published a digest of State laws relating to the power of banks and trust companies to invest in or purchase stocks of other corporations, including stocks of other banks and trust companies, which was prepared by the Counsel's office of the Federal Reserve Board with the assistance of the Counsel to the various Federal reserve banks, and which showed the status of the State legislation dealing with this subject as of March 1, 1930. The following digest of the laws of the several states, which was also prepared by the office of the Board's Counsel with the assistance of the Counsel to the various Federal reserve banks, supersedes the digest published in the Federal Reserve Bulletin for July, 1930, and shows the status of the State legislation dealing with the purchase of or investment in corporate stocks by banks and trust companies as of August 1, 1932. The digest does not cover permission granted to banks and trust companies to invest in or purchase stock in municipal or other public corporations, Federal reserve banks, joint stock land banks, corporations engaged principally in foreign banking operations, safe deposit companies, or similar institutions affiliated in some respects with the business of banking.

ALABAMA.

Banks and trust companies doing a banking business - Purchase of stocks permitted, but amount of stock in bank limited.

The laws of this State provide that banks and trust companies doing a banking business "may \* \* \* buy and sell \* \* \* bonds, stock, \* \* \*." (Civil Code of Alabama, sec. 6365; Combined Banking Laws of Alabama, 1928, sec. 6365, p. 29). However, "No bank shall subscribe for or own exceeding ten per cent of the capital stock of any other bank, or invest or have invested an amount exceeding in the aggregate 25 per cent of its own paid in capital stock in the capital stock of any other bank or banks. Any bank acquiring capital stock in any other bank in the usual course of business in payment of an indebtedness owing to it, must sell such portion of said stock as is in excess of the amount which it is permitted to hold and own as herein provided within one year from the time the same is acquired." (Civil Code of Alabama, sec. 6355; Combined Banking Laws of Alabama, 1928, sec. 6355, p. 25.)

ARIZONA.

Purchase of corporate stocks permitted.

Under the laws of this state, "No bank, trust company or loan association, may purchase, own, hold, or sell or otherwise dispose of the shares of the capital stock of any other corporation, unless, such purchase shall be authorized by the executive committee or approved by the board of directors; and if the purchase is of stock in a bank the approval of said purchase must also be had from the superintendent."

(Revised Code, 1928, sec. 224).

The term "bank" as used above includes savings banks (Rev. Code of 1928, sec. 209); but, in another provision of the laws of this State which enumerates investments that may be made by savings banks, it is provided that "It shall be unlawful for any savings bank to invest or loan any of its capital or any of the money of its depositors, in the shares, stocks or bonds of any mine or mining company or oil company \* \* \*." (Laws of 1929, ch. 32.)

ARKANSAS.

Banks - no specific statutory provisions.

There do not appear to be any statutes in this State specifically authorizing banks to purchase the kinds of corporate stocks covered by this digest. However, the laws provide that "no bank shall employ its moneys, directly or indirectly, in trade or commerce by buying and selling goods, chattels, wares and merchandise, nor be the purchaser or holder of its own capital stock, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall, within twelve months of its purchase, be sold or disposed of at private sale; after the expiration of said twelve months any such stock shall not be considered as part of the assets of any bank. Provided, that it may hold and sell all kinds of property that may come into its possession as collateral security for loans or any ordinary collection or debts, in the manner provided by law. Provided, further

that any goods or chattels coming into its possession as aforesaid shall be disposed of as soon as possible, and after twelve months from the date of acquirement shall cease to be reckoned as a part of its assets. " (C. & M. Dig., sec. 695; Banking Laws, 1931, sec. 28, p. 24.)

Trust Companies - Purchase of stocks permitted.

Trust companies are authorized "to buy and sell all kinds of \* \* \* stocks, and other investment securities. " (Act of April 13, 1903, sec. 2, p. 228, as amended by Acts of 1923, Act 627, sec. 10; Banking Laws, 1931, sec. 163, (9), p. 131.)

CALIFORNIA.

Banks - General power to purchase corporate stocks denied.

The Bank Act of California provides that "No bank shall, except as otherwise provided in this act, purchase or invest its capital or surplus or money of its depositors, or any part of either, in the capital stock of any corporation unless the purchase or acquisition of such capital stock shall be necessary to prevent loss to the bank on an obligation owned or on a debt previously contracted in good faith. Any capital stock so purchased or acquired shall be sold by such bank within six months thereafter if it can be sold for the amount of the claim of such bank against it; and all capital stock thus purchased or acquired must be sold for the best price obtainable by said bank within three

years after such purchase or acquisition unless the superintendent of banks shall extend the time of its sale for a period not to exceed two years. (California Bank Act, 1931, sec. 37.)

Exception - Stock in one trust company.

However, with the previous written consent of the superintendent of banks, a commercial bank "may purchase or otherwise acquire and hold the whole or any part of the capital stock of not more than one trust company organized and existing under the laws of this state, and doing business in the same county in which the principal place of business of such bank is located; provided, however, that not more than an amount equal to twenty-five per centum of the capital and surplus of any such bank may be at any one time invested in the capital stock of such trust company or such other corporation." (California Bank Act, 1931, sec. 37).

Savings banks are authorized to make investments of their funds only in such stocks as are enumerated in the California Bank Act, and there is not included in this enumeration the kinds of corporate stocks contemplated by this digest. (California Bank Act, 1931, secs. 61, 62 and 145.)

Trust companies - Investment in corporate stocks prohibited.

Trust companies are not authorized to purchase corporate stocks of the kinds contemplated by this digest for the reason that investments of their funds are made subject to the provisions

governing the investment of funds by savings banks. In this connection, the California Bank Act provides that "every trust company shall invest its capital and surplus \* \* \*, in accordance with the laws relative to the investment \* \* \* of funds deposited with savings banks, \* \* \*." (California Bank Act, 1931, sec. 105.)

COLORADO.

Banks may not purchase corporate stocks.

The laws of this State prohibit a bank from purchasing "the stock of any other corporation, except such as it may necessarily acquire in the protection or satisfaction of previously existing loans made in good faith." (Compiled Laws of Colorado, 1921, sec. 2683; Banking Law Pamphlet, 1928, sec. 33, p. 19.)

Savings banks are authorized to make certain investments, but corporate stocks of the kinds contemplated by this digest are not included in the classes of authorized investments. (Compiled Laws of Colorado, 1921, sec. 2685; Banking Law Pamphlet, 1928, sec. 35, p. 20.)

Trust Companies authorized to buy and sell stocks.

Trust companies "incorporated under the provisions of this act" are authorized "To purchase, invest in and sell stocks \* \* \*". (Compiled Laws of Colorado, 1921, sec. 2765; Banking Law Pamphlet, 1928, sec. 128, p. 66.)

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CONNECTICUT.

Purchase of corporate stocks permitted up to certain amount.

Banks and trust companies, under the laws of this State, "may purchase and hold corporate securities of any description, provided the total amount at the purchase price invested in corporate stocks shall at no time exceed ten per centum of its combined capital, surplus and undivided profits, and provided its investment in the stock of any one corporation shall exceed neither five per centum of the stock of that corporation nor three per centum of such combined capital, surplus, and undivided profits, except that such corporate stocks as were owned on April 1, 1931, may be retained \* \* \*." (General Statutes of Conn., sec. 3885, as amended by P. A. 1931, sec. 508a; Banking Law Pamphlet, 1931, sec. 3885, p. 17.)

Savings banks and banks and trust companies maintaining savings departments, may make limited investments of their savings deposits in the stock of certain banks and trust companies located in the State of Connecticut and in Boston, Mass., New York, N. Y., and Philadelphia, Pa., (General Statutes of Conn., Revision of 1930, sec. 3908; and sec. 3995 (26); Banking Law Pamphlet, 1931, sec. 3908, p. 28; and sec. 3995 (26) p. 77.)

DELAWARE.

Banks and Trust Companies may purchase stocks.

The laws of Delaware provide that "No bank or trust company shall invest more than twenty-five per centum of its total capital, surplus and undivided profits in the stock, \* \* \* of any one corporation \* \* \* ." (Act of March 31, 1921, sec. 13; Banking Laws, 1929, p. 26.)

The term "bank" as used above includes savings banks. (Act of March 31, 1921, sec. 1; Banking Law Pamphlet, 1929, sec. 1, p. 14.)

FLORIDA.

Banks and Trust Companies may not purchase stocks.

It is unlawful "for any bank or trust company organized under the laws of this State and doing business in this State, to directly or indirectly invest any of the funds of said bank or trust company in stock of any incorporated company in this State or elsewhere \* \* \* ." (Compiled General Laws of Florida, 1930 Supp., sec. 6084.)

Savings Banks may purchase bank stocks.

The capital and deposits of a savings bank and the income derived therefrom may be invested "in the stock of any bank incor-

porated under the authority of this State, or the stock of any banking association incorporated under the authority of the United States \* \* \*. (Compiled General Laws of Florida, 1927, sec. 6120; Banking Law Pamphlet, 1930, sec. 4179, p. 35)

Trust Companies may purchase stocks.

A trust company in this state "shall have power: \* \* \* to purchase, invest in and sell stocks, \* \* \*." (Compiled General Laws of Florida, 1930 Supp., sec. 6126 (10))

NOTE: It will be observed that there is an apparent conflict in the laws of this State and it is understood that none of the statutes above referred to has received judicial construction.

GEORGIA.

Banks may not purchase stocks.

Under the laws of this State "No bank shall subscribe for, purchase or hold stock in any other bank \* \* \* nor in any other corporation, unless the same shall have been transferred to it in satisfaction of a debt previously contracted or shall have been purchased at a sale under a power contained in a note or other instrument by which it was pledged to the bank or under a judgment or decree in its favor, and all such stock shall be disposed of by the bank within six months, unless the Superintendent of Banks shall extend the time for good cause shown." (Amendments to Banking Act of Georgia approved August 25, 1927, sec. 10)

The term "bank" as used above includes

savings banks. (Banking Act of Georgia, 1919, as amended, 1925, Article 1, sec. 1.)

Trust Companies operating as investment bankers may deal in stocks and bonds.

"Trust companies, operating as investment bankers, and maintaining departments for the purchase and sale of securities, may purchase for resale whole issues or parts of issues of stocks, bonds and debentures of industrial, railroad and public service corporations and other investment securities, and may resell and deal in the same, under such regulations as may be prescribed by the Superintendent of banks." (Trust Company Act of 1927, sec. 5A)

IDAHO.

Purchase of bank stocks prohibited.

The laws of this State prohibit a bank from purchasing "any shares of \* \* \* any other bank wherever organized, or situated \* \* \* unless such \* \* \* purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased \* \* \* shall within six months from the date of acquirement be sold or disposed of at public or private sale; after the expiration of six months any such stock shall not be considered as a part of the assets of such bank." (Laws of 1925, ch. 133, sec. 29; Banking Law Pamphlet, 1931, sec. 29, p. 19.)

Savings banks are empowered to make certain investments of their deposits; but they do not have the power to invest in the kinds of corporate stocks contemplated by this digest. (Laws of 1929, ch. 54, p. 73; Banking Law Pamphlet, 1931, sec. 2, p. 53.)

The term "bank" as used in the Idaho laws includes trust companies. (Laws of 1929, ch. 192, p. 353; Banking Law Pamphlet, 1931, sec. 2, p. 5.) There is also an express provision providing that trust companies are authorized to purchase, invest in and sell such securities as are permitted in the case of commercial banks. (Laws of 1929, ch. 192, sec. 2; Banking Law Pamphlet, 1931, sec. 5, p. 7.)

ILLINOIS.

No Statutory provisions.

The statutes of Illinois do not appear to contain any provisions authorizing or prohibiting banks or trust companies to purchase corporate stocks.

INDIANA.

Commercial banks or trust companies - No specific statutory provisions.

The statutes of Indiana contain no provisions specifically authorizing or prohibiting commercial banks or trust companies to purchase corporate stocks.

Savings banks not permitted to purchase corporate stocks contemplated by this digest.

Savings banks may "invest the money deposited therein" only in such bonds, notes, etc., as are specifically enumerated, and there is not included in this enumeration ~~any~~ corporate stocks of the kinds contemplated by this digest. (Acts of Extra Session of 1869, p. 104, sec. 19, as amended by Acts of 1875, p. 129, Acts of 1893, p. 273, Acts of 1903, p. 211 and Acts of 1917, p. 416.)

IOWA.

Investment in corporate stocks of the kinds contemplated by this digest prohibited.

The laws of Iowa provide that banks and trust companies shall invest only in such stocks, bonds, and securities as are specifically enumerated therein, and there is not included in this enumeration any stocks of the kinds contemplated by this digest. (Banking Laws, 1931, ch. 413; secs. 9183, 9183-C1; ch. 415, secs. 9269, 9271; ch. 416, sec. 9284; ch. 416-A1, sec. 12772). These laws also provide that "No state bank, savings bank, or trust company shall make any loan or discount on the security of the shares of its own capital stock, or be the purchaser or holder of any shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall be sold at public or private sale, or otherwise disposed of, within one (1) year from the time of its purchase or acquisition unless the time is extended by the superintendent of banking." (Banking Laws, 1931, ch. 413, sec. 9184.)

KANSAS.

Banks may not purchase Corporate Stocks.

A bank "shall not invest any of its funds in the stock of any other bank or corporation \* \* \*." (Laws of 1897, ch. 47, sec. 11, as amended by Laws of 1915, ch. 88, sec. 1; Laws of 1921, ch. 70, sec. 1; Laws of 1927, ch. 88, sec. 2; Banking Law Pamphlet, 1931, sec. 30, p. 12.)

The term "bank" as used above includes savings banks. (Laws of 1897, ch. 47, sec. 35, as amended by Laws of 1907, ch. 64, sec. 1; Banking Law Pamphlet, 1931, sec. 43, p. 16.)

Trust Companies authorized to purchase stocks.

A trust company in this State may "buy and sell all kinds of \* \* \* securities and stocks: Provided, that the total investment of any such trust company in bank stock shall at no time exceed one-fourth its paid-up capital stock; \* \* \* Provided, that the total investment in bank stock held by any trust company in excess of one-fourth of its capital shall be disposed of within two years from the passage of this act." (Laws of 1901, ch. 407, sec. 2, as amended by Laws of 1903, ch. 528, sec. 1; Laws of 1907, ch. 425, sec. 1; Banking Law Pamphlet, 1931, sec. 136(8), p. 42.)

KENTUCKY

No statutory Provisions.

The laws of Kentucky contain no specific provisions with reference to the purchase by banks and trust companies of the kinds of corporate stocks contemplated by this digest. With reference to banks, the laws do provide that no bank shall employ its moneys, directly or indirectly, in any enterprise or business except as authorized by law; but the right to purchase corporate stocks does not appear to be authorized by law. (Carroll's Kentucky Statutes, 1930, secs. 579, and 582; Banking Law Pamphlet, 1930, secs. 579 and 582.)

Trust companies are not authorized expressly to purchase corporate stocks, but the laws do provide that "the capital stock of a trust company, and the funds in its possession, not held in a fiduciary capacity, may be invested in such manner as the directors deem prudent and safe; \* \* \*." (Carroll's Kentucky Statutes, 1930, sec. 614; Banking Law Pamphlet, 1930, sec. 614).

LOUISIANA.

Purchase of any Corporate Stocks Permitted.

Banks and trust companies are empowered "to receive, hold, purchase, acquire and convey, by and under their corporate name, such property, real and personal, including bonds, stocks and securities, of the United States, or of any of the United States, or of any corporation, board or body, public or private thereof, as may be necessary, proper or convenient to the objects of the association, and to exercise in relation thereto, all the direct and incidental rights of ownership." (Laws of 1902, Act. No. 45, sec. 1 (2) and sec. 7, as amended by Act No. 238 of 1910, and Act No. 179, as amended; Banking Laws, 1928, sec. 1 (2), p. 26, sec. 7, p. 30, secs. 1-32, pp. 3-21)

MAINE.

"Trust and banking companies" - No specific statutory provisions.

banking  
The/laws of Maine do not contain any provisions expressly authorizing "trust and banking companies" to purchase corporate

stocks, but the laws do give such companies the power "to hold and enjoy all such estate, real, personal and mixed, as may be obtained by the investment of its capital stock or any other moneys and funds that may come into its possession in the course of its business and dealings, and the same sell, grant and dispose of; \* \* \*." (Public Laws, 1923, ch. 144, sec. 61; Banking Laws, 1931, sec. 61, p. 30.)

Savings banks may invest in stock of certain corporations and banks. - Amount of investment limited.

With reference to savings banks, the laws provide that they "may hereafter invest their funds as follows, and not otherwise:

\* \* \* \* \*

XIII \*\*\* (a) In the stock of any Maine corporation, other than a banking corporation, actually conducting in this state the business for which such corporation was created, provided such corporation has for a period of three years next preceding the investment earned and received an average net income equivalent to at least six per cent upon the entire outstanding issue of the stock in question.

"(b) The aggregate of all investments made by any bank in stock shall at no time exceed five per cent of its deposits, and not more than one per cent of the deposits of such bank shall be invested in the stock of any single corporation. No such bank shall hold by way of investment or as security for loans, or both, more than one-fifth of the capital stock

"of any corporation; but this limitation shall not apply to assets acquired in good faith upon judgments for debts or in settlements to secure debts." (Public Laws, 1923, ch. 144, as amended, sec. 27; Banking Law Pamphlet, 1931, sec. 27, pp. 9 and 18.)

"XX. \*\* In the capital stock of any bank in this state incorporated under the laws of this state or the United States; and in the capital stock of any bank in any of the other states of New England or in the state of New York incorporated under the laws of any of those states or the United States and located in a city having a population of not less than two hundred and fifty thousand; provided, that any such bank located outside of this state shall be a member of the Federal Reserve Bank System and shall have a capital and undivided profits of not less than ten million dollars.

"A savings bank shall not hereafter acquire bank stock, both by way of investment and as security for loans, which, together with its present holdings, shall be in excess of seven and one-half per cent of its deposits; nor shall hereafter acquire stock in any one bank which, together with its present holdings shall have a book value of more than one per cent of its deposits; nor shall hereafter acquire bank stock, which, together with its present holdings, shall exceed ten per cent of the capital of any one bank." (Banking Law Pamphlet, 1931, sec. 27, p. 19.)

MARYLAND.

Purchase of Corporate Stocks permitted to Trust Companies.

A trust company is given the power "to exercise, by its directors, duly authorized officers or agents, all such powers as shall be usual in carrying on the business of banking \* \* \* by purchasing, investing in and selling stocks, \* \* \* and other securities \* \* \*". (Laws of 1910, ch. 219,

as amended by Laws of 1931, ch. 429, sec. 46; Banking Law Pamphlet, 1931, sec. 46 (9), p. 25.)

Banks - No specific statutory provisions.

There do not appear to be any provisions in the laws of Maryland specifically authorizing or prohibiting banks to purchase corporate stocks.

MASSACHUSETTS.

Purchase of Corporate Stocks by Trust Companies permitted.

A trust company may "invest its money or credits, whether capital or general deposits, in the stocks, bonds or other evidences of indebtedness of corporations or of associations or trusts, \* \* \*"

(General Laws, Ch. 172, sec. 33; Trust Company Pamphlet Laws, sec. 33, p. 21.)

Limitation upon Purchase of Stocks in other Trust Companies.

The laws provide, however, that "No trust company shall hold more than ten per cent of the capital stock of any other trust company". (General Laws, Ch. 172, sec. 43; Trust Company Pamphlet Laws, sec. 43, p. 23.)

Savings Banks may Purchase Certain Bank and Trust Company Stocks--Amount limited.

Savings banks may invest their deposits and income derived therefrom "In the stock of a trust company incorporated under the laws of and doing business within this commonwealth, or in the stock of a national banking association located in the New England States and incorporated under the authority of the United States, which has paid dividends of not less than four per cent therein in cash in each of the five years next preceding the date of such investments and the amount of whose surplus is at least equal to fifty per cent of its capital; but a savings bank shall not hold, both by way of investment and as security for loans, more than twenty-five per cent of the stock of any one such company or association, nor shall it hold by way of investment stock of such companies and associations having an aggregate initial cost in excess of fifteen per cent of the deposits of such savings bank, or stock of any one such company or association having an initial cost in excess of one per cent of the deposits aforesaid." (General Laws, ch. 168, sec. 54, (7th), as amended by Acts of 1929, ch. 315; Savings Banks Pamphlet Laws, sec. 54 (7th), p. 39.)

MICHIGAN.

Purchase prohibited of kinds of corporate stocks contemplated by this digest.

The laws of Michigan provide that banks and trust companies may only purchase certain specifically enumerated stocks, bonds and other securities, and this enumeration does not include any of the stocks contemplated by this digest. (Laws of 1919, Act. No. 94, sec. 1; Laws of 1929, Act No. 66, sec. 4 and Act No. 67, sec. 24; Laws of 1931, Acts No. 14 and No. 238.)

MINNESOTA.

Purchase of corporate stocks contemplated by this digest not permitted.

The statutes of Minnesota provide that banks and trust companies may only purchase or invest in such stocks, bonds, etc., as are specifically enumerated, and there is not included in this enumeration any of the stocks contemplated by this digest. (G.S. 1925, secs. 7649 and 7663; sec. 7714, as amended by Laws of 1927, ch. 368 and ch. 422, and by Laws of 1931, ch. 296; and secs. 7716, 7735, 7738, 7740 and 7810).

MISSISSIPPI.

Purchase of bank stocks prohibited.

The laws of this State provide that "No part of the stock of any bank \* \* \* shall be owned by any bank under the provisions of this act. Any such stock owned by any bank at the time this act

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takes effect shall be disposed of within twelve months after such time. In cases where such stock is taken as collateral and the purchase thereof shall be necessary to prevent loss upon a debt previously contracted in good faith, then in such cases such stock shall be sold by the bank within twelve months from the time that it was required." (Laws of Mississippi, 1922, Chap. 172, sec. 49; Brown's 1925 Miss. and Federal Statutes pertaining to Banks and Banking, P. 71.)

The term "bank" as used in the banking laws of Mississippi includes trust companies and savings banks. (Laws of Mississippi, 1914, chap. 124, sec. 66; Brown's 1925 Miss. and Federal Statutes pertaining to Banks and Banking, p. 72.).

#### MISSOURI.

#### Purchase by Trust Companies of Corporate Stocks permitted but amount limited.

A trust company in this State is authorized "To buy, invest in and sell all kinds of \* \* \* stocks or other investment securities." (Rev. Stats. of Mo., 1929, sec. 5421). The laws provide, however, that such a company "shall not invest or keep invested in the stock of any private corporation an amount in excess of fifteen per centum of the capital and surplus fund of such trust company; nor shall it purchase or continue to hold stock of another bank or trust company if by such purchase or continued investment the total stock of such other bank or trust company owned and held by it as collateral will exceed fifteen per centum of the stock of such other bank or trust company: Provided, however, that this limitation shall not apply \* \* \* to the ownership by such trust company or its stockholders of

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a part or all of the capital stock of one bank organized under the laws of the United States or of this State." (Paragraph 9, sec. 5429, Rev. Stats. of Mo., 1929)

There are no statutory provisions in this State governing the purchase by banks of the kinds of corporate stocks contemplated by this digest.

#### MONTANA.

##### Banks prohibited from purchasing stocks.

A commercial or savings bank is prohibited from purchasing or investing "in the capital stock of any corporation, unless the purchase or acquisition of such capital stock shall be necessary to prevent loss to the bank on a debt previously contracted in good faith. Any capital stock so purchased or acquired shall be sold by such bank within six months thereafter, if it can be sold for the amount of the claim of such bank against it; and all capital stock thus purchased or acquired must be sold for the best price obtainable by said bank within one year after such purchase or acquisition." (Laws of Montana, 1927, Chap. 89, sec. 39; Banking Laws, 1927, Sec. 39, p. 32.)

##### Trust Companies authorized to purchase stocks.

The laws of Montana authorize the organization of a trust company which may invest in corporate stocks and other securities, and also provide that: "The board of directors of any such corporation is authorized to invest the capital and assets of said corporation \* \* \* in \* \* stocks and bonds of corporations \* \* \*." (Laws of Montana, 1927, Chap. 89, sec. 4(c) (8), and sec. 26; Banking Laws, 1927, sec. 4 (c) (8), and sec. 26.)

Investment Companies may purchase stocks.

The laws of Montana authorize the formation of investment companies with the power to receive deposits. These companies are authorized to buy and sell stocks as well as other securities. (Laws of Montana, 1927, Chap. 89, sec. 4(d); Banking Laws, 1927, sec. 4(d).)

NEBRASKA.

Banks - Purchase of Corporate stocks prohibited.

The laws of this State provide that no bank "shall \* \* \* be the purchaser or holder of \* \* \* the shares of any corporation, unless such \* \* \* purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and such stock so purchased or acquired shall, within six months from the time of its purchase be sold or disposed of at public or private sale; or in default thereof, a receiver may be appointed to close up the business of the bank: Provided, in no case shall the amount of stock so held exceed ten per cent of the paid-up capital of such bank." (Comp. Stats. of Nebraska, 1929, sec. 8-137; Banking Law Pamphlet, 1931, sec. 8-137, p. 11.)

Savings banks are not permitted to purchase corporate stocks. (Comp. Stats. of Nebraska, 1929, sec. 8-155; Banking Law Pamphlet, 1931 sec. 8-155, p. 14.)

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NEBRASKA.

Trust companies - Except for stock in other trust companies and certain corporations, may purchase corporate stocks.

Trust companies in this State have the power "To buy, hold and own and sell \* \* \* stocks, \* \* \* and other investment securities, \* \* \* except \* \* \* stocks of any corporation that have not earned annual dividends of at least four per cent per annum for at least three years just prior to the date of such purchase and stock of any corporation organized under this article" (trust company). (Comp. Stats. of Nebraska, 1929, sec. 8-206; Banking Law Pamphlet, 1931, sec. 6-206, p. 27.)

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NEVADA.

Purchase of corporate stocks prohibited.

Under the laws of this State, "No bank shall \* \* \* invest any of its funds in the stock of any bank or trust company or corporation. \* \* \* ." (Comp. Laws of 1929, sec. 662; Banking Law Pamphlet, 1931, sec. 13, p. 8.) the word "bank" as thus used includes savings banks and trust companies. (Comp. Laws of 1929, sec. 724; Banking Law Pamphlet, 1931, sec. 75, p. 24.)

NEW HAMPSHIRE.

Purchase of Corporate Stocks permitted.

Trust companies are authorized and empowered "to negotiate, purchase and sell stocks, bonds and other evidences of debt; to do a general banking business; and to conduct a savings department." (Public Laws, ch. 265, sec. 31; Banking Law Pamphlet, 1931, sec. 31, p. 46.)

Limitation upon such purchase.

The laws of this State provide, however, that "The total liabilities of a person, firm or corporation, including in the liabilities of a firm the liabilities of its several members, for money borrowed of the commercial department of a trust com-

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pany or other corporation of a similar character, whether organized under the provisions of this chapter or otherwise, shall at no time exceed ten per cent of its capital stock actually paid in and surplus, nor shall such corporation purchase or hold, by way of investment, the stocks and bonds of any corporation to an amount in excess of said ten per cent." (Public Laws, ch. 265, sec. 37; Banking Law Pamphlet, 1931, sec. 37, p. 47.)

Savings Banks and Savings Departments of Banks and Trust Companies.

Subject to certain conditions, savings banks and savings departments of banking and trust companies may make limited investments in the capital stock of banks, trust companies and certain other corporations. (Public Laws, ch. 260, sec. 16; ch. 262, as amended by ch. 39, Laws of 1927, ch. 122, Laws of 1929, and ch. 96, Laws of 1931, secs. 1, 7, 8, 9, 12, 13, 14, 15; Banking Law Pamphlet, 1931, sec. 16, p. 8, secs. 1, 7, 8, 9, 12, 13, 14, 15, pp. 21, 25-32.)

NEW JERSEY.

Banks (other than savings banks) and Trust Companies authorized to purchase Corporate Stocks.

Banks (other than savings banks) "in addition to the power and authority now conferred upon them, shall be authorized to purchase, invest in and sell stocks of corporations". (Laws of 1927, ch. 12, Banking Law Pamphlet, 1932, sec. 10, p. 58.)

Trust companies are authorized "to purchase, invest in and sell stocks \* \* \* and other securities; \* \* \*". (Laws of 1899, ch. 174, sec. 6 (10); Banking Law Pamphlet, 1932, sec. 6 (10), p. 79.)

Savings banks may only invest in certain specifically enumerated securities, and there is not included in this enumeration any of the corporate stocks contemplated by this digest. (Laws of 1931, ch. 167.)

#### NEW MEXICO.

#### Commercial banks and trust companies - No express statutory provisions.

There do not appear to be any provisions in the banking laws of New Mexico expressly permitting or prohibiting commercial banks and trust companies to purchase stocks in other corporations. Trust companies, however, are authorized "\* \* \* to purchase, invest in and sell all kinds of \* \* \* investment securities". (1929 New Mexico Statutes Annotated, sec. 13-303, paragraph 7; Bank Code, 1929, sec. 60(7), p. 22); and, with reference to commercial banks, the <sup>banking</sup> laws of New Mexico provide that "\* \* \* no bank shall at any time have invested more than thirty per cent of its unimpaired capital and surplus in the notes, bonds, or other securities of any person, firm or corporation \* \* \*". (1929 New Mexico Statutes Annotated, sec. 13-137; Bank Code, 1929, sec. 36, p. 15.)

Savings banks may only invest their deposits in certain specifically enumerated securities, and there is not included

in this enumeration any of the corporate stocks contemplated by this digest. (1929 New Mexico Statutes Annotated, sec. 13-201; Bank Code, 1929, sec. 56, p. 20.)

NEW YORK.

Trust companies permitted to purchase stocks.

Trust companies have the power "to purchase, invest in and sell stocks \* \* \* and other securities; \* \* \*". (Banking Law, sec. 185 (9).)

Limitation upon purchase of corporate stocks.

A trust company "shall not invest or keep invested in the stock of any private corporation an amount in excess of ten per centum of the capital and surplus of such trust company; nor shall it purchase or continue to hold stock of another moneyed corporation if by such purchase or continued investment the total stock of such other moneyed corporation owned and held by it as collateral will exceed ten per centum of the stock of such other moneyed corporation, \* \* \*". (Banking Law, sec. 190 (9).)

Banks - No statutory provisions, but purchase generally of corporate stocks held prohibited.

Banks proper and savings banks are permitted to purchase certain classes of corporate stocks, but none of these stocks is of the type contemplated by this digest. (Banking Law, secs. 106 and 239.)

The banking department of the State of New York has held that banks have no authority to buy stocks other than those classes above referred to, and the courts in this State have rendered decisions to the effect that banks can not purchase stocks of other corporations for the purpose of selling at a profit, can not become stockholders in a railroad corporation, and can not purchase State stocks to sell at a profit.

NORTH CAROLINA.

Purchase of Corporate Stocks permitted, but amount of purchase limited.

"No bank shall make any investment in the capital stock of any other State or National bank; Provided, that nothing herein shall be construed to prevent the subscribing to or purchasing of the capital stock of \* \* \* central reserve banks, having a capital stock of more than one million dollars; by banks doing business under this chapter, upon such terms as may be agreed upon. To constitute a central reserve bank as contemplated by this chapter, at least fifty per cent of the capital stock of such bank shall be owned by other banks."  
(Code of North Carolina, 1931, sec. 220(c); Banking Laws, 1931, sec. 220(c), p. 20.)

Limitations upon Purchase of Stocks.

"The investment of any bank in the capital stock of such central reserve bank \* \* \*, shall at no time exceed ten

per cent of the paid-in capital and permanent surplus of the bank making same. No bank shall invest more than fifty per cent of its permanent surplus in the stocks of other corporations, firms, partnership, or companies, unless such stock is purchased to protect the bank from loss. Any stocks owned or hereafter acquired in excess of the limitations herein imposed shall be disposed of at public or private sale within six months after the date of acquiring the same, and if not so disposed of shall be charged to profit and loss account, and no longer carried on the books as an asset. The limit of time in which such stocks shall be disposed of or charged off the books of the bank may be extended by the commissioner of banks if in his judgment it is for the best interest of the bank that such extension be granted." (Code of North Carolina, 1931, sec. 220(c); Banking Laws, 1931, sec. 220(c) p. 20.)

Commissioner of banks may suspend limitations on amount may purchase.

"The board of directors of any bank may, by resolution duly passed at a meeting of the board, request the commissioner of banks to temporarily suspend the limitations on loans and investments as same may apply to any particular loan or investment, which said bank desires to make in excess of the provisions of sections 220(b), 220(c), \* \* \* . Upon receipt of a duly certified copy of such resolution, the commissioner of banks may, in his discretion, suspend the limitations on loans and investments in so far as it would apply to the loan or investment

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which such bank desires to make." (Code of North Carolina, 1931, sec. 220(e); Banking Laws, 1931, sec. 220(e), p. 21.)

Purchase of Stock of Corporation Owning Land or Building used by Bank.

A bank may invest "fifty per cent of its unimpaired capital and permanent surplus in the stock or bonds of a corporation owning the land, building or buildings occupied by such bank as **its** banking home" and a bank may not be compelled "to surrender or dispose of any investment in the stock or bonds of a corporation owning the lands or buildings occupied by such bank as its banking home, if such stocks or bonds were lawfully acquired prior to the ratification of this Act; Provided further, however, that the commissioner of banks may, in his discretion, authorize banks located in cities having a population of more than five thousand, according to the latest United States census, to invest an amount greater than fifty per cent of its unimpaired capital and permanent surplus in the stocks or bonds of a corporation owning the land, building or buildings occupied by such bank as its banking home." (Code of North Carolina, 1931, sec. 220(b); Banking Laws, 1931, sec. 220(b), p. 19.)

Definition of term "bank".

"The term 'bank' shall be construed to mean any corporation, partnership, firm, or individual receiving, soliciting, or accepting money or its equivalent on deposit as a business: Provided, however, this definition shall not be construed to include building and loan associations, Morris plan companies, industrial banks

or trust companies not receiving money on deposit." (Code of North Carolina, 1931, sec. 216(a); Banking Laws, 1931, sec. 216(a), p. 3.)

NORTH DAKOTA.

Purchase of Corporate Stocks by Banks prohibited.

Except for the authority to invest in the kinds of corporate stocks not contemplated by this digest, the laws of North Dakota provide that "No bank, except as in this section specifically authorized, shall \* \* \* employ or invest any of its assets or funds in the stock of any corporation, bank, partnership, firm or association, nor shall it invest any of its assets in speculative margins of stocks, bonds, \* \* \*." (Laws of 1931, ch. 96, sec. 33, p. 145.)

The above prohibition is expressly made applicable to savings banks. (Laws of 1931, ch. 96, sec. 49 (i), p. 159.)

OHIO.

Banks (other than savings banks) not permitted to purchase corporate stocks of kinds covered by this digest.

Banks, other than savings banks, are authorized to make certain investments of their capital, surplus, undivided profits and deposits in certain securities, stocks and bonds, but apparently they are not authorized to make investments in the kinds of corporate stocks contemplated by this digest. (Throckmorton's Code of 1930, secs. 710-111, 710-111a, 710-121; Banking Law Pamphlet, 1931, secs. 710-111, 710-111a, 710-121.)

Savings banks - purchase of bank stocks forbidden, but "stocks of companies" may be purchased.

A savings bank is empowered to invest its funds in "stocks of companies, upon which or the constituent companies

comprising the same, dividends have been earned and paid for five consecutive years next prior to the investment and stocks of companies taken on a refinancing plan involving an original investment, which was legal at the time it was made: provided, every such investment shall be authorized by an affirmative vote of a majority of the board of directors of such savings bank"; but "No purchase or investment shall be in the stock of any other corporation organized or doing business under the provisions of Section 710-41 (concerning incorporation of commercial and savings banks and trust companies) or Section 710-180 (concerning special plan banks) of the General Code or of the National Banking Act of the United States". (114 Ohio Laws, p. 153, sec. 1, amending Throckmorton's Code of 1930, sec. 710-140(b); Banking Law Pamphlet, 1931, sec. 710-140(b), p. 59)

Trust Companies - Purchase of bank stocks prohibited, but other corporate stocks may be purchased.

"A trust company may invest in \* \* \* stocks and bonds of corporations when authorized by the affirmative vote of the board of directors, or of the executive committee of such trust company" but the prohibition against savings banks purchasing bank or trust company stocks is also imposed upon trust companies. (Throckmorton's Code of 1930, sec. 710-166; Banking Law Pamphlet, 1931, sec. 710-166, p. 68.)

OKLAHOMA

Banks - Purchase of any kind of corporate stocks prohibited.

A bank "shall not invest any of its funds in the stock of any other bank or corporation \* \* \*." (Oklahoma Statutes, 1931,

sec. 9135; Banking Laws, 1926, sec. 11, p. 15.) The Constitution of Oklahoma also provides that "No trust company, or bank or banking company shall own, hold or control in any manner whatever, the stock of any other trust company or bank or banking company, except such stock as may be pledged in good faith to secure bona fide indebtedness, acquired upon foreclosure, execution sale, or otherwise for the satisfaction of debt; and such stock shall be disposed of in the time and manner hereinbefore provided." (within twelve months from the date of acquisition). (Constitution of Oklahoma, Article 9, sec. 41.)

Trust Companies - May purchase any kind of stocks, except in a bank or in another trust company.

Trust companies are given the power "to buy and sell \* \* \* all kinds of \* \* \* stocks, and other investment securities". (Oklahoma Statutes, 1931, sec. 9206; Banking Laws, 1926, sec. 119(9), p. 64.)

In view of the above provision of the Oklahoma Constitution prohibiting a trust company to "hold or control in any manner whatever, the stock of any other trust company or bank or banking company", it would seem that the power given to trust companies to "buy and sell \* \* \* all kinds of \* \* \* stocks, and other investment securities", is restricted in so far as the provisions of the Oklahoma Constitution are applicable.

#### OREGON.

Purchase of corporate stocks prohibited.

Except for the authority to purchase certain classes of

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corporate stocks not contemplated by this digest and except for stock acquired or purchased to save a loss on a preexisting debt, the laws of Oregon provide that "Hereafter no bank or trust company shall invest any of its assets in the capital stock of any other corporation". In case stock is purchased or acquired to save loss on a preexisting debt, such stock must be sold "within 12 months of the date acquired or purchased, or within such further time as may be granted by the superintendent of banks". (Oregon Code, 1930, sec. 22-911; Banking Law Pamphlet, 1930 sec. 22-911, p.46)

Savings banks and savings departments of banks or trust companies are not authorized to invest funds in the kinds of corporate stocks contemplated by this digest. (Oregon Code, 1930, sec. 22-1109, as amended by Laws of 1931, ch. 278, p.454.)

#### PENNSYLVANIA.

Banks (other than savings banks) and trust companies permitted to purchase corporate stocks.

The laws of Pennsylvania provide that "any corporation created by general or special laws, may purchase, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of, the shares of the capital stock of \* \* \* any other corporation or corporations, public or private, of this or any other State \* \* \* and while the owner of said stock may exercise all the rights, powers and privileges of ownership, including the right to vote thereon". (Act of July 2, 1901, Public Laws, p. 603, as amended by Acts of March 27, 1929, Public Laws, p. 74, and April 18, 1929, Public Laws, p. 544.)

There are no statutory limitations in Pennsylvania upon the right of State banks, other than savings banks, and trust companies to purchase stocks of other corporations, and it has been considered that such institutions have the right, under the provisions of the Act of July 2, 1901, as amended, to purchase such stocks.

Savings banks, however, do not possess the right to invest their funds in stocks of other corporations. Such banks, by the provisions of Section 17 of the Act of May 20, 1889, P. L. 246 (West's Penna. Statutes, 1920, sec. 19770), are permitted to invest money derived from deposits only as specified in the Act of May 20, 1889, and, as there are no provisions in this act or in amendments thereto (Act of June 28, 1923, P. L. 884, and Act of June 22, 1931, P. L. 600) permitting such banks to invest their funds in stocks of other corporations, it has been considered that they are without this power.

#### RHODE ISLAND.

Banks proper and trust companies - No specific statutory provisions.

The laws of Rhode Island do not contain any express authority for banks proper and trust companies to purchase corporate stocks; but a trust company is authorized " \* \* \* to invest its capital stock and moneys in its hands in such bonds, obligations, or property, real, personal, or mixed, as it may deem prudent, \* \* \* " (General Laws, 1923, ch. 271, sec. 4; Banking Laws, 1929, sec. 4, p. 16).

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Savings banks and banks and trust companies receiving savings deposits - purchase of steam railroad and bank stocks permitted.

Deposits in savings banks and in the savings departments of banks and trust companies, and, in the case of savings banks, the income derived from investments held, may be invested, subject to detailed limitations, in the capital stock of banks and trust companies and certain steam railroad companies. (General Laws, 1923, sec. 1, Clause IV, Clause VII, as amended by Laws of 1927, Ch. 1034, Clause XIV, Clause XV, as amended by Laws of 1925, Ch. 653 and Laws of 1927, Ch. 1034; Banking Law Pamphlet, 1929, sec. 1, p. 22, Clause IV, p. 30, Clause VII, p. 37, Clause XIV, p. 43, Clause XV, pp. 44-45.)

SOUTH CAROLINA

Banking Corporations and trust companies may purchase corporate stocks.

Sec. 4301 of the 1922 Code of this state provides that "Two or more persons desiring to form a corporation for any purpose or purposes whatsoever" (except for certain purposes not of a banking or trust company character) may do so upon filing "a written declaration" setting forth certain required information; and, if certain other prescribed conditions are met, the Secretary of State will issue a charter.

Section 4319 of this Code (Banking Law Pamphlet, 1930, sec. 10, p. 7) provides that "Every corporation chartered under this Article shall have the following powers, to wit: \* \* 5. To make contracts, to loan money, to acquire and to transfer property, both real and personal, including shares of stock in

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other corporations, possessing the same powers in such respects as individuals now enjoy."

Section 3992 of the Code (Banking Law Pamphlet, 1930, sec. 71, p. 33) provides that "Every banking corporation may \* \* \* deal in \* \* \* public and other securities, and stocks of other corporations; \* \* \* may purchase and hold such \* \* \* personal property \* \* \* as may be deemed necessary or convenient for the transaction of its business, and may sell and dispose of the same at pleasure; \* \* \*."

Additional authorization to trust companies to purchase corporate stocks.

Trust companies are also specifically authorized "to buy, \* \* \* invest in and sell all kinds \* \* \* of stocks or other investment securities." (Banking Law Pamphlet, 1930, sec. 9(10) p. 158)

Limitation on amount trust company may invest in stock of any corporation.

A trust company, however, "shall not invest or keep invested in the stock of any one private corporation an amount in excess of twenty-five per centum (25%) of the capital and surplus fund of such trust company; nor shall it purchase or continue to hold stock of another bank or trust company if by such purchase

or continued investment the total stock of such other bank or trust company owned or held by it as collateral will exceed twenty-five per centum (25%) of the stock of such other bank or trust company: Provided, however, That this limitation shall not apply to the \* \* \* ownership by such trust company, or its stockholders, of a part or all of the capital stock of one bank organized under the laws of the United States or of this State, nor to the ownership of a part or all of the capital of one corporation, organized under the laws of this State, for the principal purpose of receiving savings deposits \* \* \* or investing in other securities in which trust companies may invest" under the laws of this State. (Banking Law Pamphlet, 1930, sec. 12(7), p. 164.)

SOUTH DAKOTA

Banks prohibited from purchasing corporate stocks.

No bank shall "invest any of its funds in the stock of any other bank or corporation, nor make loans or discounts on the security of the shares of its own capital stock, nor be the purchaser or holder of any such shares unless such security or

purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; stocks so purchased or acquired shall, within six months of the time of its purchase, be sold or disposed of at public or private sale; and after the expiration of six months any such stock shall not be considered as part of the assets of such bank." (South Dakota Revised Code, 1919, sec. 8983; Banking Law Pamphlet, 1932, sec. 8983, p. 33.)

Trust Companies prohibited from Purchasing Corporate Stocks.

No trust company shall "invest any of its funds in the stock of any other trust company or corporation, nor make any loans or discounts on the security of the shares of its own capital stock, nor be the purchaser or holder of any shares unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall, within six months of the time of its purchase, be sold or disposed of at public or private sale; and after the expiration of six months any such stock shall not be considered as a part of the assets of any trust company." (South Dakota Revised Code, 1919, sec. 9050; Banking Law Pamphlet, 1932, sec. 9050, p. 82.)

TENNESSEE.

Banks and trust companies authorized to deal in stocks.

Section 3887 of the new Code of Tennessee, which became effective January 1, 1932, authorizes banks and trust companies to "deal in \* \* \* bonds, stocks, or other securities generally, \* \* \* and have and possess all other rights which appertain and belong to a banking institution, except the power to issue notes for the purposes of currency, which power is withheld."

TEXAS.

Purchase of Corporate Stocks Permitted.

In this State banks (other than savings banks) and trust companies may purchase, invest in, and sell stocks and other securities. (Rev. Stat., 1925, Articles 396 (9) and 1513; Banking Laws, 1932, Article 396 (9), p. 14, and Article 1513, p. 74.)

Limitation upon purchase of bank stocks.

It is unlawful for any State bank or trust company "to own more than ten per cent of the capital stock of any other banking corporation, or to make a loan secured by the stock of any other banking corporation, if by the making of such loan the total stock of such other banking corporation held by it as collateral will exceed, in the aggregate, ten per cent of the capital stock of such other banking corporation, unless the ownership or the taking of a greater percentage of such capital stock as collateral shall be necessary to prevent loss upon a

The above-quoted provision of the laws of Utah is made applicable to savings banks. (Compiled Laws of 1917, sec. 1016; Banking Laws, 1927, sec. 1016, p. 15.)

VERMONT.

Purchase of certain bank or trust company stocks permitted.

Banks and trust companies are empowered to invest their assets "in the stock of any national bank in the New England States or the state of New York, or in the stock of any banking association or trust company incorporated under the authority of and located in such states, or in the stock of any bank incorporated under the authority of and located in the Dominion of Canada; but a bank shall not hold bank stock both by the way of investment and as security for loans in excess of ten per cent of its assets, nor, in any one bank, more than five per cent of its assets, or more than two hundred thousand dollars, or more than ten per cent of the capital stock of any one bank". (General Laws, sec. 5363, par. (a), subdivision VI, as amended by Acts of 1929, Act No. 90, sec. 5.)

VIRGINIA

Purchase of corporate stocks permitted.

Banks and trust companies in this State are empowered to purchase and sell "all stocks and bonds". (Acts of 1928, ch. 507, secs. 1 and 12; Banking Laws, 1929, secs. 4149(1), 4149(13), pp. 24 and 30.)

WASHINGTON.

Purchase of corporate stocks prohibited.

The laws of this State provide that a bank or trust company shall not "subscribe for or purchase the stock of any other banking house or trust company, or of any domestic or foreign corporation of any character, \* \* \*; Provided, That such bank and/or trust company may purchase, acquire and hold shares of stock in any other corporation which shares have been previously pledged as security to any loan or discount made in good faith and such purchase shall be necessary to prevent loss upon a debt previously contracted in good faith and stock so purchased or acquired shall be sold at public or private sale or otherwise disposed of within two years from the time of its purchase or acquisition". (Laws of 1929, sec. 5, p. 101; Banking Laws, 1929, sec. 46, p. 26.). The laws also provide that corporations doing a trust business may not invest trust funds in corporate stocks. (Laws of 1929, ch. 206; Banking Laws, 1929, sec. 77, p. 37.)

Savings banks are covered by the above excerpt from the laws of Washington. (Laws of 1917, sec. 14, p. 275; Banking Laws, 1929, sec. 24, p. 11.)

WEST VIRGINIA

No Statutory Provisions.

There do not appear to be any provisions in the laws of the State of West Virginia authorizing banking institutions, which term includes trust companies, to purchase corporate stocks.

WISCONSIN

Mutual savings banks prohibited from purchasing corporate stocks - No statutory provisions covering other banking institutions.

Except for mutual savings banks, the banking statutes of Wisconsin contain no provisions with reference to the purchase of corporate stocks by banks and trust companies. The provision with reference to mutual savings banks provides that "No mutual savings bank shall invest any part of its deposits in the stock of any corporation \* \* \*." (Wisconsin Statutes, 1929, sec. 222.13, as amended by Laws of 1931, ch. 27, p. 42; Banking Law Pamphlet, 1932, sec. 222.13, p. 109.)

WYOMING

Purchase of corporate stocks prohibited.

The laws of the State of Wyoming provide that not State bank shall invest any of its assets in the capital stock of any other corporation," except for such stock "as it may acquire or purchase to save a loss on a pre-existing debt, and stocks so acquired or purchased shall be sold within twelve months from the date acquired or purchased; provided, that

a further time may be granted by the State Examiner." (1931 Wyoming Revised Statutes, sec. 10-133.)

The term "State bank" as used in the above excerpt from the laws of Wyoming includes every individual, firm or corporation doing a banking business, and a banking business is engaged in "where credits are opened by the deposit or collection of money or currency or negotiable paper subject to be paid or remitted upon draft, receipt, check or order". (1931 Wyoming Revised Statutes, sec. 10-110.)

The statutes of Wyoming contain no provisions authorizing trust companies not doing a banking business to purchase corporate stocks.

APPENDIX C

Digest of State Laws Relating to the Purchase or Ownership  
of Bank Stock by Holding Corporations

DIGEST OF STATE LAWS RELATING TO THE PURCHASE  
OR OWNERSHIP OF BANK STOCK BY HOLDING  
CORPORATIONS.

(Superseding X-6392)

There is given below a digest of the laws of the several States relating to the purchase or ownership of the stock of banks by holding corporations. This digest has been prepared by the Office of the General Counsel to the Federal Reserve Board, with the assistance of the Counsel to the various Federal reserve banks, and shows the status of the State legislation dealing with this subject as of August 1, 1932.

The States not mentioned in this digest apparently have no legislation affecting this subject directly or indirectly.

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ALABAMA.

There does not appear to be any legislation in this State specifically authorizing a holding corporation to purchase or own bank stocks; but Section 7015(10) of the Code of Alabama, which relates to the powers, rights and duties of corporations in general, authorizes a corporation "to subscribe for, acquire, hold, and dispose of the stock, bonds or other evidence of indebtedness of any other corporation of this or any other State or foreign countries, and while owner thereof to exercise the rights, privileges, and powers of ownership, including the right to vote, subject to the limitations of such rights in this chapter contained; \* \* \*."

ARIZONA.

There do not appear to be any statutes in this State specifically dealing with this subject. In these circumstances, it may be that holding corporations are authorized to purchase bank stocks under the provisions of Section 579 of the 1928 Revised Code of Arizona, which became effective July 1, 1929. This section relates to corporations in general and provides that any corporation shall have power "to make contracts, acquire and transfer property, possessing the same powers in such respect as private individuals now enjoy.

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ARKANSAS.

There do not appear to be any statutes in this state specifically authorizing or forbidding a holding corporation to purchase or own bank stock, but Section 3 of Act No. 252 of the 1931 Acts of Arkansas, approved March 31, 1931, provides that "any person or persons, and/or any company, co-partnership, corporation or other legal entity in which such person or persons own or control a substantial interest, owning either singly or jointly an aggregate of fifty (50) per cent or more of the capital stock of three or more banks and/or trust companies, thus forming a chain or group of banks and/or trust companies, shall be, and are hereby prohibited from borrowing from, or becoming indebted to, such banks and/or trust companies, thus owned and controlled, in any amount or in any manner"; and this would seem to recognize by implication the right of holding corporations to own bank stocks.

CALIFORNIA.

There does not appear to be any statute in this State which specifically authorizes a holding corporation to purchase or own bank stocks. However, the General Corporation Law enacted by the 1931 Legislature of this State (C.C. 341), provides that "Every corporation heretofore or hereafter organized has power \* \* \* (10) To acquire, subscribe for, hold, own, pledge and otherwise dispose of and vote shares of stock, bonds and securities of any other corporation, domestic or foreign."

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IDAHO

There does not appear to be any statute in this State specifically dealing with the purchase or ownership of bank stock by holding corporations; but Section 10 of Chapter 262 of the 1929 laws provides that a corporation formed under the general corporation law may "acquire, purchase, guarantee, hold, mortgage, own, vote, sell, pledge and/or otherwise dispose of and deal in shares \* \* \* of other corporations, domestic or foreign".

There is also no double liability against stockholders of State banks in this State, but the banking law requires that stockholders at the time of the organization of such banks must produce satisfactory evidence that they have a net worth over and above all liabilities and exemptions of at least three times the amount of the capital stock taken by them in the process of such organization. (Sec. 12(e), Bank Act of 1925).

ILLINOIS.

The General Corporation Law of this State provides that corporations organized thereunder may "own, purchase or otherwise acquire \* \* \* stocks, \* \* of any corporation, domestic or foreign." The statute contains some restrictions, such as forbidding the holding of stock in a building corporation, but there is no express prohibition therein upon the right of a corporation to own stock in a bank, although there may be an implication to that effect. (See Section 2, page 743, of the Illinois Revised Statutes of 1931, (Smith and Hurd) prohibiting the organization of a corporation under the

(Illinois - continued)

provisions of the general corporation law for the purpose of engaging in a banking business and the case of Central Life Securities Company, v. Smith, 236 Fed. 170). Moreover, Section 6 of the Illinois Banking Act, by referring to stockholders of banks by the use of the pronouns "he" or "she", may create the implication that it was intended that such stockholders should be natural and not artificial persons.

INDIANA.

There do not appear to be any statutes in this State specifically authorizing or forbidding corporations to own bank stocks; but section 4 of an act of the Indiana Legislature approved March 2, 1931, provides in part that, "The shareholders in any corporation formed under the provisions of any law of this State for any purpose whatsoever, and the shareholders in any corporation formed under the laws of any other State or country and admitted to do business in this state, shall be held individually responsible for all contracts, debts and engagements of any bank, the shares of which are held by any such corporation, each to the amount which the said shareholder's interests in said corporation, as represented by his shares of capital stock in the same, bears to the total amount necessary to be collected from the holders of shares of stock in any such bank, \* \* \*"; and this would seem to recognize by implication the right of holding corporations to own bank stock.

On the other hand, section 2 of chapter 215 of the 1929

(Indiana - continued)

Acts of Indiana provides that, "corporations may be organized for pecuniary profit under this act for any lawful business purpose or purposes, except \* \* \* corporations for the conduct of a banking, \* \*, trust \* \* \* business". Section 3 of this chapter also authorizes such corporations "to acquire, guarantee, hold, own and vote and to sell, assign, transfer, mortgage, pledge or otherwise dispose of the capital stock, bonds, securities or evidences of indebtedness of any other corporations, domestic or foreign," but provides that, "No corporation shall, by any implication or construction, be deemed to possess the power of carrying on the business of receiving deposits of money, bullion or foreign coins, or of issuing bills, notes or other evidences of debt for circulation as money."

It thus appears that the provisions of the 1929 statute prohibit the organization and operation thereunder of a corporation to do a banking business; and, in these circumstances, the provisions might be construed as prohibiting a holding corporation from owning a controlling interest in the stock of a bank, since such an interest would permit the corporation to control the operation of the bank and thereby enable it to accomplish indirectly what the law prohibits it from doing directly.

IOWA.

Section 7940 of the 1927 Iowa Code, which authorizes corporations to hold stock in railway corporations, and Section 8434 of this Code, which recognizes the right of holding corporations to own stock in a public utility, contain the only provisions of the Iowa Laws relating to the ownership by corporations of stock in other corporations. However, Section 9 of Article VIII of the Iowa Constitution, which fixes

(Iowa - continued)

the liability of stockholders of banks and refers to such stockholders by using the pronouns "he" or "she", may by implication require stockholders in banks to be natural and not artificial persons.

KANSAS.

There does not appear to be any legislation in this State expressly authorizing or forbidding a holding corporation to own bank stock; but it would seem that the right of corporations to own bank stock is recognized by implication by reason of a statute enacted in the year 1931 (Laws of 1931, ch. 83). This statute authorizes the bank commissioner or his assistants to examine "any investment or holding company or corporation which is affiliated with any bank or trust company". The bank commissioner is also authorized "to examine any copartnership, corporation or association", domestic or foreign, "holding as much as twenty-five per cent of the capital stock of any bank or trust company doing business in Kansas: Provided, That the bank commissioner may require the deposit of bonds of the United States, state of Kansas, or of some county, school district or municipality of the state of Kansas, with the state treasurer to secure the shareholders' liability on said stock held by it: And provided further, That if any such copartnership, corporation or association shall fail or refuse to secure such shareholders' liability as required of it by the bank commissioner, said copartnership, corporation or association shall have no power to vote its stock at a shareholders' meeting nor can said stock thereafter be represented on the board of directors of said bank or trust company".

KENTUCKY.

There is no law in this State limiting the power of cor-

(Kentucky - continued)

porations to hold bank stock unless it be Section 567 of Carroll's Kentucky Statutes, which read as follows:

"Nor shall any corporation directly or indirectly, engage in or carry on in any way the business of banking, or insurance of any kind, unless it has become organized under the laws relating to banking and insurance \* \* \*".

A double liability is imposed upon stockholders of banks for all contracts and liabilities of such banks by Section 595 of Carroll's Kentucky Statutes.

LOUISIANA.

There are no laws in this State dealing specifically with this subject. Although subdivision II (e) of Section 12, (P. 417), Act No. 250 of the 1928 Acts of the Louisiana Regular Session, permits corporations "to acquire \* \* \* and to hold, \* \* \* shares \* \* \* of any other corporation, domestic or foreign", it is not clear whether this subdivision is an authorization to holding corporations to acquire or hold shares of banking institutions in view of certain other subdivisions of Section 12, namely, I and II, Sections 1 (P. 409) and 2 (P. 411) of the aforesaid 1928 Acts and Sections 1 (P. 1196) and 5 (P. 1203) of Volume 2 of the 1920 Constitution and Statutes of Louisiana.

MICHIGAN.

There do not appear to be any laws in this State specifically authorizing a holding corporation to purchase or own bank stocks; but Section 10 of Act No. 327 of the 1931 Public Acts authorizes corporations in general "to guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of, the shares of the capital stock of, or any bonds, securities or evidence of indebtedness created

(Michigan - continued)

by, any other corporation or corporations of this state or any other state, country, nation or government, and while the owner of the same, to exercise all the rights, powers and privileges of ownership including the right to vote thereon if such right be an incident of the same: \* \* \*"

Section 9968 of the 1929 Compiled Laws of Michigan also provides that a corporation "shall have power in furtherance of the objects of its existence, to purchase and hold shares of stock or memberships of its own or other corporations organized under the laws of this or any other state (jurisdiction or sovereignty)"; and section 9969 of these laws provides that "when any such corporation shall be a stockholder in any other corporation, as in this subdivision provided, its president and other officers or any of its directors shall be eligible to the office of director of such corporation, the same as if they were individually stockholders therein, and the corporation holding such stock shall possess and exercise in respect thereof, all the rights, powers, privileges and liabilities of individual owners or holders of such stock".

MINNESOTA.

There do not appear to be any laws in this State dealing specifically with this subject. With reference to the liability of a stockholder in a corporation, Section 1 of chapter 210 of an act approved April 18, 1931 (Mason's Minnesota Statutes, 1931 Supplement, Section 7465-1) provides that "except as provided by Section 7465, Mason's Minnesota Statutes of 1927, no stockholder or member of any corporation or of any cooperative corporation or association, however or whenever organized, except a stockholder in a banking or trust

(Minnesota -- continued)

corporation or association, shall be liable for any debt of said corporation, cooperative corporation or association". Section 7465 of Mason's Minnesota Statutes of 1927 to which the act of April 18, 1931, refers, provides that "Every stockholder shall be personally liable for corporate debts in the following cases: 1. For all unpaid installments on stock owned by him or transferred for the purpose of defrauding creditors. 2. For failure by the corporation to comply substantially with the provisions as to organization and publicity. 3. For personally violating any of such provisions in the transaction of any corporate business as officer, director, or member, and for fraudulent or dishonest conduct in the discharge of any official duty".

MISSOURI.

There do not appear to be any laws in this State relating specifically to this subject, although trust companies may purchase or hold stock in other banks or trust companies. (Paragraph 9, Section 5429 of the 1929 Revised Statutes of Missouri.)

NEVADA.

There does not appear to be any statute in this State relating directly to the subject of this digest; but the General Corporation Law (Comp. Laws of 1929, Sec. 1608, as amended by the Laws of 1931, Ch. 224, sec. 6) provides that every corporation shall have power "to guarantee, purchase, hold, sell, assign, transfer, mortgage,

pledge or otherwise dispose of the shares of the capital stock of  
\* \* \* any other corporation or corporations of this state, or any  
other state or government \* \* \*."

NEW JERSEY.

There does not appear to be any statute in this State prohibiting absolutely the ownership of bank stock by holding corporations. However, section 3 of Chapter 273 of the 1928 laws prohibits corporations that own more than ten per cent of the stock of any bank or trust company in the State from purchasing after the date the statute became effective more than ten per cent of the stock of any other bank or trust company doing business in the State. This statute does not require corporations to dispose of any bank stock that they may have owned before the law became effective and certain institutions (enumerated in Section 14 of the laws above referred to) are specifically exempted by Section 3 from its provisions. Section 3 reads as follows:

"3. Any corporation, other than corporations specifically exempted from the provisions of this act, which now or hereafter owns more than ten per centum of the number of shares of the capital stock now or hereafter at any time issued and outstanding of any bank or trust company or national bank, now or hereafter doing business in this State, shall not purchase more than ten per centum of the number of shares of capital stock at any time issued and outstanding of any other bank or trust company or national bank, now or hereafter doing business in this State."

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(New Jersey - continued)

Section 14, which enumerates the specifically exempted institutions referred to in Section 3, reads as follows:

"14. The provisions of this Act and the penalties thereof shall not apply to the following corporations, viz.: Banks and trust companies organized under the laws of this State and national banks doing business in this State, nor to such banks, Trust companies and national banks while acting in a fiduciary capacity representing any individual or individuals or the estate of any individual; nor to any other corporation the entire capital stock of which is owned by or held in trust for the shareholders of any bank or trust company organized under the laws of this State or any national bank doing business in this State, in the same relative proportion as the stock held in said bank, trust company or national bank."

Under the laws of New Jersey, stockholders of New Jersey banks and trust companies are not subject to a double liability, as are stockholders of national banks and of banks and trust companies in other States; nor do these laws impose such a liability upon stockholders of holding corporations.

NEW MEXICO.

There apparently are no laws in this State dealing specifically with the subject of this digest; but Section 32-501 of the 1929 Annotated Statutes of New Mexico authorizes corporations in general to "purchase, hold, \* \* \* the capital stock of, \* \* \* any other corporation or corporations, of this or any other territory or state \* \* \* ", and no limitation is placed upon the amount of such stock that may be so purchased or held.

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NORTH DAKOTA.

There do not appear to be any statutes in this State expressly authorizing or forbidding a holding corporation to purchase or own bank stock; but section 21 of Chapter 96 of the 1931 Session Laws, which, among other things, pertains to the transfer of the capital stock of a State bank, recognizes that a stockholder in such a bank may be a corporation as well as a natural person. This section provides that "every person or corporation becoming a shareholder by such transfer shall in proportion to his shares succeed to all rights and liabilities of prior holders of such shares existing by reason of ownership thereof." A double liability is also imposed upon stockholders in banks by section 22 of these laws.

OHIO.

There do not appear to be any laws in this State dealing specifically with this subject. Stockholders in banking corporations are subjected to double liabilities for debts of the bank (General Code of Ohio, Section 710-75).

OKLAHOMA.

There do not appear to be any laws in this State dealing specifically with this subject and it may be that holding corporations may purchase and hold stock in banking institutions.

Section 9725 of the 1931 Oklahoma statutes provides that "All corporations organized for any of the purposes authorized by this section shall have the power to own and hold stock of other corporations, except as prohibited by the Constitution of this State".

Section 41, Article 9 of the Constitution of Oklahoma, forbids corporations to own or hold stock in other competitive corporations engaged in the same kind of business and banks or trust companies to own or hold stock in other banks or trust companies, except in those cases where such corporations or banks or trust companies have acquired such stock to secure or satisfy a bona fide indebtedness, and in such cases the stock must be disposed of within twelve months.

Section 12802 of the 1931 Oklahoma Statutes makes it unlawful for corporations to combine to place the control of corporations in the hands of a trustee or a holding corporation, if the intent and purpose of such combination is to restrict or restrain trade.

In view of the above quoted provision of Section 9725 of the 1931 Oklahoma Statutes, and since neither the prohibitions of the Constitution referred to therein, nor the provisions

Oklahoma, continued

of Section 12802 of the 1931 Oklahoma Statutes appear to be specifically applicable, in that the Constitution prohibits only banks or trust companies from owning or holding stock in other banks or trust companies and does not purport to prohibit corporations in general from owning or holding stock in other corporations, if the latter are not engaged in the same kind of business as, and do not compete with, the purchasing corporations, and Section 12802 of the statutes only affects combinations in restraint of trade, it may be that holding corporations may purchase and hold stock in banking institutions.

OREGON.

Under the provisions of an Act of this State approved March 9, 1929 (Chapter 444, General Laws of Oregon, 1929; Oregon Code, 1930, sec. 25-502) any corporation "now or hereafter organized in this state, or licensed to do business herein" may own, hold or control the stock of any bank or trust company and while so owning, holding or controlling such stock the corporation is subject to the following restrictions:

- (1) It shall not borrow money or otherwise secure credit directly or indirectly, from such bank or trust company, unless the loan or credit is adequately secured by collateral other than stock or evidences of indebtedness of any corporation which it controls.

Oregon, continued

(2) It shall not sell any stock, securities or other evidences of indebtedness of any other corporation which it controls, to or through the bank or trust company in which it owns or holds stock; nor can it use such bank or trust company as an agent for the purpose of selling or otherwise disposing of such stock, securities or other evidences of indebtedness without first obtaining permission from the Oregon Corporation Commissioner.

(3) It shall not carry as an asset any expenses incident to organization or to the sale of stock after organization.

Penalties are prescribed for violations of this act by corporations or their officers or employees, and all corporations heretofore organized under the laws of Oregon or licensed to do business therein must bring themselves within the provisions of this act within six months after the date it became effective.

There is no provision in this act imposing upon the stockholders of corporations owning or holding stock in banks or trust companies the liability imposed upon the stockholders of such banks or trust companies.

PENNSYLVANIA.

There do not appear to be any provisions in the statutes of this State specifically covering the purchase or ownership of stock in institutions engaged in a banking business. However, under Section 1 of an Act of July 2, 1901 ( P. L. 603, as amended by an Act of April 18, 1929 ), and Section XX of paragraph 5598 of West's 1920 Pennsylvania Statute Law, it might be held

Pennsylvania, continued.

that corporations are authorized to exercise this power.

Section 1 of an Act of July 2, 1901 ( P. L. 603, as amended by an Act of April 18, 1929), provides that " \* \* \* any corporation created by general or special laws, may purchase, hold, \* \* \* the shares of the capital stock of \* \* \* any other corporation or corporations of this or any other State, and while the owner of said stock may exercise all the rights, powers and privileges of ownership, \* \* \* . "

Section XX of paragraph 5598 of West's 1920 Pennsylvania Statute Law provides that a corporation may be formed. "For any lawful purpose not specifically designated by law, as the purpose for which a corporation may be formed."

There does not appear to be any statute in this State expressly providing that stockholders of corporations owning stock in banks are subject to a stockholders' liability similar to the liability imposed upon stockholders of banks. Section 1184 of the Pennsylvania Statutes imposes a double liability upon stockholders of banks and it has been held that stockholders of trust companies are not subject to a double liability. (See cases of DeHaven v. Pratt, (1909), 72 Atl. 1068, 223 Penn. 633, and Gordon, Secretary of Banking v. Winneberger, (1932) 16 District and County 506 ).

TENNESSEE.

There do not appear to be any provisions in the statutes of this State directly covering the purchase or ownership of stock in banking institutions by holding corporations; but section 4084 of the new Code of Tennessee, which became effective January 1, 1932, provides that "All private corporations for profit organized under the laws of Tennessee for the transaction of any lawful business, or to promote or conduct any legitimate object or purpose, shall have the right, power, privilege, and immunity to purchase, hold, own, sell, transfer, assign, vote, mortgage, pledge, and otherwise deal in stocks, bonds, or evidence of indebtedness of other corporations in the same manner and with all the rights, powers, privileges, and immunities of individual owners, except that this statute shall in no way be construed to give corporations power to create unlawful monopolies, trusts, or combinations in restraint of trade".

TEXAS.

There do not appear to be any statutes in this State dealing specifically with this subject; and, in view of the following, it is not clear whether or not holding corporations may purchase and hold stock in banking institutions.

Article 513 of the 1925 Revised Statutes forbids banks or trust companies "to own more than ten per cent of the capital stock of any other banking corporation, \* \* \* " unless the ownership

Texas, continued

of such excess stock "shall be necessary to prevent loss upon a debt previously contracted in good faith; \* \* \* ", and in such cases the stock must not be owned for a longer period than six months.

Article 1302 of the 1925 Revised Statutes permits private corporations to "purchase, \* \* \* hold, own, \* \* \* shares of capital stock, \* \* \* of foreign or domestic corporations not competing with each other in the same line of business; provided the powers and authority \* \* \* conferred shall in no way affect any provision of the anti-trust laws of this State".

Article 7426 of the 1925 Revised Statutes defines a trust to be "a combination of capital, \* \* \* by two or more persons, firms, corporations, \* \* \* : To create, or which may tend to create, or carry out restrictions in trade or commerce \* \* \* or to create or carry out restrictions in the free pursuit of any business authorized or permitted by laws of this State" or "To prevent or lessen competition in aids to commerce, \* \* \* ."

Article 7427 of the 1925 Revised Statutes states that a monopoly exists when two or more corporations combine or consolidate to bring the "direction of the affairs" of such corporations "under the same management or control for

Texas, continued

the purpose of producing, or where such common management or control tends to create a trust", or where "any corporation acquires the shares \* \* \* of stock \* \* \* of any other corporation or corporations, for the purpose of preventing or lessening, or where the effect of such acquisition tends to affect or lessen competition, whether such acquisition is accomplished directly or through the instrumentality of trustees or otherwise".

UTAH.

There do not appear to be any laws in this State dealing specifically with this subject and it may be that holding corporations are authorized to purchase and own bank stocks under the authority granted to corporations in general by Section 869 of the 1917 Compiled Laws. This section provides that "the corporation \* \* \* shall have power to \* \* \* buy, use, mortgage, sell, or otherwise dispose of personal property \* \* \*".

VERMONT.

There are no laws in this State expressly prohibiting the ownership by holding companies of the stock of banks but there is a provision prohibiting holding companies from holding or acquiring stock in other corporations. Section 4925 of the 1917 General Laws of Vermont contains this prohibition and reads as follows:

Vermont, continued

"The corporation shall not be permitted to acquire or hold stock in other corporations to such an extent that its primary business is the holding of such stock. A violation of this provision shall be cause for the dissolution of the corporation under the provisions of Section 4944."

There are no laws in this State imposing upon stockholders or holding companies a stockholders' liability similar to that imposed upon holders of bank stock.

WASHINGTON.

There do not appear to be any provisions in the laws of this State expressly authorizing the purchase or ownership of bank stocks by holding corporations; but section 3810 of Remington's 1922 Compiled Statutes provides that "any corporation heretofore or hereafter organized under the laws of this state or of any other state or territory of the United States and doing business in this state shall have power and authority to subscribe for, acquire by purchase or otherwise and to own, hold, sell, assign and transfer shares of the capital stock of any other corporation \* \* \*."

During the 1929 Regular Session of the Legislature of this State, a bill known as "Substitute House Bill No. 72" was introduced to restrict the ownership of bank or trust company stock by corporations, to twenty per cent of the capital stock of such bank or trust company; but this bill did not pass.

WEST VIRGINIA.

Under date of February 28, 1929, an Act was passed by the Legislature of this State affecting the purchase or ownership of stock in banking institutions by firms, associations or corporations. (Section 9, Chapter 23, Acts of 1929). Section 9 of this Act provides in part as follows:

"It shall be unlawful for any firm, association or corporation to purchase and hold stock in any banking institution organized or authorized to transact business hereunder for the purpose of selling, negotiating or trading participation in the ownership thereof either for the purpose of perfecting control of one or more such banking institutions or for the purpose of inducing other persons, firms or corporations or the general public to become participating owners therein. Nothing herein shall prevent the ownership of stocks in any such banking institution by any corporation for investment purposes."

With reference to the liability imposed upon stockholders in banks, Section 9 provides as follows:

"Each stockholder of any banking institution organized under the laws of this state, in addition to the liability imposed upon him as stockholder of a corporation under the provisions of the general corporation laws shall be liable to the creditors of the banking institution, on obligations accruing while he is a shareholder, to an amount equal to the par value of the shares of stock held by him."

WISCONSIN.

In 1929 legislation was enacted in this State regulating the ownership of stock in banks and trust companies. (Chapter 445, Wisconsin Laws of 1929 - Published, August 30, 1929). Relevant provisions of this act are summarized briefly as follows:

No corporation organized under the laws of Wisconsin is permitted to hold more than ten per cent of the stock of any bank or trust company, unless seventy-five per cent of the stockholders of both corporations vote in favor thereof at a meeting especially

Wisconsin, continued.

called for that purpose.

No State bank or trust company may vote to authorize a foreign corporation to purchase stock in such State bank or trust company, unless such foreign corporation shall have qualified to do business in Wisconsin.

Whenever the ownership or control of a majority of the stock of any State or national bank doing business in Wisconsin is held by any foreign corporation which has not qualified to do business in the State, such bank shall be disqualified to act as a depository for any public funds of the State or any subdivision thereof, or as a depository for reserve funds of State banks until such foreign corporation shall have qualified to do business in the State.

Domestic corporations and foreign corporations authorized to do business in the State which own or control the stock of a State bank or trust company shall be held liable for any assessment made against the stockholders of such bank or trust company to the par value of the stock so owned or controlled; and such holding corporations are required to deposit with the State Treasurer securities equal to fifty per cent of the par value of the stocks of State banks or trust companies owned or controlled by such holding companies, except that the aggregate amount of such securities shall not exceed the largest amount required to be deposited by Wisconsin trust companies.

If the stockholders' liability of any such holding company is not fully paid, the stockholders of such holding company are liable for an assessment sufficient to cover the deficit.

APPENDIX D

If this report is printed, it is suggested that the answers to the questionnaire from eight leading groups be reproduced in full. The Marine Midland Corporation, Buffalo, New York; Guardian Detroit Union Group, Inc., Detroit, Michigan; Wisconsin Bankshares Corporation, Milwaukee, Wisconsin; First Bank Stock Corporation, Minneapolis, Minnesota; Northwest Bancorporation, Minneapolis, Minnesota; First Security Corporation of Ogden, Ogden, Utah; Marine Bancorporation, Seattle, Washington; and Anglo National Corporation, San Francisco, California, have given the Committee permission to make such reproductions. It would take from 75 to 100 single spaced mimeographed pages to reproduce the answers from these eight groups.