

**FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS**

Dallas, Texas, August 20, 1956

**BANK HOLDING COMPANIES
REGULATION Y**

**To All Banks and Others Concerned in the Eleventh
Federal Reserve District:**

Regulation Y, effective September 1, 1956, has been issued by the Board of Governors of the Federal Reserve System pursuant to the provisions of the Bank Holding Company Act of 1956. A copy of the regulation is enclosed. It applies to all banks whether or not members of the Federal Reserve System.

The Bank Holding Company Act of 1956 and this Regulation Y are in addition to, and do not take the place of, provisions of other laws, such as section 5144 of the Revised Statutes and the Board's Regulation P thereunder, which relate to "holding company affiliates" as distinguished from "bank holding companies."

Member banks are requested to insert the regulation in their ring binders containing the Board's regulations and our operating letters.

Yours very truly,

Watrous H. Irons

President

**BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM**

BANK HOLDING COMPANIES



REGULATION Y

Effective September 1, 1956



INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the Federal Reserve district in which the inquiry arises. Forms necessary for the preparation of registration statements, applications, requests and reports may be obtained from any Federal Reserve Bank.

CONTENTS

	Page
SEC. 1. AUTHORITY AND SCOPE	1
SEC. 2. DEFINITIONS	1
(a) Bank holding company	1
(b) Exceptions from definition of "Bank holding company"	1
(c) Company	2
(d) Bank	2
(e) State member bank	2
(f) District bank	2
(g) Subsidiary	3
(h) Successor	3
(i) Board	3
(j) The Act	3
(k) Federal Reserve Bank	3
SEC. 3. REGISTRATION	3
(a) Registration statement	3
(b) Date of registration	3
SEC. 4. ACQUISITION OF BANK SHARES OR ASSETS	4
(a) Transactions requiring Board approval	4
(b) Excepted transactions	4
(c) Applications which will not be approved	4
(d) Submission of applications	5
(e) Procedure on applications	5
(f) Hearings on applications	5
(g) Action on applications	6
(h) Factors affecting action	6
SEC. 5. INTERESTS IN NONBANKING ORGANIZATIONS	6
(a) Period allowed for divestment	6
(b) Shares of financial, fiduciary, or insurance companies	7
(c) Tax certifications	7
SEC. 6. BORROWING BY BANK HOLDING COMPANY OR ITS SUBSIDIARIES	8
SEC. 7. HEARINGS AND PROCEEDINGS	8
(a) Hearings	8
(b) Record of Proceedings	8
(c) Parties	8
SEC. 8. REPORTS AND EXAMINATIONS	9
SEC. 9. STATUTORY PENALTIES	9
APPENDIX	10

REGULATION Y

Effective September 1, 1956

BANK HOLDING COMPANIES

SECTION 1. AUTHORITY AND SCOPE

This regulation is issued pursuant to the Bank Holding Company Act of 1956, the provisions of which are set forth in the Appendix to this regulation.¹ Provisions relating to holding company affiliates, as defined in section 2 (c) of the Banking Act of 1933, are contained in the Board's Regulation P.²

SECTION 2. DEFINITIONS

(a) **Bank holding company.**—Subject to the exceptions stated in subsection (b) of this section, the term “bank holding company” means any company—

(1) which directly or indirectly owns, controls, or holds with power to vote either

(i) 25 per centum or more of the voting shares of each of two or more banks, or

(ii) 25 per centum or more of the voting shares of any other company which is or becomes a bank holding company; or

(2) which controls in any manner the election of a majority of the directors of each of two or more banks; or

(3) for the benefit of whose shareholders or members 25 per centum or more of the voting shares of each of two or more banks or of a bank holding company is held by trustees; or

(4) which is a successor to any company that falls within (1), (2), or (3) above, and any such successor shall be deemed to be a bank holding company from the date as of which its predecessor company became a bank holding company.

(b) **Exceptions from definition of “bank holding company.”**
—No company shall be considered a bank holding company—

(1) if it is a bank and it would otherwise be a bank holding company only by virtue of its ownership or control of shares in a fiduciary capacity, provided such shares are not held for the benefit of the shareholders of such bank; or

(2) if (i) it is registered under the Investment Company Act of 1940 and was so registered prior to May 15, 1955, or is affiliated

¹ The record keeping and reporting requirements contained herein have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

² The Bank Holding Company Act of 1956 and this Regulation Y are in addition to, and do not take the place of, provisions of other laws, such as section 5144 of the Revised Statutes and the Board's Regulation P thereunder, which relate to “holding company affiliates” as distinguished from “bank holding companies.”

with any such registered company in such manner as to constitute it an affiliated company within the meaning of that Act, *and* (ii) it does not directly own 25 per centum or more of the voting shares of each of two or more banks; or

(3) if it would otherwise be a bank holding company only by virtue of its ownership or control of shares acquired by it in connection with its underwriting of securities and if such shares are held only for such period of time as will permit the sale thereof upon a reasonable basis; or

(4) if it was formed for the sole purpose of participating in a proxy solicitation and would otherwise be a bank holding company only by virtue of its control of voting rights of shares acquired in the course of such solicitation; or

(5) if at least 80 per centum of its total assets are composed of holdings in the field of agriculture, and for this purpose the term "agriculture" includes farming in all its branches, including fruit-growing, dairying, the raising of livestock, bees, fur-bearing animals, or poultry, forestry or lumbering operations, and the production of naval stores, and operations directly related thereto.

(c) **Company.**—The term "company" means any corporation (including a bank), business trust, association, or similar organization, *except*—

(1) any corporation the majority of the shares of which are owned by the United States or by any State;

(2) any corporation or community chest, fund, or foundation, organized and operated exclusively for religious, charitable, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation; and

(3) any partnership.

(d) **Bank.**—The term "bank" means any national banking association or any State bank, savings bank, or trust company, but shall not include any organization operating under section 25(a) of the Federal Reserve Act, or any organization which does not do any business within the United States.

(e) **State member bank.**—The term "State member bank" means any State bank which is a member of the Federal Reserve System.

(f) **District bank.**—The term "District bank" means any State bank organized or operating under the Code of Law for the District of Columbia.

(g) **Subsidiary.**—The term “subsidiary”, as used with respect to a specified bank holding company, means—

(1) any company 25 per centum or more of whose voting shares (excluding shares owned by the United States or by any company wholly owned by the United States) is owned or controlled by such bank holding company;

(2) any company the election of a majority of whose directors is controlled in any manner by such bank holding company; or

(3) any company 25 per centum or more of whose voting shares is held by trustees for the benefit of the shareholders or members of such bank holding company.

(h) **Successor.**—The term “successor” includes any company which acquires directly or indirectly from a bank holding company shares of any bank, when and if the relationship between such company and such bank holding company is such that the transaction effects no substantial change in the control of such bank or beneficial ownership of such shares of such bank.

(i) **Board.**—The term “Board” means the Board of Governors of the Federal Reserve System.

(j) **The Act.**—The term “the Act” means the Bank Holding Company Act of 1956.

(k) **Federal Reserve Bank.**—The term “Federal Reserve Bank” as used herein with respect to the filing of registration statements, applications, requests, or reports by a bank holding company or other company shall mean the Federal Reserve Bank of the Federal Reserve district in which such company has its principal office.

SECTION 3. REGISTRATION

(a) **Registration statement.**—On or before November 5, 1956, or within 180 days after it becomes a bank holding company, whichever is later, each bank holding company shall register with the Board by filing with the Federal Reserve Bank a registration statement, in duplicate, on forms prescribed by the Board. Upon timely application by any bank holding company and upon a satisfactory showing as to the need therefor, the Board in its discretion may extend the time prescribed herein for the filing of a registration statement by such bank holding company.

(b) **Date of registration.**—The date of registration of a bank holding company shall be the date on which its registration statement is received by the Federal Reserve Bank with which such statement is required to be filed.

SECTION 4. ACQUISITION OF BANK SHARES OR ASSETS

(a) **Transactions requiring Board approval.**—Except with the prior approval of the Board or except as provided in subsection (b) of this section—

(1) no action shall be taken which will result in any company becoming a bank holding company;

(2) no bank holding company shall acquire direct or indirect ownership or control of any voting shares of any bank;

(3) no bank holding company which is not a bank and no non-banking subsidiary of a bank holding company shall acquire all or substantially all of the assets of a bank; and

(4) no bank holding company shall merge or consolidate with any other bank holding company.

(b) **Excepted transactions.**—Prior approval by the Board is not required with respect to any of the following transactions:

(1) The acquisition by a bank holding company of direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, such company will not directly or indirectly own or control more than 5 per centum of the voting shares of such bank;

(2) The acquisition by a bank holding company of additional shares in a bank in which such bank holding company owned or controlled a majority of the voting shares immediately prior to such acquisition; or

(3) The acquisition by a bank (including a bank which is a bank holding company or a subsidiary of a bank holding company) of the voting shares of any bank, if—

(A) such shares are acquired in good faith in a fiduciary capacity and are not held for the benefit of the shareholders of the acquiring bank, or

(B) such shares are acquired in the regular course of securing or collecting a debt previously contracted in good faith, provided that any shares acquired after the date of the Act in securing or collecting any such previously contracted debt shall be disposed of within a period of two years from the date on which they were acquired.

(c) **Applications which will not be approved.**—No application will be approved by the Board if such approval would permit a bank holding company or any subsidiary thereof to acquire, directly or indirectly, any voting shares of, interest in, or all or substantially all of the assets of any bank which was not a subsidiary of the bank holding company on the date of enactment of the Act and which is

located outside the State in which such bank holding company maintains its principal office and place of business or in which it conducts its principal operations, unless the acquisition of such shares or assets of a State bank by an out-of-State bank holding company is specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication.

(d) **Submission of applications.**—Application for approval by the Board of any transaction requiring such approval under subsection (a) of this section shall be filed, in triplicate, with the Federal Reserve Bank. Any such application shall be filed not less than 60 days before the date on which it is proposed that the transaction requiring approval be consummated.³ Upon timely request and upon a satisfactory showing as to the need therefor, the Board in its discretion may accept an application although submitted within such period of 60 days. A separate application shall be filed with respect to each bank the voting shares or assets of which are sought to be acquired.

(e) **Procedure on applications.**—A Federal Reserve Bank receiving an application under this section will forward two copies thereof to the Board. If either the applicant or the bank the voting shares or assets of which are sought to be acquired is a national bank or a District bank, the Board will transmit a copy of the application to the Comptroller of the Currency. If either the applicant or the bank the voting shares or assets of which are sought to be acquired is a State bank, the Board will transmit a copy of the application to the appropriate supervisory authority of the State in which such bank is located.

(f) **Hearings on Applications.**—In any case in which the Board receives written advice of disapproval of the application from the Comptroller of the Currency or the appropriate State supervisory authority, as the case may be, within 30 days from the date of receipt of the application by the notified authority, the Board will so notify the applicant in writing, directing the applicant's attention to the provisions of section 3(b) of the Act. Within three days after the date of the sending of such notice to the applicant, the Board will notify in writing the applicant and the Comptroller of the Currency or the appropriate State supervisory authority, as the case may be, of the date fixed by the Board for the commencement of a hearing on the application and of the place and time at which such hearing will be held. Any such hearing will be commenced not less than ten days nor more than thirty days after the date on which the Board sent the

³ In some cases it may not be possible for the Board to act upon an application within such period of 60 days and this requirement should not be regarded as suggesting that the Board will act upon all applications within that period of time, although every effort will be made to expedite such action.

applicant notice of the disapproval of the Comptroller of the Currency or the appropriate State supervisory authority.

(g) **Action on applications.**—In any case in which a hearing is held in accordance with subsection (f) of this section, the Board, after the conclusion of such hearing, will by order grant or deny the application on the basis of the record made at such hearing. In all other cases, the Board will by order grant or deny the application after receipt by it of advice that the Comptroller of the Currency or the appropriate State supervisory authority, as the case may be, does not disapprove the application, or, if no such advice is received, after the expiration of thirty days from the date of receipt of the copy of the application by the Comptroller of the Currency or such State authority.

(h) **Factors affecting action.**—In acting upon any application the Board, as required by the Act, will consider the following factors:

- (1) The financial history and condition of the applicant and the bank or banks concerned;
- (2) The prospects of the applicant and the bank or banks concerned;
- (3) The character of the management of the applicant and the bank or banks concerned;
- (4) The convenience, needs, and welfare of the communities and the area concerned; and
- (5) Whether or not the effect of the proposed transaction for which approval is desired would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

SECTION 5. INTERESTS IN NONBANKING ORGANIZATIONS

(a) **Period allowed for divestment.**—No bank holding company, except as provided in section 4(c) of the Act, the provisions of which are set forth in the Appendix to this regulation, shall (1) after the date of enactment of the Act acquire direct or indirect ownership or control of any voting shares of any company which is not a bank, or (2) after two years from the date of enactment of the Act or from the date as of which it becomes a bank holding company, whichever is later, retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company, or engage in any business other than that of banking or of managing or controlling banks or of furnishing services to or performing services for any bank of which it owns or controls 25 per centum or more of the voting shares. Upon timely request and upon a satisfactory showing of the need therefor, the Board in its discretion

may extend the two-year period referred to in the preceding sentence, except that, as provided by the Act, no such extension of time may be approved by the Board for more than one year at a time or for any period beyond a date five years after the date of enactment of the Act or five years after the date as of which the company became a bank holding company, whichever is later.

(b) Shares of financial, fiduciary, or insurance companies.—

Any bank holding company which is of the opinion that a company all the activities of which are of a financial, fiduciary, or insurance nature is so closely related to the business of banking or of managing or controlling banks, as conducted by such bank holding company or its banking subsidiaries, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of section 4 of the Act to apply in order to carry out the purposes of the Act, may request the Board for such a determination pursuant to section 4(c)(6) of the Act. Any such request shall be filed in duplicate with the Federal Reserve Bank. After receipt of any such request, the Board will notify the bank holding company of the place and time fixed for a hearing on the requested determination; and, after the conclusion of such hearing and on the basis of the record made at the hearing, the Board will by order make or decline to make the requested determination.

(c) Tax certifications.—Any bank holding company desiring a certification by the Board for purposes of the provisions of Part VIII of Subchapter O of Chapter 1 of the Internal Revenue Code of 1954, as amended by the Act, may file an application in duplicate for such certification with the Federal Reserve Bank; and any such application will be forwarded by the Federal Reserve Bank to the Board. Any application for a certification under subsections (a), (b), or (c) of section 1101 of said Part VIII shall be filed not less than sixty days in advance of the distribution, or exchange and distribution, with respect to which such certification is desired.⁴ Upon timely request by any bank holding company and upon a satisfactory showing as to the need therefor, the Board in its discretion may accept an application for any such certification although submitted within such 60-day period. On the basis of an application under this subsection, the Board will either issue a certification or by order deny the application. A duplicate original of each certification will be transmitted to the Internal Revenue Service of the Treasury Department.

⁴ In some cases it may not be possible for the Board to act upon an application within such period of 60 days and this requirement should not be regarded as suggesting that the Board will act upon all applications within that period of time, although every effort will be made to expedite such action.

SECTION 6. BORROWING BY BANK HOLDING COMPANY OR ITS SUBSIDIARIES

It is unlawful under the Act, with certain exceptions, for any bank which is a subsidiary of a bank holding company to invest in the capital stock, bonds, debentures, or other obligations of such company or of any other subsidiary of such company; to accept as collateral for an advance to any person the capital stock, bonds, debentures, or other obligations of such company or any such other subsidiary; to purchase securities, other assets, or obligations under repurchase agreement from such company or any such other subsidiary; or to make any loan, discount or extension of credit to such company or any such other subsidiary. For statutory provisions on this subject, see section 6 of the Act, set forth in the Appendix to this regulation.

SECTION 7. HEARINGS AND PROCEEDINGS

(a) **Hearings.**—In addition to hearings required by the Act (see sections 4(f) and 5(b) of this regulation), a hearing may be ordered by the Board in its discretion with respect to any application or request under this regulation, either upon its own motion or upon the request of any party in interest, if the Board deems such hearing to be in the interests of the parties or the public interest. Notice of any hearing required by the Act will be published in the Federal Register a reasonable time in advance of the date fixed for the hearing; and any hearings so required will ordinarily be held before trial examiners appointed in accordance with the provisions of the Administrative Procedure Act. All hearings under this regulation will be conducted in accordance with the Board's "Rules of Practice for Formal Hearings."

(b) **Record of proceedings.**—The record in any proceeding under this regulation upon which an order of the Board is based shall consist of the application or request filed with the Board in connection with such proceeding; any views and recommendations received by the Board from the Comptroller of the Currency or the appropriate State supervisory authority pursuant to section 3(b) of the Act; the transcript of any hearing held with respect to such application or request and any report and recommendation made by the trial examiner or hearing officer before whom such hearing was held; any other document or writing relied upon by the Board in making disposition of the matter; and any order of the Board granting or denying the application or request.

(c) **Parties.**—A party to any proceeding under this regulation shall include any person or agency named or admitted as a party or any person who has filed a request in writing to be admitted as a party and who is entitled as of right to be admitted.

SECTION 8. REPORTS AND EXAMINATIONS

Each bank holding company shall furnish to the Board in a form to be prescribed by the Board a report of its operations for its fiscal year ending in 1956 or the fiscal year in which it became a bank holding company, whichever is later, and for each fiscal year thereafter until it ceases to be a bank holding company. Each such annual report shall be filed, in duplicate, with the Federal Reserve Bank. Each bank holding company shall furnish to the Board such additional information at such times as the Board may require. The Board may examine any bank holding company or any of its subsidiaries and the cost of any such examination shall be assessed against and paid by such bank holding company. As far as possible the Board will use reports of examinations made by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the appropriate State bank supervisory authority for the purposes of this section.

SECTION 9. STATUTORY PENALTIES

Under the Act, any company which willfully violates any provision of the Act or any regulation or order issued by the Board pursuant thereto shall upon conviction be fined not more than \$1,000 for each day during which the violation continues; and any individual who willfully participates in a violation of any provision of the Act shall upon conviction be fined not more than \$10,000 or imprisoned not more than one year, or both. Every officer, director, agent, and employee of a bank holding company is subject under the Act to the same penalties for false entries in any book, report, or statement of such bank holding company as are applicable to officers, directors, agents, and employees of member banks of the Federal Reserve System for false entries in any books, reports, or statements of member banks under section 1005 of Title 18, United States Code.

APPENDIX

Bank Holding Company Act of 1956

Act of May 9, 1956 (70 Stat. 133)

AN ACT

To define bank holding companies, control their future expansion, and require divestment of their nonbanking interests.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Bank Holding Company Act of 1956".

DEFINITIONS

Sec. 2. (a) "Bank holding company" means any company (1) which directly or indirectly owns, controls, or holds with power to vote, 25 per centum or more of the voting shares of each of two or more banks or of a company which is or becomes a bank holding company by virtue of this Act, or (2) which controls in any manner the election of a majority of the directors of each of two or more banks, or (3) for the benefit of whose shareholders or members 25 per centum or more of the voting shares of each of two or more banks or a bank holding company is held by trustees; and for the purposes of this Act, any successor to any such company shall be deemed to be a bank holding company from the date as of which such predecessor company became a bank holding company. Notwithstanding the foregoing (A) no bank shall be a bank holding company by virtue of its ownership or control of shares in a fiduciary capacity, except where such shares are held for the benefit of the shareholders of such bank, (B) no company shall be a bank holding company which is registered under the Investment Company Act of 1940, and was so registered prior to May 15, 1955 (or which is affiliated with any such company in such manner as to constitute an affiliated company within the meaning of such Act), unless such company (or such affiliated company), as the case may be, directly owns 25 per centum or more of the voting shares of each of two or more banks, (C) no company shall be a bank holding company by virtue of its ownership or control of shares acquired by it in connection with its underwriting of securities and which are held only for such period of time as will permit the sale thereof upon a reasonable basis, (D) no company formed for the sole purpose of participating in a proxy solicitation shall be a bank holding company by virtue of its control of voting rights of shares acquired in the course of such solicitation, and (E) no company shall be a bank holding company

if at least 80 per centum of its total assets are composed of holdings in the field of agriculture.

(b) "Company" means any corporation, business trust, association, or similar organization, but shall not include (1) any corporation the majority of the shares of which are owned by the United States or by any State, or (2) any corporation or community chest, fund, or foundation, organized and operated exclusively for religious, charitable, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation, or (3) any partnership.

(c) "Bank" means any national banking association or any State bank, savings bank, or trust company, but shall not include any organization operating under section 25 (a) of the Federal Reserve Act, or any organization which does not do business within the United States. "State member bank" means any State bank which is a member of the Federal Reserve System. "District bank" means any State bank organized or operating under the Code of Law for the District of Columbia.

(d) "Subsidiary", with respect to a specified bank holding company, means (1) any company 25 per centum or more of whose voting shares (excluding shares owned by the United States or by any company wholly owned by the United States) is owned or controlled by such bank holding company; or (2) any company the election of a majority of whose directors is controlled in any manner by such bank holding company; or (3) any company 25 per centum or more of whose voting shares are held by trustees for the benefit of the shareholders or members of such bank holding company.

(e) The term "successor" shall include any company which acquires directly or indirectly from a bank holding company shares of any bank, when and if the relationship between such company and the bank holding company is such that the transaction effects no substantial change in the control of the bank or beneficial ownership of such shares of such bank. The Board may, by regulation, further define the term "successor" to the extent necessary to prevent evasion of the purposes of this Act.

(f) "Board" means the Board of Governors of the Federal Reserve System.

(g) "Agriculture", as used in section 2 (a), includes farming in all its branches including fruitgrowing, dairying, the raising of livestock, bees, fur-bearing animals, or poultry, forestry or lumbering operations, and the production of naval stores, and operations directly related thereto.

ACQUISITION OF BANK SHARES OR ASSETS

Sec. 3. (a) It shall be unlawful except with the prior approval of the Board (1) for any action to be taken which results in a company becoming a bank holding company under section 2 (a) of this Act; (2) for any bank holding company to acquire direct or indirect ownership or control of any voting shares of any bank if, after such acquisition, such company will directly or indirectly own or control more than 5 per centum of the voting shares of such bank; (3) for any bank holding company or subsidiary thereof, other than a bank, to acquire all or substantially all of the assets of a bank; or (4) for any bank holding company to merge or consolidate with any other bank holding company. Notwithstanding the foregoing this prohibition shall not apply to (A) shares acquired by a bank, (i) in good faith in a fiduciary capacity, except where such shares are held for the benefit of the shareholders of such bank, or (ii) in the regular course of securing or collecting a debt previously contracted in good faith, but any shares acquired after the date of enactment of this Act in securing or collecting any such previously contracted debt shall be disposed of within a period of two years from the date on which they were acquired; or (B) additional shares acquired by a bank holding company in a bank in which such bank holding company owned or controlled a majority of the voting shares prior to such acquisition.

(b) Upon receiving from a company any application for approval under this section, the Board shall give notice to the Comptroller of the Currency, if the applicant company or any bank the voting shares or assets of which are sought to be acquired is a national banking association or a District bank, or to the appropriate supervisory authority of the interested State, if the applicant company or any bank the voting shares or assets of which are sought to be acquired is a State bank, and shall allow thirty days within which the views and recommendations of the Comptroller of the Currency or the State supervisory authority, as the case may be, may be submitted. If the Comptroller of the Currency or the State supervisory authority so notified by the Board disapproves the application in writing within said thirty days, the Board shall forthwith give written notice of that fact to the applicant. Within three days after giving such notice to the applicant, the Board shall notify in writing the applicant and the disapproving authority of the date for commencement of a hearing by it on such application. Any such hearing shall be commenced not less than ten nor more than thirty days after the Board has given written notice to the applicant of the action of the disapproving authority. The length of any such hearing shall be determined by the Board, but it shall afford all interested parties a reasonable opportunity to testify

at such hearing. At the conclusion thereof, the Board shall by order grant or deny the application on the basis of the record made at such hearing.

(c) In determining whether or not to approve any acquisition or merger or consolidation under this section, the Board shall take into consideration the following factors: (1) the financial history and condition of the company or companies and the banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of such acquisition or merger or consolidation would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

(d) Notwithstanding any other provision of this section, no application shall be approved under this section which will permit any bank holding company or any subsidiary thereof to acquire, directly or indirectly, any voting shares of, interest in, or all or substantially all of the assets of any additional bank located outside of the State in which such bank holding company maintains its principal office and place of business or in which it conducts its principal operations unless the acquisition of such shares or assets of a State bank by an out-of-State bank holding company is specifically authorized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication.

INTERESTS IN NONBANKING ORGANIZATIONS

Sec. 4. (a) Except as otherwise provided in this Act, no bank holding company shall—

(1) after the date of enactment of this Act acquire direct or indirect ownership or control of any voting shares of any company which is not a bank, or

(2) after two years from the date of enactment of this Act or from the date as of which it becomes a bank holding company, whichever is later, retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company or engage in any business other than that of banking or of managing or controlling banks or of furnishing services to or performing services for any bank of which it owns or controls 25 per centum or more of the voting shares.

The Board is authorized, upon application by a bank holding company, to extend the period referred to in paragraph (2) above from time to time as to such bank holding company for not more than one

year at a time if, in its judgment, such an extension would not be detrimental to the public interest, but no such extensions shall extend beyond a date five years after the date of enactment of this Act or five years after the date as of which a company becomes a bank holding company, whichever is later.

(b) After two years from the date of enactment of this Act, no certificate evidencing shares of any bank holding company shall bear any statement purporting to represent shares of any other company except a bank or a bank holding company, nor shall the ownership, sale, or transfer of shares of any bank holding company be conditioned in any manner whatsoever upon the ownership, sale, or transfer of shares of any other company except a bank or a bank holding company.

(c) The prohibitions in this section shall not apply—

(1) to shares owned or acquired by a bank holding company in any company engaged solely in holding or operating properties used wholly or substantially by any bank with respect to which it is a bank holding company in its operations or acquired for such future use or engaged solely in conducting a safe deposit business, or solely in the business of furnishing services to or performing services for such holding company and banks with respect to which it is a bank holding company, or in liquidating assets acquired from such bank holding company and such banks;

(2) to shares acquired by a bank holding company which is a bank, or by any banking subsidiary of a bank holding company, in satisfaction of a debt previously contracted in good faith, but such bank holding company or such subsidiaries shall dispose of such shares within a period of two years from the date on which they were acquired or from the date of enactment of this Act, whichever is later;

(3) to shares acquired by a bank holding company from any of its subsidiaries which subsidiary has been requested to dispose of such shares by any Federal or State authority having statutory power to examine such subsidiary, but such bank holding company shall dispose of such shares within a period of two years from the date on which they were acquired or from the date of enactment of this Act, whichever is later;

(4) to shares which are held or acquired by a bank holding company which is a bank or by any banking subsidiary of a bank holding company, in good faith in a fiduciary capacity, except where such shares are held for the benefit of the shareholders of such bank holding company or any of its subsidiaries, or to shares which are of the kinds and amounts eligible for investment by National bank-

ing associations under the provisions of section 5136 of the Revised Statutes, or to shares lawfully acquired and owned prior to the date of enactment of this Act by a bank which is a bank holding company, or by any of its wholly owned subsidiaries;

(5) to shares of any company which are held or acquired by a bank holding company which do not include more than 5 per centum of the outstanding voting securities of such company, and do not have a value greater than 5 per centum of the value of the total assets of the bank holding company, or to the ownership by a bank holding company of shares, securities, or obligations of an investment company which is not a bank holding company and which is not engaged in any business other than investing in securities, which securities do not include more than 5 per centum of the outstanding voting securities of any company and do not include any single asset having a value greater than 5 per centum of the value of the total assets of the bank holding company;

(6) to shares of any company all the activities of which are of a financial, fiduciary, or insurance nature and which the Board after due notice and hearing, and on the basis of the record made at such hearing, by order has determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of this section to apply in order to carry out the purposes of this Act;

(7) to any bank holding company which is a labor, agricultural, or horticultural organization and which is exempt from taxation under section 501 of the Internal Revenue Code of 1954; or

(8) to shares held or acquired by a bank holding company in any company which is organized under the laws of a foreign country and which is engaged principally in the banking business outside the United States.

ADMINISTRATION

Sec. 5. (a) Within one hundred and eighty days after the date of enactment of this Act, or within one hundred and eighty days after becoming a bank holding company, whichever is later, each bank holding company shall register with the Board on forms prescribed by the Board, which shall include such information with respect to the financial condition and operations, management, and intercompany relationships of the bank holding company and its subsidiaries, and related matters, as the Board may deem necessary or appropriate to carry out the purposes of this Act. The Board may, in its discretion, extend the time within which a bank holding company shall register and file the requisite information.

(b) The Board is authorized to issue such regulations and orders as may be necessary to enable it to administer and carry out the purposes of this Act and prevent evasions thereof.

(c) The Board from time to time may require reports under oath to keep it informed as to whether the provisions of this Act and such regulations and orders issued thereunder have been complied with; and the Board may make examinations of each bank holding company and each subsidiary thereof, the cost of which shall be assessed against, and paid by, such holding company. The Board shall, as far as possible, use the reports of examinations made by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, or the appropriate State bank supervisory authority for the purposes of this section.

(d) Before the expiration of two years following the date of enactment of this Act, and each year thereafter in the Board's annual report to the Congress, the Board shall report to the Congress the results of the administration of this Act, stating what, if any, substantial difficulties have been encountered in carrying out the purposes of this Act, and any recommendations as to changes in the law which in the opinion of the Board would be desirable.

BORROWING BY BANK HOLDING COMPANY OR ITS SUBSIDIARIES

Sec. 6. (a) From and after the date of enactment of this Act, it shall be unlawful for a bank—

(1) to invest any of its funds in the capital stock, bonds, debentures, or other obligations of a bank holding company of which it is a subsidiary, or of any other subsidiary of such bank holding company;

(2) to accept the capital stock, bonds, debentures, or other obligations of a bank holding company of which it is a subsidiary or any other subsidiary of such bank holding company, as collateral security for advances made to any person or company: Provided, however, That any bank may accept such capital stock, bonds, debentures, or other obligations as security for debts previously contracted, but such collateral shall not be held for a period of over two years;

(3) to purchase securities, other assets or obligations under repurchase agreement from a bank holding company of which it is a subsidiary or any other subsidiary of such bank holding company; and

(4) to make any loan, discount or extension of credit to a bank holding company of which it is a subsidiary or to any other subsidiary of such bank holding company.

Non-interest-bearing deposits to the credit of a bank shall not be deemed to be a loan or advance to the bank of deposit, nor shall the giving of immediate credit to a bank upon uncollected items received in the ordinary course of business be deemed to be a loan or advance to the depositing bank.

(b) The provisions of this section shall not apply (1) to the capital stock, bonds, debentures, or other obligations of any company described in section 4 (c) (1) of this Act, or (2) to any company whose subsidiary status has arisen out of a bona fide debt to the bank contracted prior to the date of the creation of such status, or (3) to any company whose subsidiary status exists by reason of the ownership or control of voting shares thereof by the bank as executor, administrator, trustee, receiver, agent, or depository, or in any other fiduciary capacity, except where such shares are held for the benefit of all or a majority of the stockholders of such bank.

RESERVATION OF RIGHTS TO STATES

Sec. 7. The enactment by the Congress of the Bank Holding Company Act of 1956 shall not be construed as preventing any State from exercising such powers and jurisdiction which it now has or may hereafter have with respect to banks, bank holding companies, and subsidiaries thereof.

PENALTIES

Sec. 8. Any company which willfully violates any provision of this Act, or any regulation or order issued by the Board pursuant thereto, shall upon conviction be fined not more than \$1,000 for each day during which the violation continues. Any individual who willfully participates in a violation of any provision of this Act shall upon conviction be fined not more than \$10,000 or imprisoned not more than one year, or both. Every officer, director, agent, and employee of a bank holding company shall be subject to the same penalties for false entries in any book, report, or statement of such bank holding company as are applicable to officers, directors, agents, and employees of member banks for false entries in any books, reports, or statements of member banks under section 1005 of title 18, United States Code.

JUDICIAL REVIEW

Sec. 9. Any party aggrieved by an order of the Board under this Act may obtain a review of such order in the United States Court of Appeals within any circuit wherein such party has its principal place of business, or in the Court of Appeals in the District of Columbia, by filing in the court, within sixty days after the entry of the Board's order, a petition praying that the order of the Board be set aside. A

copy of such petition shall be forthwith served upon the Board, and thereupon the Board shall certify and file in the court a transcript of the record made before the Board. Upon the filing of the transcript the court shall have jurisdiction to affirm, set aside, or modify the order of the Board and to require the Board to take such action with regard to the matter under review as the court deems proper. The findings of the Board as to the facts, if supported by substantial evidence, shall be conclusive.

AMENDMENTS TO INTERNAL REVENUE CODE OF 1954

SEC. 10. (a) Subchapter O of chapter 1 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new part:

"PART VIII—DISTRIBUTIONS PURSUANT TO BANK HOLDING COMPANY ACT OF 1956

"Sec. 1101. Distributions pursuant to Bank Holding Company Act of 1956.

"Sec. 1102. Special rules.

"Sec. 1103. Definitions.

"SEC. 1101. DISTRIBUTIONS PURSUANT TO BANK HOLDING COMPANY ACT OF 1956.

"(a) DISTRIBUTIONS OF CERTAIN NON-BANKING PROPERTY.—

"(1) DISTRIBUTIONS OF PROHIBITED PROPERTY.—If—

"(A) a qualified bank holding corporation distributes prohibited property (other than stock received in an exchange to which subsection (c) (2) applies)—

"(i) to a shareholder (with respect to its stock held by such shareholder), without the surrender by such shareholder of stock in such corporation; or

"(ii) to a shareholder, in exchange for its preferred stock; or

"(iii) to a security holder, in exchange for its securities; and

"(B) the Board has, before the distribution, certified that the distribution of such prohibited property is necessary or appropriate to effectuate section 4 of the Bank Holding Company Act of 1956,

then no gain to the shareholder or security holder from the receipt of such property shall be recognized.

"(2) DISTRIBUTIONS OF STOCK AND SECURITIES RECEIVED IN AN EXCHANGE TO WHICH SUBSECTION (C) (2) APPLIES.—If—

"(A) a qualified bank holding corporation distributes—

"(i) common stock received in an exchange to which subsection (c) (2) applies to a shareholder (with respect

to its stock held by such shareholder), without the surrender by such shareholder of stock in such corporation; or

“(ii) common stock received in an exchange to which subsection (c) (2) applies to a shareholder, in exchange for its common stock; or

“(iii) preferred stock or common stock received in an exchange to which subsection (c) (2) applies to a shareholder, in exchange for its preferred stock; or

“(iv) securities or preferred or common stock received in an exchange to which subsection (c) (2) applies to a security holder, in exchange for its securities; and

“(B) any preferred stock received has substantially the same terms as the preferred stock exchanged, and any securities received have substantially the same terms as the securities exchanged,

then, except as provided in subsection (f), no gain to the shareholder or security holder from the receipt of such stock or such securities or such stock and securities shall be recognized.

“(3) **NON PRO RATA DISTRIBUTIONS.**—Paragraphs (1) and (2) shall apply to a distribution whether or not the distribution is pro rata with respect to all of the shareholders of the distributing qualified bank holding corporation.

“(4) **EXCEPTION.**— This subsection shall not apply to any distribution by a corporation which has made any distribution pursuant to subsection (b).

“(5) **DISTRIBUTIONS INVOLVING GIFT OR COMPENSATION.**—

“In the case of a distribution to which paragraph (1) or (2) applies, but which

“(A) results in a gift, see section 2501, and following, or

“(B) has the effect of the payment of compensation, see section 61 (a) (1).

“(b) **CORPORATION CEASING TO BE A BANK HOLDING COMPANY.**—

“(1) **DISTRIBUTIONS OF PROPERTY WHICH CAUSE A CORPORATION TO BE A BANK HOLDING COMPANY.**—If—

“(A) a qualified bank holding corporation distributes property (other than stock received in an exchange to which subsection (c) (3) applies)—

“(i) to a shareholder (with respect to its stock held by such shareholder), without the surrender by such shareholder of stock in such corporation; or

“(ii) to a shareholder, in exchange for its preferred

stock; or

“(iii) to a security holder, in exchange for its securities; and

“(B) the Board has, before the distribution, certified that—

“(i) such property is all or part of the property by reason of which such corporation controls (within the meaning of section 2 (a) of the Bank Holding Company Act of 1956) a bank or bank holding company, or such property is part of the property by reason of which such corporation did control a bank or a bank holding company before any property of the same kind was distributed under this subsection or exchanged under subsection (c) (3); and

“(ii) the distribution is necessary or appropriate to effectuate the policies of such Act,

then no gain to the shareholder or security holder from the receipt of such property shall be recognized.

“(2) DISTRIBUTIONS OF STOCK AND SECURITIES RECEIVED IN AN EXCHANGE TO WHICH SUBSECTION (C) (3) APPLIES.—If—

“(A) a qualified bank holding corporation distributes—

“(i) common stock received in an exchange to which subsection (c) (3) applies to a shareholder (with respect to its stock held by such shareholder), without the surrender by such shareholder of stock in such corporation; or

“(ii) common stock received in an exchange to which subsection (c) (3) applies to a shareholder, in exchange for its common stock; or

“(iii) preferred stock or common stock received in an exchange to which subsection (c) (3) applies to a shareholder, in exchange for its preferred stock; or

“(iv) securities or preferred or common stock received in an exchange to which subsection (c) (3) applies to a security holder, in exchange for its securities; and

“(B) any preferred stock received has substantially the same terms as the preferred stock exchanged, and any securities received have substantially the same terms as the securities exchanged,

then, except as provided in subsection (f), no gain to the shareholder or security holder from the receipt of such stock or such securities or such stock and securities shall be recognized.

“(3) NON PRO RATA DISTRIBUTIONS.—Paragraphs (1) and (2) shall apply to a distribution whether or not the distribution is pro rata with respect to all of the shareholders of the distributing

qualified bank holding corporation.

"(4) EXCEPTION.— This subsection shall not apply to any distribution by a corporation which has made any distribution pursuant to subsection (a).

"(5), DISTRIBUTIONS INVOLVING GIFT OR COMPENSATION.—

"In the case of a distribution to which paragraph (1) or (2) applies, but which

"(A) results in a gift, see section 2501, and following, or

"(B) has the effect of the payment of compensation, see section 61 (a) (1).

"(c) PROPERTY ACQUIRED AFTER MAY 15, 1955.—

"(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), subsection (a) or (b) shall not apply to—

"(A) any property acquired by the distributing corporation after May 15, 1955, unless (i) gain to such corporation with respect to the receipt of such property was not recognized by reason of subsection (a) or (b), or (ii) such property was received by it in exchange for all of its stock in an exchange to which paragraph (2) or (3) applies, or (iii) such property was acquired by the distributing corporation in a transaction in which gain was not recognized under section 305 (a) or section 332, or under section 354 with respect to a reorganization described in section 368 (a) (1) (E) or (F), or

"(B) any property which was acquired by the distributing corporation in a distribution with respect to stock acquired by such corporation after May 15, 1955, unless such stock was acquired by such corporation (i) in a distribution (with respect to stock held by it on May 15, 1955, or with respect to stock in respect of which all previous applications of this clause are satisfied) with respect to which gain to it was not recognized by reason of subsection (a) or (b), or (ii) in exchange for all of its stock in an exchange to which paragraph (2) or (3) applies, or (iii) in a transaction in which gain was not recognized under section 305 (a) or section 332, or under section 354 with respect to a reorganization described in section 368 (a) (1) (E) or (F), or

"(C) any property acquired by the distributing corporation in a transaction in which gain was not recognized under section 332, unless such property was acquired from a corporation which, if it had been a qualified bank holding corporation, could have distributed such property under subsection (a) (1) or (b) (1).

“(2) EXCHANGES INVOLVING PROHIBITED PROPERTY.—If—

“(A) Any qualified bank holding corporation exchanges (i) property, which, under subsection (a) (1), such corporation could distribute directly to its shareholders or security holders without the recognition of gain to such shareholders or security holders, and other property (except property described in subsection (b) (1) (B) (i)), for (ii) all of the stock of a second corporation created and availed of solely for the purpose of receiving such property;

“(B) immediately after the exchange, the qualified bank holding corporation distributes all of such stock in a manner prescribed in subsection (a) (2) (A); and

“(C) before such exchange, the Board has certified (with respect to the property exchanged which consists of property which, under subsection (a) (1), such corporation could distribute directly to its shareholders or security holders without the recognition of gain) that the exchange and distribution are necessary or appropriate to effectuate section 4 of the Bank Holding Company Act of 1956,

then paragraph (1) shall not apply with respect to such distribution.

“(3) EXCHANGES INVOLVING INTERESTS IN BANKS.—If—

“(A) any qualified bank holding corporation exchanges (i) property which, under subsection (b) (1), such corporation could distribute directly to its shareholders or security holders without the recognition of gain to such shareholders or security holders, and other property (except prohibited property), for (ii) all of the stock of a second corporation created and availed of solely for the purpose of receiving such property;

“(B) immediately after the exchange, the qualified bank holding corporation distributes all of such stock in a manner prescribed in subsection (b) (2) (A); and

“(C) before such exchange, the Board has certified (with respect to the property exchanged which consists of property which, under subsection (b) (1), such corporation could distribute directly to its shareholders or security holders without the recognition of gain) that—

“(i) such property is all or part of the property by reason of which such corporation controls (within the meaning of section 2 (a) of the Bank Holding Company Act of 1956) a bank or bank holding company, or such property is part of the property by reason of which such corporation did control a bank or a bank

holding company before any property of the same kind was distributed under subsection (b) (1) or exchanged under this paragraph; and

“(ii) the exchange and distribution are necessary or appropriate to effectuate the policies of such Act, then paragraph (1) shall not apply with respect to such distribution.

“(d) DISTRIBUTIONS TO AVOID FEDERAL INCOME TAX.—

“(1) PROHIBITED PROPERTY.—Subsection (a) shall not apply to a distribution if, in connection with such distribution, the distributing corporation retains, or transfers after May 15, 1955, to any corporation, property (other than prohibited property) as part of a plan one of the principal purposes of which is the distribution of the earnings and profits of any corporation.

“(2) BANKING PROPERTY.—Subsection (b) shall not apply to a distribution if, in connection with such distribution, the distributing corporation retains, or transfers after May 15, 1955, to any corporation, property (other than property described in subsection (b) (1) (B) (i)) as part of a plan one of the principal purposes of which is the distribution of the earnings and profits of any corporation.

“(3) CERTAIN CONTRIBUTIONS TO CAPITAL.—In the case of a distribution a portion of which is attributable to a transfer which is a contribution to the capital of a corporation, made after May 15, 1955, and prior to the date of the enactment of this part, if subsection (a) or (b) would apply to such distribution but for the fact that, under paragraph (1) or (2) (as the case may be) of this subsection, such contribution to capital is part of a plan one of the principal purposes of which is to distribute the earnings and profits of any corporation, then, notwithstanding paragraph (1) or (2), subsection (a) or (b) (as the case may be) shall apply to that portion of such distribution not attributable to such contribution to capital, and shall not apply to that portion of such distribution attributable to such contribution to capital.

“(e) FINAL CERTIFICATION.—

“(1) FOR SUBSECTION (a).—Subsection (a) shall not apply with respect to any distribution by a corporation unless the Board certifies that, before the expiration of the period permitted under section 4 (a) of the Bank Holding Company Act of 1956 (including any extensions thereof granted to such corporation under such section 4 (a)), the corporation has disposed of all the property the disposition of which is necessary or appropriate to effectuate section 4 of such Act (or would have been so necessary

or appropriate if the corporation had continued to be a bank holding company).

“(2) FOR SUBSECTION (b).—

“(A) Subsection (b) shall not apply with respect to any distribution by any corporation unless the Board certifies that, before the expiration of the period specified in subparagraph (B), the corporation has ceased to be a bank holding company.

“(B) The period referred to in subparagraph (A) is the period which expires 2 years after the date of the enactment of this part or 2 years after the date on which the corporation becomes a bank holding company, whichever date is later. The Board is authorized, on application by any corporation, to extend such period from time to time with respect to such corporation for not more than one year at a time if, in its judgment, such an extension would not be detrimental to the public interest; except that such period may not in any case be extended beyond the date 5 years after the date of the enactment of this part or 5 years after the date on which the corporation becomes a bank holding company, whichever date is later.

“(f) CERTAIN EXCHANGES OF SECURITIES.—In the case of an exchange described in subsection (a) (2) (A) (iv) or subsection (b) (2) (A) (iv), subsection (a) or subsection (b) (as the case may be) shall apply only to the extent that the principal amount of the securities received does not exceed the principal amount of the securities exchanged.

“SEC. 1102. SPECIAL RULES.

“(a) BASIS OF PROPERTY ACQUIRED IN DISTRIBUTIONS.—If, by reason of section 1101, gain is not recognized with respect to the receipt of any property, then, under regulations prescribed by the Secretary or his delegate—

“(1) if the property is received by a shareholder with respect to stock, without the surrender by such shareholder of stock, the basis of the property received and of the stock with respect to which it is distributed shall, in the distributee's hands, be determined by allocating between such property and such stock the adjusted basis of such stock; or

“(2) if the property is received by a shareholder in exchange for stock or by a security holder in exchange for securities, the basis of the property received shall, in the distributee's hands, be the same as the adjusted basis of the stock or securities exchanged, increased by—

“(A) the amount of the property received which was

treated as a dividend, and

"(B) the amount of gain to the taxpayer recognized on the property received (not including any portion of such gain which was treated as a dividend).

"(b) PERIODS OF LIMITATION.—The periods of limitation provided in section 6501 (relating to limitations on assessment and collection) shall not expire, with respect to any deficiency (including interest and additions to the tax) resulting solely from the receipt of property by shareholders in a distribution which is certified by the Board under subsection (a), (b), or (c) of section 1101, until five years after the distributing corporation notifies the Secretary or his delegate (in such manner and with such accompanying information as the Secretary or his delegate may by regulations prescribe) that the period (including extensions thereof) prescribed in section 4 (a) of the Bank Holding Company Act of 1956, or section 1101 (e) (2) (B), whichever is applicable, has expired; and such assessment may be made notwithstanding any provision of law or rule of law which would otherwise prevent such assessment.

"(c) ALLOCATION OF EARNINGS AND PROFITS.—

"(1) DISTRIBUTION OF STOCK IN A CONTROLLED CORPORATION.—

In the case of a distribution by a qualified bank holding corporation under section 1101 (a) (1) or (b) (1) of stock in a controlled corporation, proper allocation with respect to the earnings and profits of the distributing corporation and the controlled corporation shall be made under regulations prescribed by the Secretary or his delegate.

"(2) EXCHANGES DESCRIBED IN SECTION 1101 (c) (2) OR (3).—In the case of any exchange described in section 1101 (c) (2) or (3), proper allocation with respect to the earnings and profits of the corporation transferring the property and the corporation receiving such property shall be made under regulations prescribed by the Secretary or his delegate.

"(3) DEFINITION OF CONTROLLED CORPORATION.—For purposes of paragraph (1), the term 'controlled corporation' means a corporation with respect to which at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock is owned by the distributing qualified bank holding corporation.

"(d) ITEMIZATION OF PROPERTY.—In any certification under this part, the Board shall make such specification and itemization of property as may be necessary to carry out the provisions of this part.

"SEC. 1103. DEFINITIONS.

"(a) **BANK HOLDING COMPANY.**—For purposes of this part, the term 'bank holding company' has the meaning assigned to such term by section 2 of the Bank Holding Company Act of 1956.

"(b) **QUALIFIED BANK HOLDING CORPORATION.**—

"(1) **IN GENERAL.**—Except as provided in paragraph (2), for purposes of this part the term 'qualified bank holding corporation' means any corporation (as defined in section 7701 (a) (3)) which is a bank holding company and which holds prohibited property acquired by it—

"(A) on or before May 15, 1955,

"(B) in a distribution in which gain to such corporation with respect to the receipt of such property was not recognized by reason of subsection (a) or (b) of section 1101, or

"(C) in exchange for all of its stock in an exchange described in section 1101 (c) (2) or (c) (3).

"(2) **LIMITATIONS.**—

"(A) A bank holding company shall not be a qualified bank holding corporation, unless it would have been a bank holding company on May 15, 1955, if the Bank Holding Company Act of 1956 had been in effect on such date, or unless it is a bank holding company determined solely by reference to—

"(i) property acquired by it on or before May 15, 1955,

"(ii) property acquired by it in a distribution in which gain to such corporation with respect to the receipt of such property was not recognized by reason of subsection (a) or (b) of section 1101, and

"(iii) property acquired by it in exchange for all of its stock in an exchange described in section 1101 (c) (2) or (3).

"(B) A bank holding company shall not be a qualified bank holding corporation by reason of property described in subparagraph (B) of paragraph (1) or clause (ii) of subparagraph (A) of this paragraph, unless such property was acquired in a distribution with respect to stock, which stock was acquired by such bank holding company—

"(i) on or before May 15, 1955,

"(ii) in a distribution (with respect to stock held by it on May 15, 1955, or with respect to stock in respect of which all previous applications of this clause are satisfied) with respect to which gain to it was not

recognized by reason of subsection (a) or (b) of section 1101, or

“(iii) in exchange for all of its stock in an exchange described in section 1101 (c) (2) or (3).

“(C) A corporation shall be treated as a qualified bank holding corporation only if the Board certifies that it satisfies the foregoing requirements of this subsection.

“(c) PROHIBITED PROPERTY.—For purposes of this part, the term ‘prohibited property’ means, in the case of any bank holding company, property (other than nonexempt property) the disposition of which would be necessary or appropriate to effectuate section 4 of the Bank Holding Company Act of 1956 if such company continued to be a bank holding company beyond the period (including any extensions thereof) specified in subsection (a) of such section or in section 1101 (e) (2) (B) of this part, as the case may be. The term ‘prohibited property’ does not include shares of any company held by a bank holding company to the extent that the prohibitions of section 4 of the Bank Holding Company Act of 1956 do not apply to the ownership by such bank holding company of such property by reason of subsection (c) (5) of such section.

“(d) NONEXEMPT PROPERTY.—For purposes of this part, the term ‘nonexempt property’ means—

“(1) obligations (including notes, drafts, bills of exchange, and bankers’ acceptances) having a maturity at the time of issuance of not exceeding 24 months, exclusive of days of grace;

“(2) securities issued by or guaranteed as to principal or interest by a government or subdivision thereof or by any instrumentality of a government or subdivision; or

“(3) money, and the right to receive money not evidenced by a security or obligation (other than a security or obligation described in paragraph (1) or (2)).

“(e) BOARD.—For purposes of this part, the term ‘Board’ means the Board of Governors of the Federal Reserve System.”

(b) The table of parts for subchapter O of chapter 1 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following:

“Part VIII. Distributions pursuant to Bank Holding Company Act of 1956.”

(c) The amendments made by this section shall apply with respect to taxable years ending after the date of the enactment of this Act.

SAVING PROVISION

SEC. 11. Nothing herein contained shall be interpreted or construed as approving any act, action, or conduct which is or has been or may

be in violation of existing law, nor shall anything herein contained constitute a defense to any action, suit, or proceeding pending or hereafter instituted on account of any prohibited antitrust or monopolistic act, action, or conduct.

SEPARABILITY OF PROVISIONS

SEC. 12. If any provision of this Act, or the application of such provision to any person or circumstance, shall be held invalid, the remainder of the Act, and the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

Approved May 9, 1956.