

**FEDERAL RESERVE BANK**  
OF DALLAS

Dallas, Texas, June 15, 1960

**New Law on Bank Mergers, Consolidations, Acquisitions of Assets,  
and Assumptions of Deposit Liabilities**

**To All Banks in the  
Eleventh Federal Reserve District:**

On May 13, 1960, the President of the United States signed into law an act (Public Law No. 86-463) amending section 18(c) of the Federal Deposit Insurance Act. That section, as amended, prohibits the merger, consolidation, or acquisition of assets and assumption of deposit liabilities, of federally insured banks without the prior written consent of the appropriate Federal bank supervisory agency. If the acquiring, assuming, or resulting bank is to be a national bank or a District of Columbia bank, approval must be obtained from the Comptroller of the Currency; if the acquiring, assuming, or resulting bank is to be a State member bank, approval must be obtained from the Board of Governors of the Federal Reserve System; and if the acquiring, assuming, or resulting bank is to be an insured nonmember State bank, approval must be obtained from the Federal Deposit Insurance Corporation.

The appropriate supervisory agency is required to consider the following factors regarding each bank involved: (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) the convenience and needs of the community to be served, and (6) whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act. The agency is also required to consider the effect of the transaction on competition, including any tendency toward monopoly. In the interest of uniform standards, the new law provides for reports, to the appropriate supervisory agency from the Attorney General and the other two agencies, on the competitive factors involved. The appropriate agency may not approve any transaction unless, after considering all seven factors, it finds the transaction to be in the public interest.

The full text of Public Law No. 86-463 is set forth on the reverse side of this circular.

Pending the formal adoption by the Board of Governors of a definitive form of application, this Bank, upon request, will furnish a tentative form of application to State member banks for use in applying through this Bank for the written consent of the Board of Governors under amended section 18(c) of the Federal Deposit Insurance Act.

Additional copies of this circular will be furnished upon request.

Yours very truly,

Watrous H. Irons,  
President

[MAY 13, 1960]

AN ACT

To amend the Federal Deposit Insurance Act to require Federal approval for mergers and consolidations of insured banks.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection (c) of section 18 of the Federal Deposit Insurance Act is amended by striking out the third sentence and inserting in lieu thereof the following: "No insured bank shall merge or consolidate with any other insured bank or, either directly or indirectly, acquire the assets of, or assume liability to pay any deposits made in, any other insured bank without the prior written consent (i) of the Comptroller of the Currency if the acquiring, assuming, or resulting bank is to be a national bank or a District bank, or (ii) of the Board of Governors of the Federal Reserve System if the acquiring, assuming, or resulting bank is to be a State member bank (except a District bank), or (iii) of the Corporation if the acquiring, assuming, or resulting bank is to be a nonmember insured bank (except a District bank). Notice of any proposed merger, consolidation, acquisition of assets, or assumption of liabilities, in a form approved by the Comptroller, the Board, or the Corporation, as the case may be, shall (except in a case where the furnishing of reports under the seventh sentence of this subsection is not required) be published, at appropriate intervals during a period (prior to the approval or disapproval of the transaction) at least as long as the period allowed under such sentence for furnishing such reports, in a newspaper of general circulation in the community or communities where the main offices of the banks involved are located (or, if there is no such newspaper in any such community, then in the newspaper of general circulation published nearest thereto). In granting or withholding consent under this subsection, the Comptroller, the Board, or the Corporation, as the case may be, shall consider the financial history and condition of each of the banks involved, the adequacy of its capital structure, its future earnings prospects, the general character of its management, the convenience and needs of the community to be served, and whether or not its corporate powers are consistent with the purposes of this Act. In the case of a merger, consolidation, acquisition of assets, or assumption of liabilities, the appropriate agency shall also take into consideration the effect of the transaction on competition (including any tendency toward monopoly), and shall not approve the transaction unless, after considering all of such factors, it finds the transaction to be in the public interest. In the interests of uniform standards, before acting on a merger, consolidation, acquisition of assets, or assumption of liabilities under this subsection, the agency (unless it finds that it must act immediately in order to prevent the probable failure of one of the banks involved) shall request a report on the competitive factors involved from the Attorney General and the other two banking agencies referred to in this subsection (which report shall be furnished within thirty calendar days of the date on which it is requested, or within ten calendar days of such date if the requesting agency advises the Attorney General and the other two banking agencies that an emergency exists requiring expeditious action). The Comptroller, the Board, and the Corporation shall each include in its annual report to the Congress a description of each merger, consolidation, acquisition of assets, or assumption of liabilities approved by it during the period covered by the report, along with the following information: the name and total resources of each bank involved; whether a report has been submitted by the Attorney General hereunder, and, if so, a summary by the Attorney General of the substance of such report; and a statement by the Comptroller, the Board, or the Corporation, as the case may be, of the basis for its approval."

Approved May 13, 1960.