

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 72-237
October 20, 1972

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

The Board of Governors of the Federal Reserve System announced on October 16, 1972 that it is examining an additional 44 bank holding companies to determine whether they should be permitted to continue activities covered by the grandfather clause of the 1970 amendments to the Bank Holding Company Act. These activities were acquired by the companies prior to mid-1968.

The Board invited public comment by November 15 relating to this examination.

This is the second list of companies published by the Board in its review of nonbanking activities of bank holding companies that are subject to the grandfather clause of the 1970 amendments. In its first list announced October 2, the Board made a preliminary decision to permit 23 companies to retain control of any nonbanking activities that they acquired prior to mid-1968. No such preliminary decision was made with respect to the 46 companies announced on October 16, 1972.

The 1970 amendments to the 1956 Act, under circumstances, permit one-bank holding companies--and other companies that became subject to the Act--to continue to engage in nonbanking activities that they acquired on or before June 30, 1968. The Board may determine whether such companies should divest any grandfathered activities, "having due regard to the purposes of this Act, that such action is necessary to prevent undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices..."

In the case of a company with banking assets of \$60 million or more, the Board is required to make a determination on grandfathered activities within two years. This first determination is required by December 31, 1972, two years after the amendments were enacted.

A copy of the Board's latest order in this matter is attached.

Yours very truly,

P. E. Coldwell,

President

Attachment

FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES

Grandfather Privileges

Section 4 of the Bank Holding Company Act (12 U.S.C. 1843) provides certain privileges ("grandfather privileges") with respect to nonbanking activities of a company that, by virtue of the 1970 Amendments to the Bank Holding Company Act, became subject to the Bank Holding Company Act. Pursuant to § 4(a)(2) of the Act, a "company covered in 1970" may continue to engage, either directly or through a subsidiary, in nonbanking activities that such a company was lawfully engaged in on June 30, 1968 (or on a date subsequent to June 30, 1968, in the case of activities carried on as a result of the acquisition by such company or subsidiary, pursuant to a binding written contract entered into on or before June 30, 1968, of another company engaged in such activities at the time of the acquisition), and has been continuously engaged in since June 30, 1968 (or such subsequent date). However § 4(a)(2) provides that the Board of Governors of the Federal Reserve System may determine whether such grandfather privileges should be terminated and, with respect to a company that controls a bank with assets in excess of \$60 million on or after December 31, 1970, the Board is required to make such a determination within a two year period. The Board has undertaken a review of nonbank activities of each "company covered in 1970" that controls a bank with assets in excess of \$60 million.

In exercising its authority under § 4(a)(2), the Board by order, after opportunity for hearing, may terminate the authority granted by said section if, having due regard to the purposes of the Act, the

Board determines that such action is necessary to prevent undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. An examination of the grandfather privileges of the companies listed below is in process in order to determine whether continuation of such grandfather privileges, if any, is consistent with the purposes of the Act. A Board determination not to terminate grandfather privileges would not preclude the Board from making a determination at a later date that grandfathered activities must be terminated.

<u>Bank Holding Company</u>	<u>Activities engaged in on, and continuously since, June 30, 1968</u> ^{1/}
Alaska Bancshares, Inc. Anchorage, Alaska	Real estate development Insurance agency operations Mortgage financing Commercial real estate business Management consultant and advisor Investment advisor
World Airways, Inc. Oakland, California	Supplemental air carrier Lease, purchase, and sale of aircraft Aircraft fixed base operator
First Railroad and Banking Company of Georgia Augusta, Georgia	Owner and lessor of railroad property and securities Investments in small business investment company, real estate trust, housing, and real estate
First National Bank Voting Trust Hollywood, Florida	None

^{1/} The listed companies may also be engaged in additional activities permissible under other provisions of the Bank Holding Company Act. In addition, authority to engage in some of the activities listed may be contained in other provisions of the Bank Holding Company Act, and such activities would not be subject to divestiture under § 4(a)(2) of the Act.

<u>Bank Holding Company</u>	<u>Activities engaged in on, and continuously since, June 30, 1968</u>
Estate of James Millikin, Deceased, Decatur, Illinois	Administration of the Trust of James Millikin, the nonbanking activities of which consist of owning farm and urban property and various securities
Amalgamated Associates Company) Chicago, Illinois)	Safe deposit business
Amalgamated Investments Company) Chicago, Illinois)	
First Highland Corporation Highland Park, Illinois	Small business investment company Data processing services
Indiana Industries, Inc. Gary, Indiana	None
Financial Network Corporation Milwaukee, Wisconsin	Bank premises corporation Real estate held for expansion of bank
Keystone Consolidated Industries, Inc. Peoria, Illinois	Manufactures steel and wire products
Whitney Holding Corporation New Orleans, Louisiana	Maintenance company serving bank only Real estate holdings
Zachary Taylor Life Insurance Co. Schreveport, Louisiana	Reinsurance of credit life risk on subsidiary bank loans Originates, sells and services real estate mortgage loans Operates parking facilities serving the subsidiary bank
Charles Stewart Mott Foundation Flint, Michigan	Water utilities Real estate leasing Real estate development Sugar production and cattle raising
Minnesota Small Loan Company Minneapolis, Minnesota	Small loan business

<u>Bank Holding Company</u>	<u>Activities engaged in on, and</u> <u>continuously since, June 30, 1968</u>
Delta Loan and Finance Co. St. Louis, Missouri	Consumer lending Purchasing time sales contracts Commercial lending Loan participations Printing business forms and stationery
Coronado Financial Corporation) Kansas City, Missouri))	None
Columbia Union Bancshares) Kansas City, Missouri)	
Contract Leasing Corporation) St. Louis, Missouri))	Auditing and messenger services Automation services for subsidiaries Bank advisory services
Clayton Bankshares, Inc.) St. Louis, Missouri)	Ownership of bank premises real estate
South St. Louis Investment) Company) St. Louis, Missouri))	Automation services for subsidiaries Procures and manages supplies Makes policy and supervises systems and methods for related banks and corporations
Hampton Bankshares) St. Louis, Missouri)	Owns bank premises
First Union National Ban- corporation Charlotte, North Carolina	Mortgage banking Insurance underwriting Advertising Credit card operations Name billing service Computer services Courier service Financing and leasing equipment Managing real estate Financial services and supplies
C.I.T. Financial Corp. New York, New York	Real estate Leasing Insurance Manufacturing and merchandising Charitable foundations Consumer and business finance Venture capital financing Data processing services

Bank Holding Company

Activities engaged in on, and
continuously since, June 30, 1968

Schroders, Ltd.
London, England

Securities broker, dealer and
flotation company
Services relating to exchange of
securities and commodities
Financial advice and investment
services
Real estate agent, broker, and
manager
Oil exploration
Subdividing and developing
Data processing services

Swiss Israel Trade Bank)
Geneva, Switzerland)

Beaver Securities Co., Inc.)
New York, New York)

Exchange Place Corporation)
New York, New York)

Mortgage investing and real estate
development

D. H. Baldwin Company
Cincinnati, Ohio

Real estate
Manufacture and sale of electronics
equipment
Sale of pianos, etc. in U.S.
Publication and sale of sheet music
Instalment sale of consumer durables,
floor planning
Mortgage brokerage
Manufacture and sale of photoelectric and
photovoltaic devices
Ownership and leasing of real property,
tools, and machines

Wasatch National, Incorporated
Ogden, Utah

Investments of less than 5 per cent
of the voting shares of each of
the following:
Uranium mining
Real estate/industrial parks
Concrete pipe manufacturer
Transportation

Bank Holding Company

Activities engaged in on, and
continuously since, June 30, 1968

Zions Utah Corporation
Salt Lake City, Utah

Real estate activities
Writes credit life and casualty
insurance
Equipment leasing

Patagonia Corporation
Tuscan, Arizona

Acting as an insurance agency
primarily in connection with
loans made by subsidiary bank
Ownership of 20.005 per cent interest
in savings and loan associations
Fire and casualty insurance)
Rental of office equipment to)^{2/}
subsidiary bank)

Republic National Bank of Dallas
Dallas, Texas

Oil and gas mining, exploration and
manufacture of related products
Real estate managing, developing,
and lending
Financial and management advisory
services
Dealing in investment securities
Lending and borrowing money

First Bancorporation
Reno, Nevada

Holding property occupied, or
to be occupied, by banking
subsidiary

Perpetual Corporation)
Los Angeles, California)
Pierce National Life Insurance)
Co.)
Los Angeles, California)

Life insurance underwriting
Operating cemetery and
crematorium
Funeral directors

The Western and Southern Life
Insurance Company
Cincinnati, Ohio

Sells, underwrites and issues
individual and group life,
accident and health policies

^{2/} Patagonia Corporation claims grandfather privileges with respect to fire and casualty insurance business and the rental of office equipment to its subsidiary bank in view of its alleged status as a successor to a company engaged in such activities on June 30, 1968. The Board has not yet made a determination with respect to that claim.

<u>Bank Holding Company</u>	<u>Activities engaged in on, and continuously since, June 30, 1968</u>
The Western and Southern Life Insurance Company (Con't.)	and sells individual annuity contracts Owns and manages apartment and commercial buildings
First Oklahoma Bancorporation, Inc. Oklahoma City, Oklahoma	Writes credit life and accident insurance General mortgage company activities Consulting and financial advisory services to apartment developers, builders, and owners Building construction Property consultation Personal property leasing Manages bank premises Investing in debt and/or equity securities
Memphis Trust Company Memphis, Tennessee	Providing management services to subsidiaries Investing in companies that are not subsidiaries Dealing in commercial paper Real estate development, investments and leasing
The Sealy and Smith Foundation for the John Sealy Hospital Galveston, Texas	Investments in stocks, bonds, and real property Owns a hospital Owns two parking lots Owns and sells real estate for oil exploration Manufactures fiber glass pipe Manufactures filament winding equipment
Houston National Company ^{3/} Houston, Texas	Real estate development Operator or lessor of oil and gas properties Owns and operates commercial buildings and parking garages

^{3/} Houston National Company claims grandfather privileges with respect to the listed activities in view of its alleged status as a "successor" corporation. The Board has not yet made a determination with respect to that claim.

Bank Holding Company

Activities engaged in on, and
continuously since, June 30, 1968

Houston National Company (Con't.)

Operative builder of hotel, parking
garages and office buildings
Ownership of company accepting deposits
and making loans outside of the
United States

First National Bank in Dallas^{4/}
Dallas, Texas

Ownership of small business invest-
ment company
Building maintenance
Accounting, auditing, and bookkeeping
services
Foreign financial activities

The Hongkong and Shanghai
Banking Corporation
Hong Kong

Owning commercial buildings used
as branch offices for subsidiary
bank

Chicago City Bancorporation, Inc.
Chicago, Illinois

Insurance agent and broker

To aid the Board in making its determinations, interested persons are hereby afforded an opportunity to submit relevant data, views, and arguments relating to the continuation of grandfather privileges, if any, of the subject companies. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than November 15, 1972. Such material will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's rules regarding availability of information.

By order of the Board of Governors, September 26, 1972.

(Signed) Tynan Smith

Tynan Smith
Secretary of the Board

[SEAL]

4/ First National Bank in Dallas does not control a bank with assets in excess of \$60 million but is itself such a bank.