

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 73-14
January 15, 1973

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

The Board of Governors of the Federal Reserve System announced on December 26, 1972, its findings with respect to grandfather privileges of 30 companies -- each with \$60 million or more in bank assets -- thus far reviewed under the 1970 amendments to the Bank Holding Company Act.

The Board found that none of the 30 companies is entitled to grandfather privileges. In most of the cases, the companies were engaged only in banking activities as of the grandfather date -- June 30, 1968. In 12 cases, the Board found that none of the companies was engaged in nonbanking activities other than activities that appear to be permitted under provisions of the Act -- such as bank premises corporations and safe deposit businesses.

In certain circumstances, the 1970 amendments to the Bank Holding Company Act permit one-bank holding companies -- and other companies that became subject to the Act by virtue of those amendments -- 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, as "necessary to prevent undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices...."

As directed by the statute, the Board has undertaken a review of 66 companies that became subject to the Act by virtue of the 1970 amendments and controlled a bank with assets in excess of \$60 million on December 31, 1970. Additional findings in this review will be announced later.

Copies of the Board's notices relating to these matters are 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).

Section 4(a)(2) of the Act provides, inter alia, that the Board of Governors of the Federal Reserve System may terminate such grandfather privileges 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. 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.

Notice of the Board's review of nonbank activities and grandfather privileges of the companies listed below and opportunity for interested persons to submit comments and views or request a hearing, has been given.

Frank P. Doyle Trust, Article IX, Santa Rosa, Calif. (37 F.R. 21382)
Potomac Securities Corp., Silver Spring, Md. (37 F.R. 21382)
International Equities, Inc., New York, N. Y. (37 F.R. 21382)
Alexandria Shares Corp., Alexandria, Va. (37 F.R. 21382)
Virginia Bankshares, Inc., Richmond, Va. (37 F.R. 21382)
Marine Bancorporation, Seattle, Washington (37 F.R. 21382)
The Hong Kong and Shanghai Banking Corporation,
Hong Kong (37 F.R. 22414)
First Bancorporation, Reno, Nevada (37 F.R. 22414)
Amalgamated Associates Company, Chicago, Ill. (37 F.R. 22414)
Amalgamated Investments Company, Chicago, Ill. (37 F.R. 22414)
First Highland Corp., Highland Park, Ill. (37 F.R. 22414)
Financial Network Corp., Milwaukee, Wisc. (37 F.R. 22414)

The time for filing comments and views and requests has expired and all those received have been considered by the Board in the light of the factors set forth in § 4(a)(2) of the Act.

On the basis of the evidence before it, the Board finds that none of the companies named hereinabove, directly or indirectly, engaged on or before June 30, 1968, in nonbanking activities within the meaning of § 4 of the Bank Holding Company Act, other than nonbanking activities that appear to be exempt under the provisions of § 4(c) of the Act.

On this basis, no grandfather privileges under the proviso in § 4(a)(2) of the Act accrue to any of these companies.

Board of Governors of the Federal Reserve System, December 26, 1972.

(signed) Tynan Smith

Tynan Smith
Secretary of the Board

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