

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 7012]  
October 5, 1972

BANK HOLDING COMPANIES

Preliminary Determinations on Continuation of "Grandfather" Privileges

To All Bank Holding Companies, and Others Concerned,  
in the Second Federal Reserve District:

Following is the text of a statement issued October 2 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today a preliminary decision to permit 23 bank holding companies to retain control—under the grandfather clause of the 1970 amendments to the Bank Holding Company Act—of nonbanking activities, if any, that they acquired prior to mid-1968.

Comment on the preliminary determination will be received by the Board through October 30, 1972.

The 1970 amendments to the 1956 Act, under certain 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.

Of the preliminary determinations announced today, 22 apply to companies controlling a bank with \$60 million or more in assets. Information presented to the Board indicates that 15 of these companies have no grandfathered activities.

A copy of the Board's order is attached. Additional determinations will be announced by the Board at a later date.

Printed on the reverse side is the text of the Board's order as submitted for publication in the *Federal Register*. Comments thereon should be submitted by October 30 and may be sent to our Bank Applications Department.

ALFRED HAYES,  
President.

(OVER)

## 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) requires the Board of Governors of the Federal Reserve System to 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 bank holding company described in §4(a)(2) of the statute 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. On the basis of the information before the Board, it appears that continuation of grandfather privileges, if any, granted by §4(a)(2) to the companies listed below would not be inconsistent 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.

*Activities engaged in on,  
and continuously since,  
June 30, 1968<sup>1</sup>*

<i>Bank Holding Company</i>	
Tennessee Shares Corp. Cheverly, Maryland	None
Potomac Securities Corp. Silver Spring, Maryland	Lessor of banking equipment
Independent Bancorporation Minneapolis, Minnesota	None
Mercantile Commerce Co. St. Louis, Missouri	None
Barclay's Bank, Ltd. London, England	None
Royal Bank of Canada Montreal, Canada	None
Industrial Bank of Japan, Ltd. Tokyo, Japan	None
International Equities, Inc. New York, New York	Automated bookkeeping services for affiliated banks
U T Securities Corp. New York, New York	None
Southeastern Shares Corp. New York, New York	None
National Bank of Greece, S.A. Athens, Greece	None
Alexandria Shares Corp. Alexandria, Virginia	Automated bookkeeping services for affiliated banks
Financial General Corp. Richmond, Virginia	None
Virginia Bankshares, Inc. Richmond, Virginia	Automated bookkeeping services for affiliated banks
Marine Bancorporation Seattle, Washington	Ownership of bank premises corporation Ownership of two Edge Act corporations

<sup>1</sup>Authority to engage in some of the activities listed may also 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.

The Board has also examined the nonbanking activities and the grandfather privileges of North American Mortgage Corporation, St. Petersburg, Florida. On the basis of information before the Board, it appears that continuation of grandfather privileges granted by §4(a)(2) of the Act to North American Mortgage Corporation would not be inconsistent with the purposes of the Act.

To aid the Board in making its determinations, interested persons are hereby afforded an opportunity to submit relevant data, views, and arguments bearing on the proposed determinations by the Board concerning 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 October 30, 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.

<i>Bank Holding Company</i>	<i>Activities engaged in on, and continuously since, June 30, 1968<sup>1</sup></i>
Frank P. Doyle Trust, Article IX Santa Rosa, California	Ownership of bank premises corporation
Sumitomo Bank, Ltd. Osaka, Japan	None
Hopeton Holding Corp. Wilmington, Delaware	None
Financial Investments Corp. Chicago, Illinois	None
First National Bank of Cicero Corp. Oak Park, Illinois	None
Ribso, Inc. Rock Island, Illinois	Owner and lessor of bank premises Owner of land and lessor of residual mineral rights
Investment Securities Corp. Lexington, Kentucky	None