

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7022]
October 24, 1972

BANK HOLDING COMPANIES

Additional Examinations 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 16 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today that it is examining an additional 42 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 42 companies announced today.

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.

Printed on the following pages is the text of the Board's order in this matter. Comments thereon should be submitted by November 15 and may be sent to our Bank Applications Department.

ALFRED HAYES,
President.

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.

<i>Bank Holding Company</i>	<i>Activities engaged in, and continuously since, June 30, 1968¹</i>
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

¹The 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.

<i>Bank Holding Company</i>	<i>Activities engaged in, and continuously since, June 30, 1968¹</i>
First National Bank Voting Trust Hollywood, Florida	None
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
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
Clayton Bankshares, Inc. St. Louis, Missouri	Bank advisory services Ownership of bank premises real estate
South St. Louis Investment Company St. Louis, Missouri	Automation services for subsidiaries Procures and manages supplies
Hampton Bankshares St. Louis, Missouri	Makes policy and supervises systems and methods for related banks and corporations Owns bank premises

<i>Bank Holding Company</i>	<i>Activities engaged in on, and continuously since, June 30, 1968¹</i>
First Union National Bancorporation 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
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	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
Zions Utah Corporation Salt Lake City, Utah	Real estate activities Writes credit life and casualty insurance Equipment leasing
Patagonia Corporation Tucson, 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 ² Rental of office equipment to subsidiary bank ²

<i>Bank Holding Company</i>	<i>Activities engaged in on, and continuously since, June 30, 1968¹</i>
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 Holding property occupied, or to be occupied, by banking subsidiary
First Bancorporation Reno, Nevada	Life insurance underwriting Operating cemetery and crematorium Funeral directors
Perpetual Corporation Los Angeles, California	Sells, underwrites and issues individual and group life, accident and health policies and sells individual annuity contracts Owns and manages apartment and commercial buildings 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
Pierce National Life Insurance Co. Los Angeles, California	
The Western and Southern Life Insurance Company Cincinnati, Ohio	
First Oklahoma Bancorporation, Inc. Oklahoma City, Oklahoma	Providing management services to subsidiaries Investing in companies that are not subsidiaries Dealing in commercial paper Real estate development, investments and leasing 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
Memphis Trust Company Memphis, Tennessee	Real estate development Operator or lessor of oil and gas properties Owns and operates commercial buildings and parking garages Operative builder of hotel, parking garages and office buildings Ownership of company accepting deposits and making loans outside of the United States
The Sealy and Smith Foundation for the John Sealy Hospital Galveston, Texas	Ownership of small business investment company Building maintenance Accounting, auditing, and bookkeeping services Foreign financial activities
Houston National Company ³ Houston, Texas	
First National Bank in Dallas ⁴ Dallas, Texas	

¹Patagonia 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.

³Houston 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.

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

<u>Bank Holding Company</u>	<u>Activities engaged in on, and continuously since, June 30, 1968¹</u>
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.