

FEDERAL RESERVE BOARD

WASHINGTON

June 15, 1928
St. 5822ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Branch and Chain Banking.

Dear Sir: .

In submitting your report covering changes in branches of member and non-member banks during the 12 months ending June 30, 1928, as requested in the Board's letter St. 5120 of October 10, 1926, modified by letter St. 5620 of December 23, 1927, it will be appreciated if you will call to the Board's attention any errors that may have been found in the memorandum on branches of member and nonmember banks submitted to you with the Board's letter St. 5691 of February 21, 1928.

The Board would also like to have you accompany your report on changes in branch banking with such information as you have or can readily obtain regarding chain banking in your district. While it is difficult to formulate a definition of chain banking, it is generally understood to include those banks over which an individual, company, corporation, or group of individuals exercises some material control or is in a position through stock ownership or otherwise to exercise such control. While the Board would like to have your report on chain banking as complete as practicable, it should not, of course, include banks which may have one or more common directors but in which there is no control or no reasonable expectation that control could be exercised, nor banks with substantially identical ownership but operating in different fields in the same community, such as the affiliation which may exist between a local commercial bank and a local savings bank. It is suggested that your report on chain banking be submitted under the following heads:

1. Location and name of controlling interest or group
2. Location and name of banks in chain
3. Degree of control, i.e.,
 - a. Majority of stock
 - b. Substantial stock interest less than majority
 - c. Inter-locking directorates
 - d. Other (specify)

During recent years a number of investment trusts and other financial corporations have been organized for the purpose of specializing in bank stocks, and the operations of these companies are likely to result in chain banking and no doubt in some cases have already done so. In view of the far-reaching influence on the banking situation that these corporations may have, the Board would like to have you furnish it with such data regarding these institutions, if there are any in your district, as it is convenient for you to obtain.

Very truly yours,

Walter L. Eddy,
Secretary.