

October 8, 1929.

TO The Federal Reserve Board SUBJECT: Ownership of Bank Stocks
FROM Mr. Wyatt, General Counsel by Holding Companies.

There is attached hereto for the Board's information a copy of an Act recently enacted in the State of Wisconsin regulating the ownership of stocks in banks and trust companies by holding companies. The provisions of this statute may be summarized briefly as follows:

(1) No corporation organized under the laws of Wisconsin is permitted to hold more than 10% of the stock of any bank or trust company, unless 75% of the stockholders of both corporations vote in favor thereof at a meeting especially called for that purpose.

(2) No State bank or trust company may vote to authorize a foreign corporation to purchase stock in such State bank or trust company, unless such foreign corporation shall have qualified to do business in Wisconsin.

(3) Whenever the ownership or control of a majority of the stock of any State or National bank doing business in Wisconsin is held by any foreign corporation which has not qualified to do business in the State, such bank shall be disqualified to act as a depository for any public funds of the State or any subdivision thereof, or as a depository for reserve funds of State banks until such foreign corporation shall have qualified to do business in the State.

(4) Any domestic corporation or any foreign corporation qualified to do business in Wisconsin which owns or controls a majority of the stock of any bank or trust company, shall be deemed to be engaged in the business of banking and shall be subject to the supervision of the State Banking Department.

(5) Such corporations are required to file reports of condition with the Commissioner of Banking and are subject to examination by him.

(6) Whenever, in the opinion of the Commissioner of Banking, the condition or management of such holding company endangers the safety of such bank or trust company, the Commissioner may order the holding company to remedy such condition within ninety days; and, upon its failure to do so, the Commissioner shall have power to direct the operation of such banks or trust companies until his orders are complied with and may withhold all

dividends from such holding companies in the meantime.

(7) Domestic corporations and foreign corporations authorized to do business in the State which own or control the stock of a State bank or trust company shall be held liable for any assessment made against the stockholders of such bank or trust company to the par value of the stock so owned or controlled; and such holding corporations are required to deposit with the State Treasurer securities equal to fifty per cent of the par value of the stocks of State banks or trust companies owned or controlled by such holding companies, except that the aggregate amount of such securities shall not exceed the largest amount required to be deposited by Wisconsin trust companies.

(8) If the stockholders' liability of any such holding company is not fully paid, the stockholders of such holding company are liable for an assessment sufficient to cover the deficit.

(9) All of these provisions apply not only to corporations, but also to associations, investment trusts, or other organized forms of trusts; but they are not to be construed to prohibit any trust company or State or National bank exercising trust powers from carrying out the provisions of any personal trusts within certain prescribed limitations.

Respectfully,

Walter Wyatt,
General Counsel.

Copy of Act
attached.

WW:vdb

(DEPARTMENT OF STATE
Published
Aug. 30, 1929
Wisconsin)

(No. 460, S.)

CHAPTER 445, LAWS OF 1929.

A N A C T

To amend subsection (9) of section 182.01 and to create subsection (6) of section 14.44 and section 221.56 of the statutes, relating to banks and holding companies.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. Subsection (9) of section 182.01 of the statutes is amended to read: (182.01 (9) Any corporation organized under chapter 180 of the statutes may subscribe for, take or hold stock in any other corporation except as herein provided. The consideration for such purchase may be paid in the stock or bonds, or both, of the purchasing company; but no corporation organized under chapter 180 of the statutes may subscribe for, take or hold more than ten per cent of the capital stock of any state bank or trust company, unless seventy-five per cent of the stock of both corporations shall vote in favor thereof at a meeting especially called for that purpose, but no state bank or trust company may vote to authorize a foreign corporation to purchase stock in such bank or trust company unless such foreign corporation shall have filed its articles of incorporation with the secretary of state and is authorized to do business in Wisconsin as provided in section 226.02 of the statutes.

SECTION 2. A new subsection is added to section 14.44 and a new section is added to the statutes to read: (14.44) (6) Whenever the ownership, control or power to vote a majority interest in the stock of any state or national bank doing business in Wisconsin shall be held or in any manner exercised by any foreign corporation, association or trust which shall not have filed its articles of incorporation and obtained authority to do business in this state as provided in section 226.02, such bank shall not be qualified to act as depository for any public funds of the state of Wisconsin or of any subdivision thereof, nor as a depository for reserve funds of state banks until the provisions of section 226.02 shall be complied with by such foreign corporation, association or trust.

221.56 (1) Any domestic corporation, investment trust, or other

form of trust which shall own, hold or in any manner control a majority of the stock in a state bank or trust company shall be deemed to be engaged in the business of banking and shall be subject to the supervision of the state banking department. It shall file reports of its financial condition when called for by the commissioner of banking, and the commissioner may order an examination of its condition and solvency whenever in his opinion such examination is required, and the cost of such examination shall be paid by such corporation or association. Whenever in the opinion of the commissioner of banking the condition of such corporation or association shall be such as to endanger the safety of the deposits in any bank or trust company which is owned or in any manner controlled by such corporation, or the operation of such corporation, association or trust shall be carried on in such manner as to endanger the safety of such bank or trust company or its depositors, the commissioner may order such corporation or trust to remedy such condition or policy within ninety days and if such order be not complied with, the commissioner shall have power to fully direct the operation of such banks or trust companies until such order be complied with, and may withhold all dividends from such corporation or trust during the period in which the commissioner may exercise such authority.

(2) The provisions of subsection (1) shall apply to any foreign corporation, association, investment trust, or other form of trust which shall be authorized to do business in Wisconsin.

(3) Every domestic corporation and every foreign corporation authorized to do business in this state which shall purchase, own or in any manner control the voting of any stock in a state bank or trust company shall be liable to the creditors of such bank or trust company for any assessment made against the stockholders of such bank or trust company to the par value of the stock so purchased, owned or controlled in the same manner as is provided for individual stockholders of such banking corporation under the provisions of section 221.42. Any such domestic or foreign corporation shall deposit with the state treasurer securities such as are required to be deposited by trust company banks by section 223.03 equal in amount to fifty per cent of the par value of the stocks of state banks or trust companies which shall be held, owned or controlled by such domestic or foreign corporation, but not exceeding in the aggregate the largest amount required to be deposited by a Wisconsin trust company. In case the double liability of any such corporation against which an assessment may be made as provided herein shall not be fully paid by such corporation, then the stockholders of such corporation shall be liable for an assessment sufficient to cover the full amount of the assessment against such corporation.

(4) All of the foregoing provisions of this section relating to corporations shall apply equally to associations, investment

trusts, or other forms of organized trusts, whether so specifically stated or not, but nothing contained in this section shall be construed to prohibit any trust company bank, or state or national bank, authorized to administer or execute trusts, to accept and carry out the provisions of any personal trust, or any trust created by will where the owner of bank stock shall create a trust for his own benefit during his lifetime, or shall provide by will a trust in bank stock for the benefit of his heirs, and trusts so created shall not be deemed to come within the provisions of this section.

SECTION 3. It is the intent of the legislature that the provisions of this act are separable and the holding of any provision hereof unconstitutional shall not affect the remainder thereof.

SECTION 4. This act shall take effect upon passage and publication.

Senate: Ayes 28; Noes 1.

Assembly: Ayes 82; Noes 0.

PRESIDENT OF THE SENATE.

SPEAKER OF THE ASSEMBLY.

This act originated in the Senate.

CHIEF CLERK.

Approved _____, 1929.

GOVERNOR.