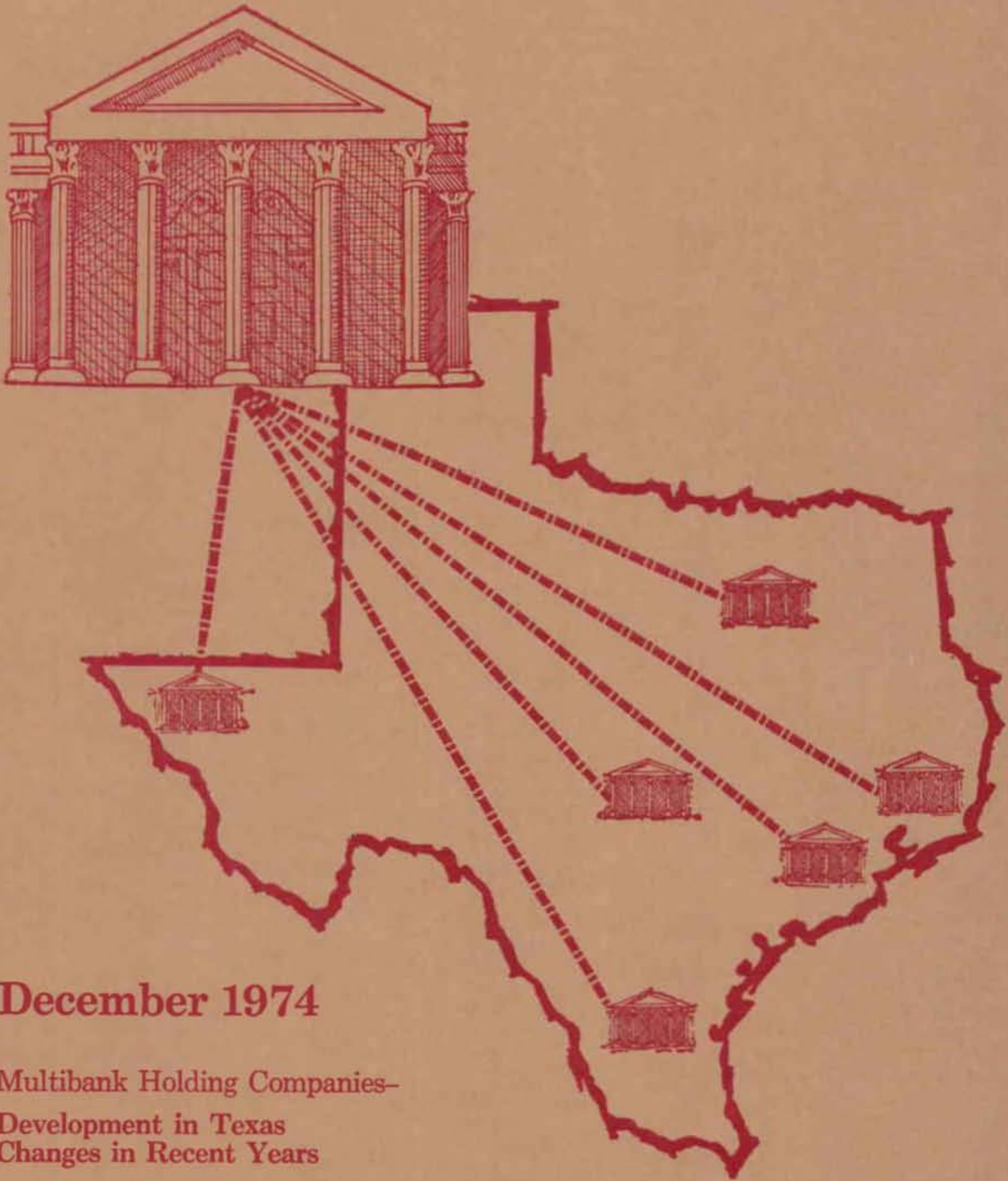
Federal Reserve Bank of Dallas

Business Review



December 1974

Multibank Holding Companies–
Development in Texas
Changes in Recent Years

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Multibank Holding Companies–

Development in Texas Changes in Recent Years

Multibank holding companies are becoming increasingly important in Texas banking. They have, in fact, already changed the state's banking industry. After only four years of rapid expansion, bank subsidiaries of these companies are on the verge of holding more deposits than all other banks in Texas.

In its early stages, the rise of multibank holding companies was more a matter of form than substance. The holding company device was used largely to formalize long-standing relationships between large banks and smaller banks affiliated with them. Recently, however, the holding company has been used as a vehicle for expansion in a state where the tradition of unit banking is strong. Holding companies are now acquiring independent banks, expanding in their home markets and across the state.

This shift from formalization of previous relationships to actual expansion is creating a far different banking structure in Texas. And the structure of the banking industry will influence the performance of Texas banking.

But there has also been a parallel shift in decisions of the Board of Governors of the Federal Reserve System affecting bank holding companies in Texas. During the initial phase of expansion of multibank holding companies, decisions seemed aimed at preserving (or enhancing) competition as established multi-unit banking systems were consolidated into holding companies.

More recently, the Board has acted to halt any trend toward undue concentration as holding companies have reached out across the state. In taking this new policy stance, the Board has turned its attention to statewide structure and the eventual implications of that structure for competitive conditions in local banking markets.

Recent rapid growth

The Bank Holding Company Act was amended in 1970–primarily to cover one-bank holding companies, broaden the concept of bank control, and redefine permissible nonbank activities. Multibank holding companies have spread rapidly in Texas since then. Where there were only four such companies in the state in 1970, there are 24 today. And where multibank holding companies then controlled 14 bank subsidiaries with about 7 percent of the deposits in the state, they now control 179 subsidiaries with nearly half the deposits.[1]

While multibank holding companies are active in many states, only Florida has rivaled Texas in expansion over the past three years. If all the holding company applications pending in Texas were approved, there would be 30 companies with 236 subsidiary banks. While less than a fifth of the banks in the state, these banks account for 54 percent of the deposits.

Although the state also has 64 one-bank holding companies, these companies control only about 6 percent of the deposits in the state. And while 52 of the multibank and one-bank holding companies in Texas have set up subsidiaries to engage in nonbanking activities, all these activities are closely related to banking. So far, then, the most important aspect of holding company developments in Texas has been the formation of multibank holding companies and their acquisition of subsidiary banks.

Early multi-units

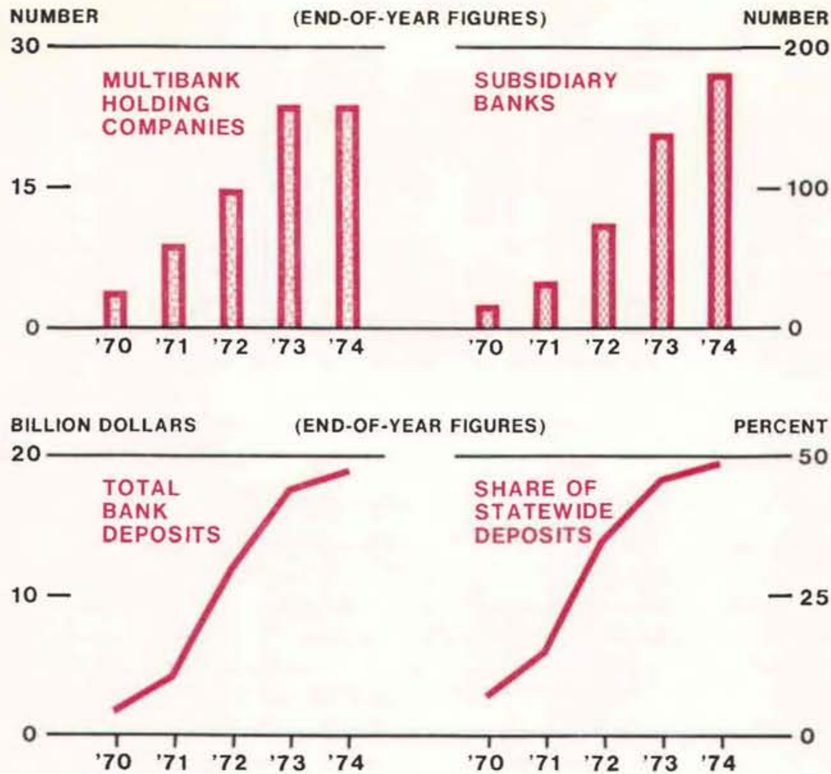
Multi-unit banking was already well established in Texas when the Bank Holding Company Act was amended in 1970. In addition to four multibank holding companies, there were 126 banking chains. Together, these two types of banking organizations held two-fifths of the banks in the state and nearly two-thirds of the deposits.

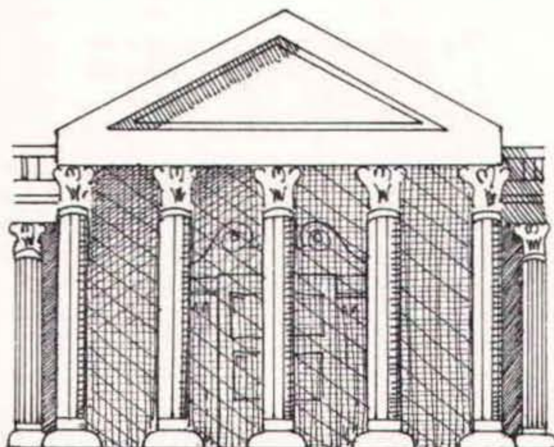
Under a chain-bank arrangement, two or more separate banks are operated under a single management. Control, however, rests in the hands of individuals–in contrast to multibank holding companies, where control is corporate.

Chain arrangements were common in metropolitan areas where population growth and economic development created demand for bank services beyond the normal service area of banks in the central city. Not only did Texas law prevent banks from shifting resources to suburbs by branching into these growth areas, but the law was interpreted as prohibiting one bank in Texas from owning another.

As a result, new banks were chartered. But in many cases, the new banks were owned by individuals closely connected with

1. Computations include acquisitions approved but still not consummated.





large banks already established in the area. The owners were sometimes principal stockholders in the established bank, sometimes officers or directors, and sometimes even legal counselors.

Large metropolitan banks also influenced newly chartered banks through combinations of minority stock ownership and shares held either in trust or as collateral for loans. Chain-banking ties were cemented even further through interlocking directorates and common officers, correspondent banking relationships, and general dependence on the larger bank for technical and managerial support.

Until its amendment in 1970, the Bank Holding Company Act required that only companies owning as much as 25 percent of the outstanding stock of each of two or more banks register with the Board of Governors as multibank holding companies. During that time, many large Texas banks did not have to register–even in cases where they formed one-bank holding companies–because they limited their direct ownership either to one bank or to less than 25 percent each in other banks.

The one-bank exemption was closed by the 1970 amendment. Companies holding even one bank were made subject to registration and regulation. In addition, Congress extended the concept of bank control beyond the previous tests of stock ownership and ability to elect directors to include *controlling influence*. If the Board of Governors of the Federal Reserve System determined that an organization exercised controlling influence over a bank, the organization had to register as a bank holding company.

From the outset, this change in the legal environment was expected to spur expansion of multibank holding companies in Texas. As many of the chain-banking

practices then in common use in Texas actually amounted to controlling influences, chain systems coming under regulation of the Board of Governors anyway were expected to reorganize as holding companies.

But there were also advantages to the chain in reorganizing as a holding company. By reorganizing, a chain could formalize relations with banks making up the chain, possibly streamlining operations as these banks were made subsidiaries of the holding company. In addition, a holding company would have better access to organized capital markets than could be achieved by any one of the members of a chain. Managerial and technical efficiencies might also be improved. And there were opportunities for expansion, with regulatory approval, into new product lines and new market areas.

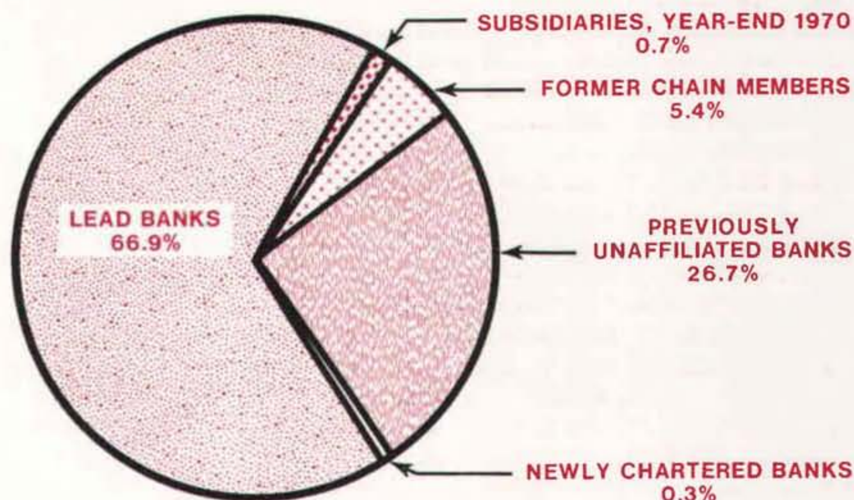
The most likely source of multibank activity would be chains with lead banks that were subsidiaries of one-bank holding companies. Since one-bank holding companies definitely had to register anyway, the move to multibank status appeared natural. And chain members made ready targets for further acquisition.

Preexisting structure . . .

Soon after amendment of the Bank Holding Company Act, the Federal Reserve Bank of Dallas conducted a study of multi-unit banking in Texas. Showing the developing multibank holding company movement in Texas would probably mirror patterns already established in chain-banking arrangements, the study identified 29 chains as potential multibank holding companies. It indicated several possible developments:

- Most multibank holding company formations would represent the consolidation of existing chains.

Deposit growth of five largest organizations comes mainly through acquisition of banks not affiliated in 1970



DEPOSITS, OCTOBER 31, 1974 — $11.7 BILLION

SOURCES: Board of Governors, Federal Reserve System
Federal Reserve Bank of Dallas

- Most holding company activity would be in the most populated areas–particularly the Dallas, Fort Worth, Houston, and San Antonio SMSA's.
- Initial expansion of holding companies would center around home market areas, where their affiliates were concentrated.
- Consolidation of chains into holding companies would raise measures of local market and statewide concentration as expressed in terms of banking organizations instead of banks.

By and large, these expectations did materialize. In the early stages of the holding company movement, most acquisitions were in the market of the acquiring company's lead bank. Ten members of the original 29 most likely candidates have formed multibank holding companies of their own, while lead banks of seven others have been acquired by larger holding companies. Banks providing three-fourths of the deposits held by holding companies today were members of corresponding multi-unit organizations at the end of 1970.

As expected, most multibank holding company activity has been in large metropolitan areas. More than eight out of ten bank subsidiaries, in fact, are in SMSA's. And fully two-thirds of these are in Dallas, Fort Worth, Houston, and San Antonio.

The consolidation of chains has contributed 1.6 percentage points to the share of statewide deposits held by the five largest banking organizations. And these acquisitions have increased the market share of the three largest organizations in seven of the state's 24 major banking markets (21 SMSA's plus three specially defined markets).

. . . and policies in 1971-72

The study of multi-unit banking in Texas also recognized that policies of the Board of Governors would influence the extent and direction of the growth of holding companies in this state. Policies of the Board regarding the early formation of Texas multibank holding companies are apparent from decisions on applications for acquisitions under the Bank Holding Company Act. Throughout 1971 and early 1972, the Board approved applications to acquire stock in banks tied so closely to the lead bank of the acquiring company that denial would not change actual control.

Since the affiliate was already effectively controlled by the applicant, this type of acquisition was regarded mainly as a corporate reorganization of existing interests having no impact on competition–actual or potential. Only three acquisitions, in fact, enlarged the market shares of leading organizations. These were in Houston and Beaumont.

During the same period, the Board of Governors sought to reduce market power when disaffiliation appeared feasible and worthwhile. When Houston-based Southwest Bancshares, for example, applied to acquire its affiliate in Longview, approval was conditional on Southwest's divestiture of its affiliate in Kilgore, another significant competitor in the same banking market.

The divestiture required of Southwest was consistent with other Board decisions in those early stages of the multibank holding company movement in Texas. Generally, the Board's decisions focused on the competitive effects of a proposed acquisition on the relevant local banking market. In addition, attention was given to the financial and managerial resources of the applicant, its subsidiaries, and the bank it sought to acquire; the prospects of each for the future; and the possible effects of the acquisition on the convenience and needs of the community to be served.

Although in one instance involving a Houston-area bank, the Board noted that acquisition by a holding company based outside the area would tend to enhance competition, references to the state's banking structure were usually confined to the relative deposit size of the applicant among banking organizations in Texas. Since most banks being acquired were small affiliates, reference to any new trends in statewide structure probably did not seem necessary.

By the end of 1971, however, there were nine multibank holding companies in Texas–more than twice the number at the beginning of the year. The proportion of statewide deposits held by multibank holding companies had also doubled, exceeding 14 percent, and the number of subsidiary banks had climbed even more sharply, reaching 34.

Despite the pace of this growth, multibank holding companies still had little impact on the state's banking structure. The share of total deposits held by the state's five largest banking organizations had edged up only another half a percentage point. And since all the significant bank acquisitions had involved former affiliates, the same multi-unit organizations were still operating in their usual markets.

It was not until 1972 that statewide trends in the multibank holding company movement began taking shape. Up to that point, the movement had been little more than a consolidation of existing chain arrangements in local banking markets.

Emerging trends

In early 1972, First City Bancorporation of Texas received approval for its acquisition of Midland National Bank, the second ranking bank in the Midland-Odessa bank-

ing market with deposits totaling $78.7 million. Actually, First City Bancorporation's application was to acquire Midland National Corporation, a one-bank holding company that owned 83.3 percent of the Midland bank and a minority interest in Southwest National Bank of El Paso.

This acquisition marked the beginning of two new and highly important developments in Texas banking. It was the first acquisition of an independent bank used to expand the operations of a major Texas bank holding company into new markets. And it was the first of a series of acquisitions in which major banking organizations in Dallas, Fort Worth, and Houston picked up one or more of the top three banks in one of the state's secondary SMSA banking markets–SMSA markets other than Dallas, Fort Worth, Houston, and San Antonio.

This type of acquisition was obviously attractive to large banking organizations. Not only did it provide geographic diversification but also faster growth than could have ordinarily been achieved through internal means.

The three largest bank holding companies in the state–First City Bancorporation, Texas Commerce Bancshares, and Southwest Bancshares–expanded rapidly across the state in 1972. By year-end, these three Houston-based companies had acquired the third and fifth largest banks in Fort Worth and a smaller bank in the Dallas market. In addition, they had gained representation in eight of the state's 21 secondary SMSA's.

The larger of the Fort Worth acquisitions was a $200 million bank. Subsidiaries in secondary markets ranged in deposit size from $28 million to $112 million. In seven secondary markets, they included one or more of the three largest banks.

Before the year was out, the Board of Governors also approved the formation of First International Bancshares. With First National Bank in Dallas as its lead bank and approval for the acquisition of Houston-Citizens Bank & Trust Company, a $219 million bank that ranked as the fifth largest in the Houston market, First International became the largest bank holding company in Texas.

Over the year, effects of the vigorous expansion of large holding companies began to show in the state's banking structure. The number of holding companies increased to 15, and the number of bank subsidiaries increased even more. Where there had been 34 bank subsidiaries in Texas at the start of 1972, there were 73 at year's end. And of the 39 new subsidiaries picked up by holding companies, nearly half represented previously unaffiliated banks. The share of statewide deposits held by multibank holding companies jumped from 14.5 percent to 34.5 percent. During the year, the five largest banking organizations increased their share of total deposits 4 percentage points.

In 1973 and on into 1974, holding companies acquired far more independent banks than they did former affiliates. Although smaller companies were also active–some of them picking up independent banks outside their home markets–expansion of the largest organizations continued to dominate the movement.

First International Bancshares was especially active. In addition to picking up five of its Dallas affiliates, it acquired 14 previously independent banks. Seven of the independent banks were leaders in secondary markets.

Shifts in structure

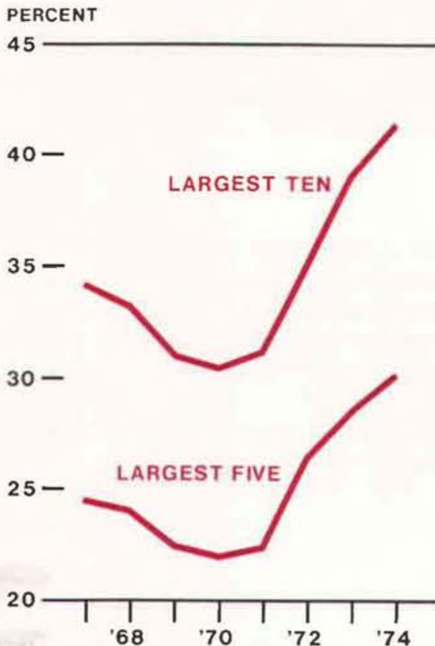
The holding company movement has made the structure of the banking industry in Texas significantly different from what it was at the end of 1970. Deposit concentration for the five largest banking organizations has increased 8.2 percentage points–a relative gain of 37 percent. For the ten largest organizations, the ratio has increased 11 percentage points–a relative gain of 36 percent.

These are considerably more than gains from formalization of affiliate relationships. Taken together, holding companies have increased the deposits they control roughly four times more from acquiring independent banks than from acquiring affiliates of their lead banks.

They have also extended their operations well beyond local markets. Under chain banking, the influence of leading banks was confined essentially to their home markets. But holding companies now reach across the state. All but one of the five largest banking organizations, for example, operate outside their home markets in Dallas or Houston. With 21 subsidiary banks, they are represented in 12 secondary markets. And in ten of these markets, their subsidiaries rank among the three largest local banks.

Despite this increase in concentration, however, there has been considerable competition among holding companies. For one thing, large organizations have entered one another's markets. First City Bancorporation, for example, entered the Dallas market through acquisition of Texas Bank & Trust Company. A $240 million bank then, Texas Bank & Trust was the fifth largest in Dallas.

For another, additional holding companies have been formed. In a number of local markets, these companies are effective competitors to the five largest banking organizations. For example, Texas American Bancshares (formerly Fort



Worth National Corporation) had sizable subsidiaries in Dallas and two secondary markets when it acquired a large Houston bank. By entering the Houston market, this company became a significant competitor to all five of the largest organizations in their home markets.

Competition and markets

The entry of large companies into banking markets all across the state and the rise in statewide concentration do not necessarily represent any great loss of competitive vigor. And although holding companies can still expand rapidly, the policy stance the Board of Governors has taken in recent decisions is designed to allow the state to reap any possible benefits from the development of holding companies while retaining an actively competitive banking industry.

The performance of an industry is inseparably linked with competition. Where in everyday usage, competition implies rivalry (or the feeling of rivalry) between parties in some kind of contest, the word has a special meaning in economics. Competition refers mainly to the ability of a buyer or seller to affect prices. If the price of a good or service is generally determined by market forces–the interactions of many buyers and sellers, no one of which can have a significant effect by himself–the market is usually said to be competitive.

When resources in a market are concentrated in a few hands, the market tends to become less competitive. And in the case of banking markets, unless economies of scale or organization are realized from the concentration and these savings are passed on, bank customers are confronted with bank services that are more costly and less available.

Any meaningful effort to relate the competitive performance of an industry to its structure, then, assumes the determination of the proper market. Because commercial banks offer a variety of services, their markets are difficult to determine. This is true whether the services they offer are characteristically *wholesale* or *retail.*

One approximation of a banking market might be the state itself. By this measure, the banking industry in Texas is still fairly unconcentrated. An index of deposit concentration for the five largest banking organizations in each state shows the average concentration for the nation twice that for Texas.

Despite the rapid spread of holding companies in Texas, the state ranks 45th in deposit concentration. That is only one position higher than before the multibank holding company movement began in Texas three years ago. Even among unit-banking states, the index for Texas is considerably below average. Among the 15 unit-banking states, Texas ranks fifth from the bottom in deposit concentration. But the state is probably not a good approximation of the market for most services provided by Texas banks.

Local areas seem to provide a better approximation of markets for retail services. Banking markets serving households and small businesses are generally highly localized–and for two reasons. First, these users of retail banking services cannot shop far without running up information and transportation costs that are prohibitive. And second, banks also find it too costly to develop retail business at any great distance.

Studies show that commuting patterns and communication ties are important in defining banking markets along geographic lines. And in deciding the competitive effects of proposed bank acquisitions in Texas, the Board of Governors–like the Supreme Court in

a recent decision regarding a bank merger in Connecticut–has recognized that banking markets are characteristically local.

Standard metropolitan statistical areas sometimes take appropriate patterns and ties into account, providing the Board with convenient approximations of banking markets. At other times, the Board has had to use different market approximations. But in all cases, the markets have been local, not statewide.

It might be possible in some states for aggregate concentration to provide a rough gauge of market developments. This could happen if the state were very small and local banking markets overlapped or if the state had only a few banking markets. But Texas does not fit either category.

Texas is a very large state. Texarkana, for example, is about as close to Chicago as it is to El Paso. And within this vast area are 24 SMSA's and many other local banking markets.

The state's economy, moreover, is highly diversified. Texas has some well-defined economic areas with credit needs and sources different from those in the rest of the state. The special credit needs of some areas may be influenced as much by banking developments in Phoenix or New Orleans as by developments in Dallas and Houston.

While the state is too large a market area for use in assessing competitive developments in retail banking, it is too small for analyzing developments in wholesale banking. Customers with large banking needs often find it worth the expense to shop away from home for the best deal in bank credit and services.

These large customers may turn to the major money market in New York, for example, or they may go to a regional money center. And since their credit worthiness is easily established–especially if they are major corporations–their business is actively sought by larger banks throughout the United States.

Many markets for wholesale banking services cross state lines. A recent survey of the largest nonfinancial corporations in Texas showed that most of their banking was done with institutions in New York, Chicago, and California.[2] These companies keep a large part of their loan and deposit balances in other states, for example, and go out of state for other vital banking services. This suggests that as far as wholesale banking in Texas is concerned, the nation may provide a better market approximation than the state. If so, statewide concentration is probably a poor measure of competitive conditions in wholesale banking.

Statewide concentration

Since the whole state does not approximate a meaningful banking market, the relationship between market power and the increase in statewide concentration is somewhat obscure. Statewide concentration does not tell much, for example, about local competitive conditions. If one of the leading companies in Texas enters a new market through acquisition of an existing bank, statewide concentration increases. But the acquisition does not immediately increase concentration in the local market.

Many of the affiliates acquired by the state's leading organizations have, of course, increased concentration ratios at both the state and local levels. But as was pointed out before, these acquisitions often represented formalization of preexisting relationships. In cases where control was already absolute–however informal–the increase in concentration represents a correction in measurement rather than an actual increase in market power.

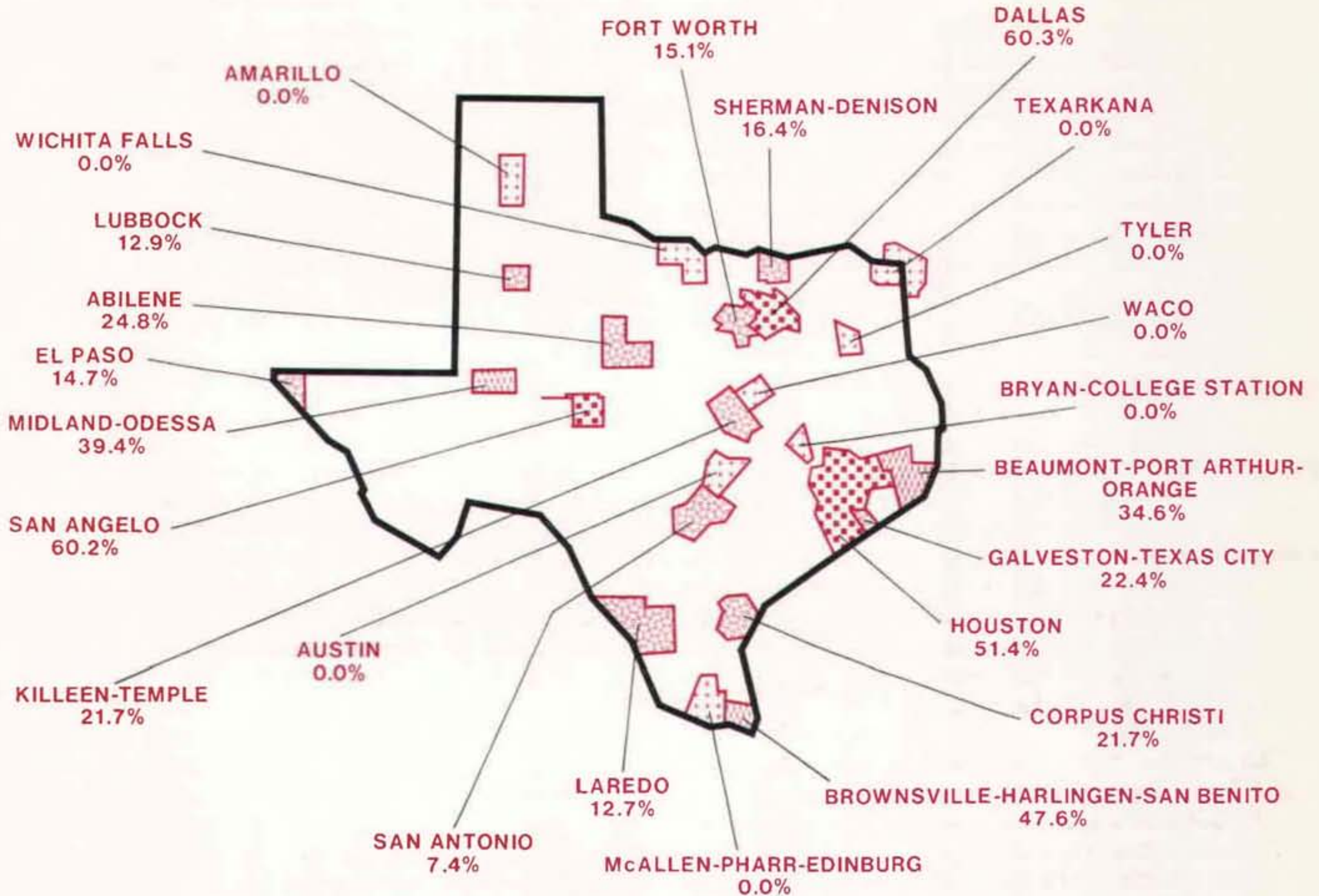
And even as the overall concentration index rose in Texas, two developments have been at work promoting competition in local banking markets. One has been the breakup of some chain-banking arrangements. The other has been the entry of new competitors into highly concentrated markets.

During the three years that multibank holding companies have been expanding their operations in Texas, the Board of Governors has broken up some chain arrangements in local markets. One of the devices used has been divestiture. To acquire two of its Houston affiliates, for example, First City Bancorporation had to divest itself of controlling influence in two larger Houston affiliates.

Another device for breaking up chains has been to allow the acquisition of one member of a chain but not other members in the same market. First International Bancshares, for instance, applied to acquire two banks affiliated with each other in the Houston market. The Board allowed the company to acquire one bank but not the other, thereby breaking up the chain.

The true state of deposit concentration in Texas is very probably unknown. While many chain banks have been taken up in the development of multibank holding companies, it is not known how much informal group banking is still done in Texas. But the breaking up of chain relationships in accordance with Federal Reserve policies has been a deconcentrating influence even though it does not enter directly into formal concentration ratios.

2. *Business Review*, October 1973



The proportion of statewide deposits held by holding company subsidiaries is still well below the proportion held by all multi-unit systems in Texas at the end of 1970. And the rise in the share held by holding companies may not reflect what has happened to multi-unit systems as a whole.

The largest companies have been expanding across the state–in many cases, entering markets through the acquisition of leading banks. While such acquisitions do not affect local market concentration ratios, they could still affect competition–either favorably or unfavorably.

On the one hand, entry of an outside organization could promote competition. Since small markets in Texas cannot support a large number of banks, they tend to have fairly concentrated structures. The average three-bank concentration ratio for the state's 20 secondary markets is 70.4–about a third higher than the average for the four largest banking markets and five times that for the state as a whole.

If concentration in a market is high enough, competitors–actually members of an oligopoly–can recognize their interdependence, learning that aggressive behavior by one of them will only bring retaliation by the others. Competitive behavior is stifled under such

conditions. Except for customers, no one is able to gain, for example, by price cutting.

Where such a situation has developed, an outside organization could acquire a leading bank in the market without upsetting the old arrangements. But the holding company might require its subsidiary to compete vigorously as a matter of policy. Or the mere presence of a newcomer could unsettle old understandings, renewing competition among market leaders. Even the possibility of entry by an aggressive holding company could conceivably compel market leaders to lower the cost of credit and services, make credit more available, and offer new and better services.

On the other hand, a large company could enter a market and monopolize it by allowing the new subsidiary to use company resources to offset losses from aggressive price competition while driving other banks into submission. The possibility of such a situation would be more likely if the company entered the market by acquiring a bank that was already in a dominant position.

Monopolization by an outside organization would be foreign to traditions in Texas, where through its unit-banking laws, the state has tried to preserve community banks and keep them responsive to local credit needs.

The Tyler decision

One recent decision by the Board of Governors has already sharply reduced the possibility that holding companies might be able to monopolize local markets. In denying an application for First International Bancshares to acquire Citizens First National Bank of Tyler, the Board established a doctrine barring the largest companies in the state from absorbing leading banks in secondary markets if there was any serious likelihood of the acquisition reducing *potential competition*. In this doctrine–reaffirmed in the denial of First International's application to acquire the largest bank in Waco and the denial of First City Bancorporation's application to acquire a Lufkin bank that is the largest in Angelina County–the Board expressed concern over the rise in aggregate concentration in Texas banking.

The sharp rise in concentration was viewed by the Board as a growing disparity in the size of bank holding companies in Texas. And the disparity would certainly increase further if the largest holding companies in the state were allowed to continue entering secondary markets through the acquisition of the largest banks. Some of this concern was for competition and concentration in the state as a whole. But even more concern was for the impact of such acquisitions on competition in local banking markets.

If one of the large companies entered a market by creating a new bank or acquiring a small bank, additional competition would be created. But if the company entered by acquiring one of the leading banks in the market, the acquisition would not amount to an additional competitor in the market.

Either development would remove the company from the ranks of potential competitors. But if the company entered by acquiring a market leader, there would be no increase in actual competition to offset the lessening in potential competition. Moreover, an opportunity to reduce market concentration would have been lost. And the acquisition would have solidified the bank's market position while foreclosing the possibility of its either remaining a significant independent competitor or becoming affiliated with one of the state's smaller bank holding companies.

In the order denying the Tyler application, the Board said it did not have to await the development of undue concentration among bank holding companies in Texas before it intervened to stop the trend. Incorporated in the Bank Holding Company Act is the purpose of the Clayton Act–which is to break the force of a trend toward undue concentration before it gathers momentum. In applying this interpretation of the act to the Tyler, Waco, and Lufkin cases, the Board concluded that the proposed acquisitions would have significant adverse effects on potential competition–so adverse that they were not outweighed by other considerations taken up in the act.

Future performance

There are now 12 statewide bank holding companies in Texas. And their expansion across the state should be injecting a new note of competition into markets that previously had been close-knit structures. In some cases, the mere possibility of a holding company entering a market might be enough to stimulate local banks to more aggressive competition.

Meanwhile, competition continues strong among the state's larger banking organizations. And with a more competitive banking structure statewide, rankings of the largest banking organizations have turned over. Not only has First International Bancshares replaced Republic National Bank of Dallas as the state's largest banking organization, but First City Bancorporation and Texas Commerce Bancshares have advanced to second and third places, respectively. Republic of Texas Corporation (the holding company of Republic National Bank) stands fourth, and Southwest Bancshares stands fifth.

Further down in the rankings, new names have been added and

other transpositions have taken place. Federated Capital Corporation, for example, was created through the merger of Federated Texas Bancorporation and Capital National Corporation. This brought together four $200 million banks (in Houston, Austin, Corpus Christi, and San Antonio), propelling the new organization into the top ten holding companies.

Multibank holding companies, then, can be used to make competition more vigorous in Texas banking markets–despite the rise in statewide concentration ratios. And more vigorous competition should reduce the cost and increase the availability of bank credit and services.

To help ensure that multibank holding companies make the banking industry in Texas more responsive to public needs, the Board of Governors has established policies to promote competition. To that end, the policies have been attentive to matters of fairness and financial soundness.

While final judgment must wait on clear evidence concerning the conduct and performance of these new banking organizations, preliminary data indicate some favorable trends. These data indicate that two out of three of the small sample of banks for which operating histories are available showed improvements in three important capital ratios (including adjusted capital-risk assets) after they became holding company subsidiaries. And these improvements were in the face of an apparent downtrend in capital ratios for Texas banks in general.

Much of the improvement in capital ratios stems from Federal Reserve System policies that encourage holding companies to invest capital as needed in the banks they acquire. But holding companies apparently are a source of financial strength to their banks.

A larger sampling shows that better than two out of three banks had higher loan-deposit ratios after they became subsidiaries. This finding could indicate that holding company affiliation leads to a more aggressive lending posture.

–John R. Stodden

New member bank

The Richardson National Bank, Richardson, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business November 4, 1974, as a member of the Federal Reserve System. The new member bank opened with capital of $500,000, surplus of $500,000, and undivided profits of $250,000. The officers are: C. A. Richardson, Chairman of the Board; John A. Bryant, President; Bill Prince, Executive Vice President; and Carole Jenkins, Cashier.

New par bank

The Lovelady State Bank, Lovelady, Texas, a newly organized insured nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business November 4, 1974, remitting at par. The officers are: V. B. Woods, President, and Michael R. Broxson, Vice President and Cashier.