



# *monthly review*

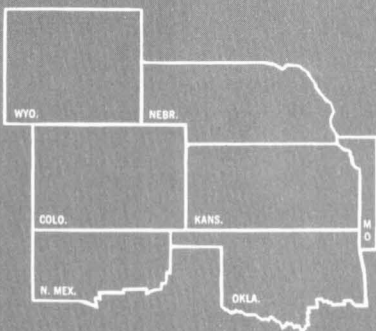
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FEDERAL RESERVE BANK OF KANSAS CITY

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# Treasures of Energy:

## Natural Resources of the Ninth and Tenth Federal Reserve Districts

*By Dean A. McGee, Chairman of the Board, Kerr-McGee Corporation, and Former Deputy Chairman, Board of Directors, Federal Reserve Bank of Kansas City.*

IT IS A PLEASURE to talk to this group about the natural resources of the area comprising the Ninth and Tenth Federal Reserve Districts, and to highlight those resources, the development of which will have a significant impact on the economy of the area.

It is especially rewarding to look critically at the natural resource base of our Districts at this time because they have the good fortune to contain an abundance of three energy fuels that are better suited to man's future wants than they have been for his past or present needs.

Throughout the history of man the availability and usability of natural resources, especially energy resources, have to a great extent determined those civilizations that developed and prospered and those that did not. The discovery, development, and use by man of a natural resource have not necessarily been a question of its abundance in nature, but frequently a material has not been used because man lacked the knowledge and, consequently, the technology necessary to convert it to his needs.

The Ninth and Tenth Districts contain very large reserves of three important energy resources that fall into this category—one in the initial stages of production and another on the threshold of large-scale development and production. These two are uranium for nuclear generated electric power and coal for synthetic hydrocarbon liquid fuels and pipeline gas. The exploitation of the third, oil shale, is probably a number of years away because its development faces unsolved political, technical, and environmental problems.

In this country important changes in energy use and fuel patterns are emerging. Uranium has become a new energy fuel and nuclear generated electric power has become competitive. Also, the rate of discovery of oil and gas in this country has not kept pace with sharply rising consumption. As a consequence, the ratio of domestic oil and gas reserves to annual production has fallen, in the last few years, below traditional and acceptable levels. The petroleum industry has begun to look at alternative domestic sources for synthetic liquid and gaseous hydrocarbons. The most im-

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This significant statement about the natural resources of a large section of the United States was presented during a joint meeting of the Boards of Directors of the Federal Reserve Banks of Kansas City and Minneapolis, October 12, 1968, in Minneapolis, Minnesota.

portant of these sources are coal and oil shale. The Ninth and Tenth Districts have over 90 per cent of the presently known U. S. uranium reserves, 52 per cent of the known United States coal reserves and 85 per cent of the potentially productive oil shale lands in this country. As these resources are mined, processed, and marketed, the economies of North Dakota, Montana, Wyoming, Colorado, and northern New Mexico will be favorably and importantly affected.

In addition to the energy fuels, our economy will continue to consume larger quantities and become more dependent on a growing variety of other minerals, many of which are now produced in the Districts and more of which will be discovered and developed as increasingly sophisticated exploration tools and techniques evolve in the decades ahead. I shall try to identify the more important of these and indicate briefly their growth potential.

However, I shall devote most of my time to a discussion of the energy resources, the fossil fuels (oil, gas, and coal), uranium, and edible or living energy sources, because in the world in which we live today, energy is the base on which our security, power, and wealth are built. Energy use and gross national product are closely related. Opportunities for rapid and vigorous growth of the economy of the two Districts rest in the exploitation of their abundant energy resources.

Total U. S. energy demand has increased sixfold since the turn of the century and is forecast to increase by another 50 per cent by 1980. This expected increase in annual demand is equal to total U. S. consumption of energy in 1950.

Before we examine what this increase in demand for energy can mean to the Ninth and Tenth Districts, it may be of interest to look at what the Districts are presently producing in the way of energy fuels.

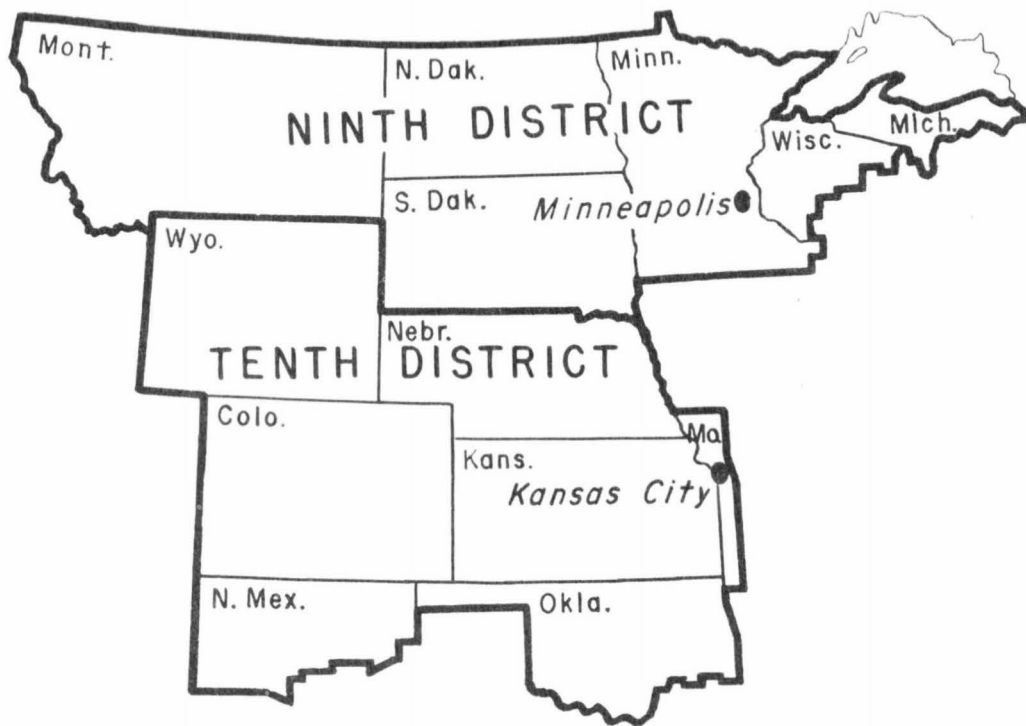
In 1967 they produced 15 per cent of this country's oil, principally from Oklahoma,

fourth largest producing state in the country; Wyoming, the fifth largest; Kansas, the seventh largest; and from northern New Mexico, Montana, Colorado, North Dakota, and Nebraska. The same states in the two Districts produced 18 per cent of the gas consumed in the country. They produced 3.5 per cent of the total coal used in the United States, principally from Colorado, North Dakota, Wyoming, northern New Mexico, Kansas, Oklahoma, and Montana. Of the 11,247 tons of uranium oxide produced in the country in 1967, 88 per cent came from the Tenth District, principally from northern New Mexico, Wyoming, and Colorado. These four energy fuels now comprise about 64 per cent of the total value of all the minerals extracted in the two Districts.

The Districts are fortunate in having sedimentary environments favorable for the occurrence of the four primary fuels. The potential for additional discovery of these fuels within the Districts is excellent. This has been borne out in the last year by the discovery of the 150-million-barrel Bell Creek oil field in southeastern Montana in the north end of the Powder River Basin and the developing Recluse oil field in the same basin across the line in Wyoming, and in the discovery of an extensive uranium mineralized area in the southern end of the same basin and other uranium discoveries in the states of Wyoming, Colorado, and northern New Mexico.

Even though the discovery of large additional reserves of oil and gas can be anticipated in the Ninth and Tenth Districts and in other known petroleum provinces as well as in such new ones as the Arctic slope of Alaska and the Continental Shelf, it is becoming evident that it will be increasingly difficult to provide, domestically, the oil and gas needed to meet the sharply rising demand in the years ahead. Oil and gas now supply 74 per cent of the total energy consumed annually in the United States. If the petroleum industry falls short of meeting

# The Ninth and Tenth Federal Reserve Districts



the demand for petroleum from domestic sources, what are the available alternatives?

We can import more crude oil or we can look to such sources of synthetic hydrocarbons as coal and oil shale. We are presently importing about 20 per cent of our domestic liquid hydrocarbon requirements. Any substantial increase above this figure will raise serious questions about national security and the balance of payments with many attendant industry and political problems.

Therefore, it appears that coal and perhaps even oil shale may be called on in the next decade or so to assume a role in supplying both synthetic liquid and gaseous hydrocarbons. The extent of the oil reserves that will be developed on the Arctic slope in the next few years, as well as now unanticipated discoveries, will have a bearing, of course, on just when this occurs.

Technology for converting coal into both liquid and gaseous fuels has been known since 1926, but the economics have not been commercially attractive. The emphasis presently is on how to add hydrogen atoms directly to the coal molecules. The oil industry has a long experience in hydrogenation technology and now is becoming interested in applying it to the problem of economically producing synthetic liquid and gaseous hydrocarbons from coal. It is reasonable to assume that the technology will advance rapidly and coal will become a long-range, competitive supply source. Furthermore, there is already an existing, well capitalized, experienced, and knowledgeable coal mining industry.

Of the estimated 830 billion tons of coal reserves in the United States recoverable under present economic conditions, 430 billion tons lie within the Ninth and Tenth Districts. Although 52 per cent of U. S. coal reserves fall within these two Districts, they currently supply only about 3.5 per cent of U. S. coal production. Though the western coals are not particularly favorably located—even with the

new extra high voltage, low cost power transmission techniques—to meet a substantial portion of current power generation demand for coal, they are well adapted to feed giant coal liquefaction and gasification plants that will someday be the heart of a new synthetic fuels industry in the two Districts. When this comes, the economic benefits to the Ninth and Tenth Districts will be very large. The cost of mining and preparing the coal feed for a conversion plant will be critical in determining its economic viability. Thick coal seams, covering large areas, with thin overburden to permit strip mining, will be the preferred deposits. Much of the coal in the two Districts meets these requirements, especially in North Dakota, Montana, Wyoming, and northern New Mexico. Current thinking is that coal hydrogenation plants will have a minimum economic size of perhaps 100,000 barrels of liquid hydrocarbons per day. It is estimated that such a plant will require 25,000 to 35,000 tons of coal per day. The investment in mines and such a processing plant could be from \$400 to \$500 million.

If as much as 10 per cent of the 18 million barrels per day domestic oil requirements estimated for 1980 should come from coal liquefaction, eighteen 100,000-barrel plants would be needed.

The important oil shale deposits in the United States are in the Green River formation in Colorado, Utah, and Wyoming. About 85 per cent of the potentially productive areas are in the two Tenth District states of Wyoming and Colorado.

There have been numerous public estimates of the quantity of in-place oil in these shale oil deposits. The recoverable reserves of economic interest under prevailing technology have been estimated at 80 billion barrels of shale oil.

But the development and production of this 80 billion barrel reserve faces many obstacles. The ones that loom the largest are the

cost of operating in remote areas and in rugged terrain, mining and handling the extremely large tonnages of shale, waste disposal, and land restoration. Eventually this potential source of liquid petroleum will be developed to supplement other sources. This development could be accelerated greatly and the economics changed dramatically if a technological breakthrough such as the proposed underground nuclear explosion to fracture the oil shale formation, followed by in situ retorting, should prove feasible.

Let us turn now to the new energy fuel, uranium. Until the first self-sustaining nuclear reaction was achieved in 1942, and a whole new source of energy became available, the sun, a vast powerhouse, was the source of most of man's usable energy.

The splitting of the atom provided a second important basic energy source. It has now been amply demonstrated that the fission reaction of the atom can be safely controlled. Its development is just beginning and its potential is almost unlimited.

The rapid growth in the rate of orders by the electric utility industry for nuclear power plants has resulted in a sharply growing commercial market for uranium. Approximately 50 per cent of all new power generation capacity plants ordered or announced in the United States in the past few years has been nuclear.

There presently is projected a cumulative U. S. uranium requirement for civilian power through 1980 of approximately 250,000 tons. At \$8 per pound, this tonnage has a value of \$4 billion. The Tenth District should reap the benefit of most of this production because over 90 per cent of the 148,000 tons of proven uranium reserves as of January 1, 1968, that can be produced at a price of \$8 or less per pound, is located in the District. The Ambrosia Lake area of New Mexico has the greatest proven reserves and should ultimately produce about \$2 billion worth of uranium. Wyoming is the second largest pro-

ducing state with Gas Hills and Shirley Basin presently being the principal producing areas.

It is estimated that to meet the requirement through 1980 and have an eight-year forward reserve, 500,000 tons of uranium must be found and developed. The size and future growth of the market has prompted the industry to step up sharply its exploration and development effort and also has attracted many large mining and oil companies to the industry. The footage of exploratory holes drilled in 1967, one measure of the size of the effort, was about two and one-half times that of 1966. The uranium industry plans nearly 100 million feet of drilling in calendar years 1968 through 1971. It has been estimated that the industry will need to invest up to \$1 billion by 1980 in exploration, mine, and mill facilities to meet uranium requirements. Again, the Tenth District should benefit most from this investment.

Agriculture, which contributes \$7 to \$8 billion annually to the economy of the Ninth and Tenth Districts, must also be considered an energy industry. It deals with live or edible, rather than fossil, energy and is simply a business of trapping the energy of sunlight and harvesting and storing it for future use.

The quantities of solar energy that reach the earth's surface are enormous. Growing crops capture only a very small fraction of this, however. For example it has been calculated that the energy contained in a bushel of corn is equivalent to only about 0.4 per cent of the solar energy which fell on the corn plants during growth. The poor efficiency of the photosynthesis process in capturing and storing energy offers great opportunity for technological improvement. As the technology is advanced and more efficient use is made of the large areas of fine farm lands with which the Districts are blessed, economic benefits will follow.

The use of agriculture to exploit the sun as a primary energy source is of long-term



interest for a very basic reason. The extent of the energy fuels — oil, gas, coal, and uranium — is finite and they are irreplaceable. Agriculture, on the other hand, is as durable as the sun and has the advantage of being virtually untapped.

At the present time, efforts to improve the efficiency of converting solar energy through plants into more useful forms of energy has, for the most part, been through the use of fertilizers and by the genetic improvement of plants.

We normally think of agriculture as an industry that supplies our food needs. However, this is a very limited view for its ultimate potential is still virtually untapped and we can look forward to the day when agriculture will be supplying an increasingly larger variety of our human wants, possibly such things as our motor fuels.

Let us consider now the nonenergy resources of the Ninth and Tenth Districts. Even though the Districts have substantial income from sand and gravel, stone, cement, clay and salt, these resources are not sufficiently unique to the Districts to warrant special discussion. The dollar value of these nonmetal, nonenergy minerals produced in the two Districts is substantial and totals about \$350 million annually. However, this figure is only about seven per cent of the value of total U. S. production of these minerals because their occurrence is so widespread.

Of greater significance are the resources that occur predominantly in the two Districts for these are important, not only to the Districts, but also to the country as a whole. In order of importance on a dollar basis these are iron, copper, molybdenum, helium, trona (soda ash), zinc, gold, vanadium, lead, and silver.

The Districts account for almost 80 per cent of total United States production of iron ore, 74 per cent of vanadium, 65 per cent of helium, 62 per cent of molybdenum, 37 per

cent of gold, 26 per cent of trona and from 15 to 20 per cent of U. S. production of copper, silver, tungsten, and zinc.

From 1946 through 1957 Minnesota produced about 64 million tons of iron ore per year. In 1958, as a result of declining grade and competition from new overseas operations, production dropped to 40 million tons for the first time since the 1930's. Since then natural ore production has continued to decline, but there has been a corresponding increase in pellet production and in 1967, production was at the 50 million ton level, over 20 million tons being pellets. A continued decline in natural ore production is predicted, but pellet production is expected to increase to the 60 million ton level in several years. A possible future production of 90-100 million tons per year is envisioned. At this rate of production, there appears to be over a 100-year supply.

The history of the Lake Superior iron ore district is an excellent example of how advancing technology can turn a vast low grade non-commercial resource into a valuable asset.

It is of interest to note that pelletizing of iron ore requires about 500,000 tons per year of bentonite clay as an agglomerating agent. Most of this comes from Wyoming and accounts for about one third of the production of Wyoming bentonite, a \$16 million-a-year industry for that state.

Turning now to vanadium, the Tenth Federal Reserve District has been supplying about three fourths of U. S. vanadium production. However, it is rapidly losing its position as the principal U. S. supplier of this strategic material, as production of uranium ore, from which it is obtained in the Uravan Mineral Belt of Colorado, declines.

As for molybdenum, the Climax Molybdenum Mine in Colorado is considered the largest underground mining operation in the world. This mine accounted for more than half of the world output of molybdenum between 1925 and 1963. Even today it still accounts



for 45 per cent of free world production and about 62 per cent of U. S. production.

Known U. S. reserves of molybdenum ores, a large percentage of which are located in Colorado, are in excess of five billion pounds of molybdenum. Molybdenum has provided Colorado with a \$100 million-a-year industry which should grow even larger in the future.

In terms of dollar value of production, copper follows iron ore in order of importance to the Ninth and Tenth Districts. However, these two Districts account for only about 14 per cent of U. S. copper production, with Montana and Michigan the only important copper producing states in the Districts. Even so, the value of copper produced in Montana is just under \$100 million per year, and that of Michigan about \$55 million per year. Copper resources in Montana are sufficient to support its \$100 million-a-year copper industry far into the future.

The remaining metal minerals of current importance to the two Districts are gold, silver, lead, and zinc. The dollar value of combined production of these four minerals from the Districts totals about \$73 million annually.

About 35 per cent of the United States total gold output comes from the world-famous Homestake Mine in South Dakota. Six of the 25 leading gold producing mines in the United States are in the Ninth and Tenth Districts and they produce 40 per cent of the total.

Silver, lead, and zinc production from the two Districts comes mostly from reserves in Colorado and Montana. The Districts are fortunate in having igneous rock environments in the mountainous areas where new deposits of the metal minerals will be found as well as such areas as the copper-nickel mineralized region of northeastern Minnesota.

The largest known deposit of relatively pure sodium carbonate mineral in the United States was discovered in Wyoming in 1938.

Today about one third of total U. S. production capacity for soda ash is located in

Wyoming, and this percentage is destined to grow. Wyoming already has existing or planned capacity to support a \$50 million a year soda ash industry. Reserves are sufficient to supply U. S. demand for more than 100 years at the present consumption rate.

A discussion of the resources of the Districts would not be complete without mentioning helium, one of the noble gases. Helium is the second lightest element—only hydrogen is lighter—and helium has the lowest boiling point of any material. It is these two properties, light weight and low boiling point, that have made helium an important strategic material.

With the possible exception of the Soviet Union, no country has helium reserves comparable to those in the United States. U. S. helium reserves occur in helium-bearing natural gas and are estimated to be equivalent to about 100-125 billion cubic feet of recoverable helium. Last year production of refined helium for use totaled about 900 million cubic feet of which over 500 million cubic feet were produced in the Tenth District. The total dollar value of crude and refined helium produced annually in states in the Tenth Federal Reserve District amounts to about \$50 million.

The Districts are blessed by having a mantle of sediments covering most of their area. Much of the mineral exploration of the future will be done in sedimentary environments where methods similar to those used in petroleum exploration can be applied to the search for other minerals. Few areas will be more attractive than the Ninth and Tenth Districts for this type of exploration and many new discoveries will undoubtedly be made.

With the growing demand for energy fuels and mineral products, the future for these natural resources is bright. The Ninth and Tenth Districts have been particularly touched by good fortune by being endowed with many resources for which mushrooming demands are predicted.

# Bank Holding Companies

## —Tenth District States

*By John F. Zoellner*

**B**ANK HOLDING companies, corporations that own or control two or more banks, have been a part of the banking structure of the United States since around 1900. They became significant in the latter half of the 1920's, when many of the leading bank holding companies were formed. Marine Midland Banks, Northwest Bancorporation, First Bank Systems, First Security Corporation, First Wisconsin Bankshares Corporation, and a predecessor of Western Bancorporation all were incorporated during the late 1920's. In addition, bank holding companies acquired numerous banks, particularly banks in rural areas which were experiencing hard times.

Holding companies were first brought under Federal regulation and supervision by the Banking Act of 1933. However, the coverage of the Act was limited and it did not regulate the expansion of bank holding companies. In 1956, Congress passed the Bank Holding Company Act "to define bank holding companies, control their future expansion, and require divestment of their nonbanking interests." This law explicitly recognized bank holding companies as an integral part of American banking and subjected the expansion of holding

company banking to control by the Board of Governors of the Federal Reserve System.

Following passage of the Bank Holding Company Act, the growth of holding company banking came to a halt and actually declined slightly. The number of bank holding companies declined from 49 at the end of 1956 to 41 in 1961,<sup>1</sup> as several small holding companies covered by the Act dropped out because they did not wish to comply with its provisions. The number of banks in holding companies fell from 433 in 1956 to 413 in 1959 and then rose to 427 at the end of 1961. As it became evident that the policies of the Board of Governors under the Act would not be especially restrictive, prospective bank holding companies proceeded to organize and existing holding companies carried out planned

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<sup>1</sup>The numbers are for separate bank holding companies or groups. For example, on December 31, 1956, there were 55 bank holding companies, but in 6 instances one bank holding company was controlled by another bank holding company. The data for 1956 include Amalgamated Clothing Workers of America and the First National Bank of St. Joseph (Mo.) which were holding companies at the time but did not register with the Board of Governors until 1959.

## LAWS REGULATING BANK HOLDING COMPANIES

acquisitions. By the end of 1965 there were 48 bank holding companies with 468 banks. In the past two or three years the pace of holding company expansion has accelerated, so that at the end of 1967 there were 65 bank holding companies with 603 banks.<sup>2</sup> These holding company groups had total deposits of almost \$50 billion, or 12.6 per cent of the total deposits at all commercial banks in the United States.

Holding company banking in Tenth Federal Reserve District states has followed a similar course of growth over the years.<sup>3</sup> Bank holding companies first began operating in District states in the late 1920's. Growth was slow until just prior to passage of the Bank Holding Company Act, when Western Bancorporation acquired a number of banks in Colorado, New Mexico, and Wyoming. Following passage of the 1956 Act, holding company banking declined somewhat. Growth resumed with the approval of the formation of First Colorado Bankshares in late 1961, and recently the expansion of holding company banking has been gaining momentum.

This article briefly reviews the growth of holding company banking in Tenth District states since 1956 and surveys the relative position of bank holding companies in the structure of District banking. Because the growth of holding company banking has been shaped by Federal and state laws expressly regulating bank holding companies, these laws are summarized first.

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<sup>2</sup>Certain exemptions from the coverage of the Bank Holding Company Act were eliminated when it was amended in July 1966. The data for 1967 is based on the amended definition of a bank holding company, while the data for 1965 and earlier is based on the definition in the original 1956 Act.

<sup>3</sup>The Tenth Federal Reserve District encompasses all of the states of Kansas, Nebraska, Colorado, Wyoming, and most of Oklahoma, the northern half of New Mexico, and the western tier of counties in Missouri. Because of the statewide nature of many holding companies, this article considers developments for entire states.

The Bank Holding Company Act of 1956, amended in 1966, is the sole Federal law directly regulating bank holding companies. The amended Act defines a bank holding company as “. . . any company (1) that directly or indirectly owns, controls, or holds with power to vote 25 per centum or more of the voting shares of each of two or more banks . . . or (2) that controls in any manner the election of a majority of the directors of each of two or more banks . . . .” A bank holding company so defined is frequently referred to as a registered bank holding company since it must register with the Board of Governors. This definition does not encompass a company that owns or controls only one bank—the one-bank holding company. Hence, the one-bank holding companies which have been multiplying recently are not covered by the restrictions of the Act.<sup>4</sup>

The Act goes on to define a company as “. . . any corporation, business trust, association, or similar organization, or any other [long-term] trust . . . .” Explicitly excluded from the definition is any partnership. Also excluded, of course, is any individual or group of individuals. Thus, any individual or partnership that owns or controls two or more banks, the so-called banking chain, is not a bank holding company and is not covered by the Act. A bank is defined as “. . . any institution that accepts deposits that the depositor has a legal right to withdraw on demand . . . .”

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<sup>4</sup>The bank holding company group differs from a branch banking organization in that the subsidiary banks of a holding company are independently incorporated with separate bank charters. The branch bank with its multiple offices is a single corporate entity operating under one bank charter.

<sup>5</sup>A bank is a company and therefore can be a bank holding company if it directly or indirectly controls two or more other banks. First National Bank of St. Joseph is an example.

Under the Act, the prior approval of the Board of Governors is required for any company to become a bank holding company and for any bank holding company to acquire more than 5 per cent of the voting shares of a bank. In considering applications, the Board is to apply a set of antitrust standards. As stated in the amended Act: "The Board shall not approve —

"(1) any acquisition or merger or consolidation . . . which would result in a monopoly, or which would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States, or

"(2) any other proposed acquisition or merger or consolidation . . . whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless it finds the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

"In every case, the Board shall take into consideration the financial and managerial resources and future prospects of the company or companies and the banks concerned, and the convenience and needs of the community to be served."

The Act also provides that no bank holding company shall directly or indirectly ". . . engage in any business other than that of banking or of managing or controlling banks or of furnishing services to or performing services for any [subsidiary] bank . . ." The one-bank holding company, though, is free to engage in almost any kind of business.

Two provisions of the Bank Holding Company Act reserve rights to states. Section 3 (d) of the Act provides that no bank holding company shall acquire any additional bank located outside the state in which the operations of

its banking subsidiaries were principally conducted on the date of the amended Act or the date of the holding company formation, whichever is later, unless the acquisition of a bank by an out-of-state holding company is specifically authorized by the laws of the state in which the bank is located. Since no state has enacted such a law, bank holding companies have not been able to expand across state lines. Out-of-state holding companies, however, can continue to own or control banks acquired prior to passage of the Act. For example, Western Bancorporation, whose principal banking operations are in California, can continue to own its three subsidiary banks in Colorado, but cannot acquire any additional banks.

Second, Section 7 of the Act explicitly states that the Act does not prevent ". . . any State from exercising such powers and jurisdiction which it now has or may hereafter have with respect to banks, bank holding companies, and subsidiaries thereof."

Three District states—Kansas, Nebraska, and Oklahoma—have exercised their states' rights and passed laws prohibiting the expansion of holding company banking. Kansas passed a law patterned after the original Bank Holding Company Act which makes it unlawful for any company to become a bank holding company and for any bank holding company to acquire more than 25 per cent of the voting shares of a bank. A bank holding company is defined as in the original Act. Nebraska passed a similar law in 1963.

Oklahoma enacted a somewhat different law. A bank holding company is defined as ". . . any company (A) which directly or indirectly owns, controls, or holds with power to vote fifteen per cent (15%) or more of the voting shares of each of two or more banks . . ." A company is defined to include partnerships and joint ventures. The statute then prohibits the formation of a bank holding company so defined and the acquisition by a holding company of more than 5 per cent of the voting shares of a bank.

The other District states—Colorado, Missouri, New Mexico, and Wyoming—have no statutes specifically regulating bank holding companies.

#### GROWTH OF BANK HOLDING COMPANIES IN DISTRICT STATES

At the end of 1956 there were eight bank holding companies operating in Tenth District states, with 36 subsidiary banks located in every District state. Four of the holding companies had their principal banking operations in states outside the District. Western Bancorporation, with headquarters in Los Angeles and principal operations in California, had three subsidiary banks in Colorado, five in New Mexico, and three in Wyoming.<sup>6</sup> It had acquired its subsidiary banks in the 1950's prior to passage of the Bank Holding Company Act. First Security Corporation of Salt Lake City, with principal operations in Utah, had a subsidiary bank in Wyoming. Northwestern Bancorporation, Minneapolis, with principal operations in Minnesota, owned five banks in Nebraska. Both First Security Corporation and Northwest Bancorporation had acquired their banks in the late 1920's or early 1930's. Farmers and Mechanics Trust Company, Childress, Tex., owned one bank in Oklahoma. These out-of-state holding companies were legally barred from expanding their operations in District states.

The other four bank holding companies had their major banking operations in Missouri. General Bancshares Corporation, St. Louis, had four subsidiary banks in the St. Louis area.<sup>7</sup> It also owned three banks in Illinois and one in Tennessee. The Kemper Investment Company, Kansas City, held interests in five

banks in Missouri and two banks in Kansas; while Keystone Corporation, Kansas City, held interests in four banks in Missouri and one in Kansas. First National Bank of St. Joseph had two subsidiary banks in St. Joseph. These Missouri holding companies could expand their operations only in Missouri.

In 1959, The Kemper Investment Company and Keystone Corporation reduced their ownership of the voting shares of banks and ceased to be bank holding companies. Then, in 1960, Farmers and Mechanics Trust Company of Childress, Tex., dropped out, leaving only five bank holding companies with 23 subsidiary banks. Bank holding companies no longer operated in Kansas and Oklahoma.

Holding company banking began to grow in 1961 and has been growing ever since, so that there are now 13 bank holding companies with 53 subsidiary banks in Tenth District states. Most of the growth occurred in only two of the District states—Colorado and Missouri.

The current expansion of bank holding companies started with the formation of First Colorado Bankshares, Englewood, Colo. Its application to become a bank holding company through the acquisition of three banks in the Denver area was approved by the Board of Governors in October 1961.<sup>8</sup> In November 1963, it received approval to acquire a newly organized bank in downtown Denver.

Another Colorado holding company, Denver U. S. Bancorporation, Denver, also was approved in November 1963. It was formed with the acquisition of Denver United States National Bank, the second largest bank in Denver and Colorado, and two small banks in the Denver area. Since its formation, Denver

<sup>6</sup>In 1956, Western Bancorporation was Transamerica Corporation. It was Firstamerica Corporation in 1958 and 1959.

<sup>7</sup>General Bancshares was General Contract Corporation until 1958.

<sup>8</sup>There is some ambiguity in dating the formation of a bank holding company. There are three alternative dates to choose from: (1) when the application is approved, (2) when the transaction takes place, and (3) when the holding company registers. The date of approval is used in this article.

U. S. Bancorporation has expanded rapidly. It acquired the third largest bank in Greeley in 1965 and the third largest bank in Boulder in 1966. In 1967, its subsidiary bank in Littleton merged with another bank.

A proposed bank holding company, Mid-Continent Bancorporation, Leadville, was denied by the Board of Governors in early 1966. In late 1967, though, the Board approved Colorado CNB Bankshares, Denver, as a bank holding company. It was formed with Colorado National Bank, the third largest bank in Denver and Colorado, and two small, affiliated banks in Denver. The formation of First National Bancorporation, Denver, involving the largest bank in Denver and the state—First National Bank of Denver—and three small, affiliated banks in the Denver area, was approved in May 1968.

Missouri follows Colorado in the amount of bank holding company activity. General Bancshares Corporation started the action by acquiring two small banks in the St. Louis area in 1962. It proposed to acquire First National Bank of St. Louis, the second largest bank in St. Louis and Missouri, but its application was denied by the Board of Governors in December 1966.

Another proposed bank holding company involving three banks in the St. Louis area, Clayton Bancshares Corporation, Clayton, was denied in October 1964. With the amendment of the Bank Holding Company Act in 1966, the Joe W. Ingram Trust B, a long-term charitable trust, became the third bank holding company in Missouri. It owns two small banks in Bynumville and Salisbury. Commerce Bancshares, Kansas City, was approved as the fourth bank holding company in July 1968. It was formed with Commerce Trust Company, the largest bank in Kansas City and the third largest in the state, and banks in Springfield, Joplin, and Brunswick. Northland Bancshares, Bridgeton, with three subsidiary banks in the St. Louis area, was approved as the fifth

Missouri holding company in January 1969.<sup>9</sup>

There has been comparatively little holding company activity in the other District states. The formation of First Oklahoma Bancorporation, Oklahoma City, with First National Bank and Trust Company, Oklahoma City, and Idabel National Bank, Idabel, as subsidiaries, was approved in November 1962. Subsequently, the Oklahoma legislature passed a law prohibiting further expansion of holding company banking. In October 1968, First Oklahoma Bancorporation sold its interest in Idabel National Bank and became a one-bank holding company. A proposed holding company in Nebraska, Trans-Nebraska Co., Lincoln, was denied by the Board of Governors in May 1963. The Board in January 1969 approved Bank Securities, Alamogordo, as the second bank holding company in New Mexico. It was formed with banks in Alamogordo, Cuba, and Vaughn.

#### POSITION OF BANK HOLDING COMPANIES

At present 13 bank holding companies operate in Tenth District states, with 53 subsidiary banks located in every District state except Kansas and Oklahoma. Three of the holding companies—Western Bancorporation, Northwest Bancorporation, and First Security Corporation—have their principal banking operations in states outside the District. Western Bancorporation has subsidiary banks in three District states, while the other two holding companies have banks in one state each. Ten bank holding companies have their major banking operations in District states—four in Colorado, five in Missouri, and one in New Mexico. Only one of these, General Bancshares Corporation, has out-of-state subsidiary banks.

Holding company banking is most prevalent in Colorado. As shown in Table 1, five bank holding companies operate in Colorado, one of which is Western Bancorporation. They own 19 banks, 8.7 per cent of the 218 insured

<sup>9</sup>Northland Bancshares plans to change its name to Mark Twain Bancshares.



**Table 1**  
**BANK HOLDING COMPANIES IN TENTH DISTRICT**  
**STATES**  
**June 30, 1968**

	Percentage of All Insured Banks				Percentage of All Insured Banks				
	Banks	Total Deposits (In millions of dollars)	Banks (In per cent)	Total Deposits (In per cent)	Banks	Total Deposits (In millions of dollars)	Banks (In per cent)	Total Deposits (In per cent)	
<b>COLORADO</b>				<b>MISSOURI (Cont.)</b>					
All Insured Banks	218	3,384	—	—	Northland Bancshares, Bridgeton	3	84	0.5	0.9
Bank Holding Companies (Including proposed acquisitions)	19	1,504	8.7	44.4	First National Charter Corporation, Kansas City (proposed)	(2)	(331)	(0.3)	(3.4)
Colorado CNB Bankshares, Denver	3	263	1.4	7.8	Midwest Bancorporation, Kansas City (proposed)	(2)	(14)	(0.3)	(0.2)
Denver U. S. Bancorporation, Denver (Including proposed acquisitions)	5	470	2.3	13.9					
	(7)	(511)	(3.2)	(15.1)	<b>NEBRASKA</b>				
First Colorado Bankshares, Englewood	4	112	1.8	3.3	All Insured Banks	434	2,724	—	—
First National Bancorporation, Denver	4	486	1.8	14.4	Bank Holding Companies	5	271	1.2	10.0
Western Bancorporation, Los Angeles	3	173	1.4	5.1	Northwest Bancorporation, Minneapolis	5	271	1.2	10.0
					<b>NEW MEXICO</b>				
<b>MISSOURI</b>				<b>NEW MEXICO</b>					
All Insured Banks	657	9,610	—	—	All Insured Banks	51	1,103	—	—
Bank Holding Companies (Including proposed holding companies and acquisitions)	18*	1,038	2.7	10.8	Bank Holding Companies	8	188	15.7	17.0
	(27)	(1,488)	(4.1)	(15.5)	Western Bancorporation, Los Angeles	5	162	9.8	14.7
Commerce Bancshares, Kansas City (Including proposed acquisitions)	4	561	0.6	5.8	Bank Securities, Alamogordo	3	26	5.9	2.3
	(9)	(666)	(1.4)	(6.9)	<b>WYOMING</b>				
First National Bank of St. Joseph, St. Joseph	3*	69	0.5	0.7	All Insured Banks	69	612	—	—
General Bancshares Corporation, St. Louis	6	315	0.9	3.3	Bank Holding Companies (Including proposed holding company)	4	102	5.8	16.6
Joe W. Ingram Trust B, Kansas City	2	9	0.3	0.1		(8)	(128)	(11.6)	(20.9)
					First Security Corporation, Salt Lake City	1	9	1.4	1.4
					Western Bancorporation, Los Angeles	3	93	4.3	15.2
					Wyoming Bancorporation, Cheyenne (proposed)	(4)	(27)	(5.8)	(4.4)

\*First National Bank of St. Joseph is included.

Note: The bank holding companies and subsidiary banks are those approved to date.

banks in the state as of June 30, 1968. As four of the five largest banks in Colorado are owned by bank holding companies, they control 44.4 per cent of the total deposits in the state. The importance of bank holding companies is likely to grow. Denver U. S. Bancorporation currently

has applications pending to acquire banks in Fort Collins and Pueblo which, if approved, would increase holding company control to 9.6 per cent of the banks and 45.7 per cent of the total deposits in Colorado. Additional applications to form bank holding companies and for



holding companies to acquire banks are probable. At least three planned holding companies have been announced in recent weeks.

Missouri has the same number of bank holding companies—five—all of which operate principally in Missouri. Eighteen Missouri banks are in holding companies, which represents 2.7 per cent of the 657 insured banks in the state. Bank holding companies control 10.8 per cent of the total deposits.

Two applications have been filed to form bank holding companies in Missouri. First National Charter Corporation, Kansas City, has filed to acquire First National Bank of Kansas City, the second largest bank in Kansas City and fourth largest in Missouri, and an affiliated bank in Kansas City. Midwest Bancorporation, Kansas City, also has filed to acquire two small banks in the Kansas City area. In addition, Commerce Bancshares has applications pending to acquire three banks in the St. Louis area and banks in Kirksville and St. Joseph. If all of these applications are approved, bank holding companies would be much more significant in Missouri banking. They would control 4.1 per cent of the banks and 15.5 per cent of the total deposits.

First Security Corporation and Western Ban-

corporation have four subsidiary banks in Wyoming with total deposits of \$102 million. This represents 5.8 per cent of the 69 banks and 16.6 per cent of the total deposits in Wyoming. Wyoming Bancorporation, Cheyenne, has applied to become the first in-state holding company with three subsidiary banks in Cheyenne and one in Wheatland. If approved, bank holding companies would control 11.6 per cent of the banks and 20.9 per cent of the deposits in Wyoming.

Two bank holding companies own eight subsidiary banks in New Mexico, which represents 15.7 per cent of the banks. They control 17.0 per cent of the total deposits in New Mexico banks. Northwest Bancorporation operates in Nebraska, where it has five banks with \$271 million in deposits—1.2 per cent of the banks and 10.0 per cent of the deposits in Nebraska.

Holding company banking has been expanding rapidly in Colorado and Missouri, and indications are that it may continue to increase in importance. Perhaps it is starting to expand in New Mexico and Wyoming. Holding company expansion currently is prohibited in Kansas, Nebraska, and Oklahoma, and any development of bank holding companies in these states would require a change in state laws.