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Plan One-Bank Holding Company Changes

"The principal defect of the House Banking and Currency Committee's one-bank holding company bill, reported out on July 23, is in its grandfather clause, which validates all one-bank holding companies in existence on February 17, 1969. Total at this date was 715."

This was the comment made by Rep. Henry S. Reuss of Wisconsin, who is a member of the Committee. Rep. Reuss, speaking before the Conference of University Professors in Milwaukee last week, had this to say about one-bank holding company legislation:

The entire House Banking and Currency Committee agrees that something has to be done to stop the scrambling of financial and industrial-commercial power. After much travail, the House Banking and Currency Committee reported out a one-bank holding company bill on July 23, 1969. The bill as reported represented a victory for the Republican and Southern Democratic members of the Committee, who together constitute a majority. The bill should go forward to the floor of the House for action this fall, where a sharp fight can be expected. It will then go to the Senate, which is withholding consideration of the one-bank holding company problem pending House action. I hope that an improved

bill can be enacted early next year. It will be high time.

The bill requires the Fed to act on an application within 90 days after the record is submitted to it, or forever hold its peace. The bill also gets rid of the mandatory hearing requirement of the 1956 Act and requires a hearing only when interested parties request it. These two provisions should go far to remove unnecessary delays from the administrative procedure.

A second important provision of the committee bill is the test for determining what are permissible non-bank activities of bank holding systems.

I agree that the definition in the 1956 Bank Holding Company Act—that the holding company subsidiary must be conducting something so "closely related to banking" as to be a necessary incident thereto—is too restrictive. Banks need to diversify, and they should not have their activities frozen in concrete.

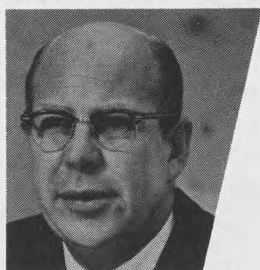
But having said that, I cannot generate any enthusiasm for the Treasury's original proposal that holding company subsidiaries be entitled to do almost anything in the financial, fiduciary, or insurance field as long as it is in the "public interest," as determined by the three regulatory agencies.

The "public interest" criterion would have been so vague that Congress would in effect have dumped the whole problem of what bank holding company systems should be allowed to do in the lap of the courts.

The language of the committee bill uses the phrase "functionally related to banking" as the test. By requiring a banking relationship, this is a far superior form to the Treasury's proposed "public interest" test. While "functionally related to banking" does not differ linguistically from "closely related to banking," it does give the Fed an opportunity to take a new look at proposed activities, without being bound by every decision under the 1956 Act. The committee language "functionally related to banking," would be improved by language requiring the Fed to consider the competitive effects of a proposed non-bank activity.

The February 17, 1969, grandfather clause date happens to be the date on which Congressman Patman introduced his one-bank holding company bill, but to grandfather in all one-bank holding companies in existence on that date would be to lock the stable after the horse has been stolen. It would give an unfair advantage to the eager beavers who have been forming very large one-bank

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NATIONAL NEWS

NEW YORK: Colonel Frank Borman, one of the first men to orbit the moon, will speak at the second general session of the 95th annual convention of the American Bankers Association to be held in Honolulu, Hawaii. Colonel Borman, along with K. A. Randall, chairman of the Federal Deposit Insurance Corporation, will address the assembly on Wednesday, October 1.

Speakers for the first general session on September 30 will include George A. Spater, president and chairman, American Airlines, Inc.; Charles E. Walker, under secretary of the U. S. Treasury, and ABA President Willis W. Alexander.

IOWA NEWS

CEDAR RAPIDS: The FDIC has approved the application of the Guaranty Bank and Trust Company to establish a parking lot office at 169 Jacolyn Drive, N. W., here.

DAVENPORT: Application of the

Davenport Bank and Trust Company to establish a facility at the intersection of Kimberly Road and East 38th Street here has been approved by the Federal Reserve.

DES MOINES: The East Des Moines National Bank has filed an application with John R. Burt, regional administrator of national banks, 10th national bank region, to change the location of a facility from 2100 Hubbell Avenue to 2540 Hubbell Avenue within Des Moines.

NEBRASKA NEWS

EUSTIS: Don Brockmeier has been promoted from cashier to vice president and cashier at the Farmers State Bank. David McClatchey, formerly of Ainsworth, has been elected assistant vice president, and Ruth Sturgeon has been named assistant cashier.

OMAHA: Application for a charter for the proposed Omaha State Bank, Building 600, Bel Air Plaza, 12100

West Center Road, has been denied by the State Department of Banking.

MINNESOTA NEWS

EDINA: Ben Bauer has been elected assistant vice president of the First Edina National Bank. For the past 10 years, he has been an examination officer at First System Services, servicing affiliate of First Bank System.

MINNEAPOLIS: Donald M. Anderson has resigned as vice president in the correspondent bank division of the Northwestern National Bank of Minneapolis to move to Santa Barbara, Calif., where he will assume new duties as vice president of the Santa Barbara National Bank on October 1.

MINNEAPOLIS: Northwestern National Bank and the Eberhardt Company, Minneapolis real estate firm, have called off merger negotiations.

ST. PAUL: Leland A. Vallarino, formerly executive vice president, has been promoted to president of the West St. Paul State Bank, succeeding Edwin Ehlers, who will continue as chairman of the board. John R. Branch has been promoted from vice president to executive vice president.

NORTH DAKOTA NEWS

VALLEY CITY: Harry T. Lundholm, president, the First National Bank of Valley City, died suddenly last week. Mr. Lundholm was elected president of the bank in 1955, following an extensive banking career which began in Minneapolis in 1930. He came to Valley City in 1943.

ILLINOIS NEWS

CHICAGO: The FDIC has approved the application of the All American Bank of Chicago for federal deposit insurance. Thomas R. Beverlin is bank president.

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BLOOMINGDALE: An application for a permit to organize the proposed Bloomingdale State Bank has been filed with the Illinois Commissioner of Banks and Trust Companies, Roland W. Blaha. Organizers of the proposed bank are: Leo D. LaFleur of Bloomingdale; J. Browark of Arlington Heights; Edward S. Mraz and Eugene C. Ernsting, both of Roselle; James M. Reed of Palatine, and Glenn E. Mensching of Itasca. Total proposed capitalization is \$750,000. The bank is to be located at 114-118 East Lake Street here.

MT. VERNON: The FDIC has approved the application to change the main office location of the Security Bank and Trust Company here from 119 North 9th Street to Main and 9th Streets.

URBANA: The 23rd annual Illinois Bankers Agricultural Credit Conference will be held at the University of Illinois here on September 17-18.

WOODRIDGE: An application for a permit to organize the Main Street Bank has been approved by Illinois Commissioner of Banks and Trust Companies, Roland W. Blaha. The bank, with total capitalization of \$625,000, will be located at 1900 75th Street. Organizers are: Anthony De Santis of Oak Lawn; Theodore J. Siorek of Evergreen Park; Burton S. Rose of Chicago; Robert E. Gallagher of Palos Heights, and John B. Wheeler, Jr., of Hinsdale.

SOUTH DAKOTA NEWS

MITCHELL: The South Dakota Bank-

ers Association will hold its first Public Relations and Marketing Conference at the Holiday Inn here on September 18. The conference will run from 9 a.m. to 4 p.m., with registration beginning at 8 a.m.

COLORADO NEWS

AURORA: Aurora National Bank has completed expansion of its installment loan department by the addition of 1,100 square feet of office space. John F. Cupparo has been appointed loan officer.

DENVER: Ronald B. Robinson, formerly a loan officer with the Denver U. S. National Bank, has joined the Villa National Bank as vice president and cashier.

DENVER: The FDIC has approved application of the Columbine State Bank for federal deposit insurance. Bank president is Sidney C. King.

MONTANA NEWS

GREAT FALLS: E. Dean Retz has joined the Great Falls National Bank. He was formerly cashier and operations officer with the Missoula Bank of Montana.

HELENA: Walter P. Nachtsheim, supervisor of accounting activities at the Helena branch of the Federal Reserve Bank of Minneapolis, has retired after more than 48 years of service. He came to the Helena Branch in 1938, after working in various departments of the Minneapolis Reserve Bank since 1920.

LAUREL: The Yellowstone Bank here

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has begun an expansion program to double the size of its present facility. The bank purchased an adjoining structure, which has been connected to the old bank building. A two-story addition is being built at the back of the newly purchased structure. Completion of the project is scheduled for later this fall.

MISSOULA: The quarterly meeting of the Glacier Chapter of the Bank Administration Institute will be held at the Holiday Motel here on September 26-27. Registration will begin at 7 p.m. on Friday evening, September 26.



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Holding Company Changes...

(Continued from Page 1)
holding companies in the last four years.

Prior to January 1, 1965, there were roughly 400 one-bank holding companies, practically all of them controlling small banks in small communities. Two hundred eighty-seven one-bank holding companies were formed after January 1, 1965, and before June 30, 1968, and an additional 28 one-bank holding companies by February 17, 1969.

These 315 systems include such operations totally unrelated to banking as life and health insurance, radio and television broadcasting, farming, ranching, department stores, manufacturing of carpets, furniture, tiles, heating equipment, lawnmowers, shoes, transistors, restaurants, cold storage warehouses, and clothing stores.

Included are such systems as C.I.T. Financial Corporation, a \$3 billion organization which operates a major commercial bank in New York City and numerous non-banking subsidiaries; General American Transportation Company, a large transportation servicing corporation; and Sperry and Hutchinson Company, which markets S&H green stamps and owns three department stores and a carpet company.

An amendment to the bill will be offered setting the grandfather

date at January 1, 1965, thus validating the roughly 400 small one-bank holding companies, but making subject to divestiture the 315 systems formed since then. This would follow the practice adopted in the 1956 Bank Holding Company Act. That Act contained no grandfather clause and gave existing multi-bank holding companies up to five years for divestiture.

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