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Senate Draft Eliminates 'Laundry List'

Legislation that will allow bank holding companies to expand into fields determined by the Federal Reserve Board to be "functionally related to banking" and will permit one-bank companies to retain all acquisitions made prior to March 24, 1969 is expected to be approved by the Senate Banking Committee.

The final bill to be okayed by the committee will follow the basic outline of a working draft sent to all committee members by Chairman John Sparkman (D., Ala.). While some revisions undoubtedly will be made in the executive sessions, the draft's major provisions are expected to form the basis of the final committee bill.

The major battle in the executive sessions is likely to be over the permissible activities language of the Bank Holding Company Act.

It appears that a majority of the committee favors a liberalization of the present language along the lines as suggested by the Fed and contained in the working draft.

Under the proposed new language, the Board may approve activities that are "functionally related to banking in such a way that their performance by an af-

filiate of a bank holding company can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased competition, conflicts of interest or unsound banking practices."

This is the exact language contained in the House-passed bill and suggested to the Senate committee by Fed Chairman Arthur F. Burns in his testimony last month.

However, there is some sentiment on the committee for leaving the present Act's permissible activities language unchanged. It requires that bank holding company activities be "so closely related to the business of banking as to be a proper incident thereto."

The grandfather clause date of March 24, 1969, which will permit one-bank holding companies to continue to engage in activities conducted prior to that date, is the most liberal of any proposed by a congressional unit so far in deliberations on the bill.

The date corresponds to the introduction of the Administra-

tion's one-bank bill in the Senate by Chairman Sparkman and Sen. Wallace F. Bennett (R., Utah).

In effect, it would permit most bank-dominated holding companies to retain all businesses they have acquired up to the present time.

The working draft also provides that any one-bank holding company may have up to 10 years to divest ownership or control of businesses found by the Fed not to be functionally related to banking.

In addition, holding companies would have flexibility to alter or expand their nonbanking activities during the divestiture period.

The idea behind this provision is to allow conglomerate-dominated holding companies to build up their businesses that must be divested in order to make them more saleable.

However, there is some feeling on the committee that this provision is too broad and should be tightened up or deleted.

As expected, the working draft gives the Fed complete regulatory jurisdiction over all holding companies—both one-bank and multi-bank.

There appears to be no opposition to this provision within the committee and, therefore, no change in this provision is expected.

The Administration and seg-

(Continued on back page)

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IOWA NEWS

DENISON: Open house was held recently at the newly remodeled First National Bank. Festivities included gifts for those opening new savings accounts plus a drawing for a paid weekend vacation at Lake Okoboji.

DEWITT: Construction has started on a new drive-in banking facility for the First Central State Bank. The new facility should be opened within a month.

DES MOINES: John Monahan, who retired earlier this year as vice president at Bankers Trust Company, died this past week at the age of 62.

FORT DODGE: Employees of The State Bank recently honored two bank executives who are retiring. Harry T. Huff, chairman of the board, is retiring after 36 years of service with the bank. Arthur A. Gerken, executive vice president, retires after 49 years with the bank.

HARCOURT: L.E. Carlson, president of the Harcourt Savings Bank, announced that open house was held this past week at the bank's new main office.

SIoux CITY: Morris Miller, assistant cashier of the Toy National Bank, has been named manager of the bank's mid-town office.

SWEA CITY: The Swea City State Bank recently moved operations into the new portion of the enlarged bank

while workmen began remodeling the old quarters.

NEBRASKA NEWS

ELM CREEK: Thomas H. Neill has been elected president of the Elm Creek State Bank to replace Donald E. Harms. Mr. Neill was formerly executive vice president. In addition, Daryl D. Calkins, cashier, has been assigned additional duties as vice president.

OMAHA: Formal dedication of the new United States National Bank building is being held Monday, June 29. The bank is moving operations into the \$5.5 million, four-story structure this week.

OMAHA: Howard M. Johnson, president and director of Security National Bank, has announced three new officer promotions.

Lyle Haugen has been named vice president, cashier and secretary and will head the bank's operations department. Richard E. Thompson has been appointed vice president and will head the mortgage and installment loan departments. Paul V. Shirley, Jr., was named assistant vice president and assistant secretary to manage the bookkeeping and proof departments.

MINNESOTA NEWS

ADRIAN: L.B. Eickhoff, president of the Adrian State Bank, has announced the appointment of Craig L. Korkow as assistant cashier and manager of the Adrian Insurance Agency. Mr. Korkow held a similar post with the Northwestern National Bank in Lake Preston, S.D., previously.



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AUSTIN: M.T. Nilan has been elected assistant vice president of the Sterling State Bank, to work in the area of bank public relations and the operation of the Nilan Insurance Agency.

BRAINERD: The Citizens State Bank has purchased property to be used as a future building site. Bank president Ray Kirkhorn said that the move hopefully will be made within three years.

GREEN ISLE: Donald J. Herd has been elected president of Citizens State Bank and Daniel W. Brown, formerly assistant cashier, will replace Mr. Herd as cashier.

MARSHALL: A.E. Persons is retiring July 1 as president of the Western State Bank, a position he has held for 18 years. He will continue active in the bank as chairman of the board.

MINNEAPOLIS: Emil J. Gensinger, formerly comptroller, has been named vice president in charge of operations at the Fidelity Bank and Trust Co.

MINNEAPOLIS: The Marquette National Bank has announced the election of three new officers.

Thomas A. Herbst, formerly with Bankers Trust Co. of Des Moines, rejoins the bank as vice president and cashier in charge of the retail banking division. Donald N. Moen was named controller and Vern J. Montroy has been appointed accounting officer.

ILLINOIS NEWS

CHICAGO: The First National Bank has received approval to establish an overseas branch, to be located in Geneva, Switzerland.



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CHICAGO: Three officer appointments have been made in the trust department of the Exchange National Bank. Raymond Lewis was named vice president and Paul E. Geringer and Brendan J. McCooey were named second vice presidents.

CHICAGO: The Oak Trust and Savings Bank, Chicago's newest bank, will soon open temporary quarters at 34 E. Oak Street. Eugene W. Butler is president of the bank, which was chartered in March. Capitalization is \$2 million.

CICERO: The Western National Bank has appointed Walter W. Niezgoda assistant cashier. Mr. Niezgoda joined the bank in 1968 and has worked in the installment loan department.

ELMHURST: President William T. Giova of the Bank of Elmhurst has announced that Martin L. Maske has joined the bank as assistant to the president. Mr. Maske was formerly a credit analyst with Libby McNeill.

HILLSIDE: David A. Bridewell, a Winnetka attorney, has been elected chairman of the board of the Bank of Hillside.

NAPERVILLE: G. Ward Stearns, president of the Bank of Naperville, has announced the appointment of Richard S. Zimmerman as cashier. Mr. Zimmerman joined the bank in 1964 and was and was named assistant cashier in 1967.

MONTANA NEWS

E.P. Frizelle, president of First Metals Bank & Trust Company, Butte, was elected president of the Montana Bankers Association at the convention in Glacier National Park. Other officers are: Reubin G. Johnson, president, Continental National Bank, Harlowtown, first vice president; B.G. Paige, president, Flint Creek Valley Bank, Phillipsburg, second vice president, and R.C.

(Bob) Wallace, continuing as secretary-treasurer. A complete report on the convention with pictures will appear in the July *Northwestern Banker*.

SOUTH DAKOTA NEWS

SIoux FALLS: An application has been filed with the comptroller of the currency, Washington, D.C., for approval to merge the Security Bank, Madison, with the National Bank of South Dakota. The proposal had previously been approved by the board of directors of both banks.

NORTH DAKOTA NEWS

BISMARCK: Robert A. Birzdell has been named general counsel at the Bank of North Dakota. Mr. Birzdell has been with the bank since 1933 and is a graduate of the University of North Dakota Law School.

Other officer promotions were also announced. David C. Kierland was named vice president-operations; C. Christie Bantz has moved to vice president-securities, and Ernest Pederson has been named manager of the mineral leasing department.

MOORHEAD: Donald J. Mauseth is joining the First National Bank on July 1 as installment loan officer. Mr. Mauseth has recently been district credit manager for Industrial Credit Corp., Austin, Minnesota.

WYOMING NEWS

CASPER: Warren Perkins, vice president of the First National Bank, has been elected president of the Wyoming Advertising Club.

TORRINGTON: Grand opening was held recently in the new building

FOR SALE

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housing the New Citizens National Bank. Fire destroyed the old building in February, 1969.

NATIONAL NEWS

WASHINGTON, D.C.: Interest rate ceilings on bank certificates of deposit in amounts of \$100,000 or more for periods ranging up to 89 days have been suspended "until further action" by the Federal Reserve Board of Governors. It is believed this action was prompted by the Penn Central Railroad's financial troubles and its request for reorganization under bankruptcy.

The Board suspended the part of Regulation Q imposing a ceiling of 6½ per cent interest on 30 - 59 day CD's and 6½ per cent interest on 60 - 89 day maturities. The expected effect is a favorable impact on the short-term money market by permitting banks to compete for necessary funds in the tight commercial paper market. Additional funds for lending are needed by banks because of the need by industry for a continuous flow of funds that would be hampered by the Penn-Central debacle.

Some bank officials see this move as helping large money center banks to the detriment of smaller banks by encouraging an outflow of larger time deposits from the smaller banks and a reduction then in the Fed funds loaned out by smaller banks.

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COLORADO NEWS

DENVER: Mads Anderson, formerly president, chief executive officer and a director of the First National Bank of Rifle, has been named executive vice president and a director of the North Denver Bank.

DENVER: Donald D. Buchanan, vice president, has been named to head the Denver U. S. National's operations department.

Senate Draft...

(Continued from Page 1)

ments of the banking industry opposed giving the Fed complete jurisdiction. Instead, they suggested that the jurisdiction be divided among the three Federal bank regulatory agencies.

Besides these three major provisions—the permissible activities language, the grandfather clause, and the jurisdiction question, the draft also contains these other provisions:

- * Includes partnerships within the definition of companies subject to the Act.

- * Provides that any application for approval to engage in activities “functionally related to banking” would be deemed to have been granted if the Fed has not acted within 91 days following submission of the complete application.

- * Provides that no company is a bank holding company by virtue of its ownership or control of any bank organized within the U.S., which does not do business in the U.S. except as an incident to its activities outside of this country.

- * Allows the Fed to exclude from regulation any foreign bank which conducts the greater part of its busi-

ness outside the U.S., or any bank operated within the U.S. principally for the purpose of conducting or facilitating transactions in foreign commerce.

- * Provides that an institution which is not engaged in the business of making commercial loans is not a “bank” within the meaning of the Act.

- * Removes the exemption of “labor, agricultural or horticultural” organizations from prohibited interests in nonbanking organizations.

- * Provides that every bank that is a bank holding company and every bank that is a subsidiary of such a company must be insured by the Federal Deposit Insurance Corp.

This language, suggested by the Fed, is designed to require the Mercantile Safe Deposit Trust Co., Baltimore, the largest non-FDIC insured bank in the country, to take out such insurance. Mercantile is in the process of reorganization into a bank holding company.

Almost as important as the provisions contained in the working draft are the provisions not included in it.

For one thing, there is no “laundry list” of activities that bank holding companies or banks would be prohibited from engaging in. And there is little or no possibility that any protection for bank competitors will be included in the final committee bill.

Over everything else, the fact that no “laundry list” will be included represents a major victory for the banking industry.

But there are other provisions that are not currently in the draft that may be put in by the committee.

For example, the draft contains no provision to broaden the test of control by giving the Fed authority to

find control of a bank even though companies have less than 25% stock ownership.

There appears to be some support for adding this provision to the bill.

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