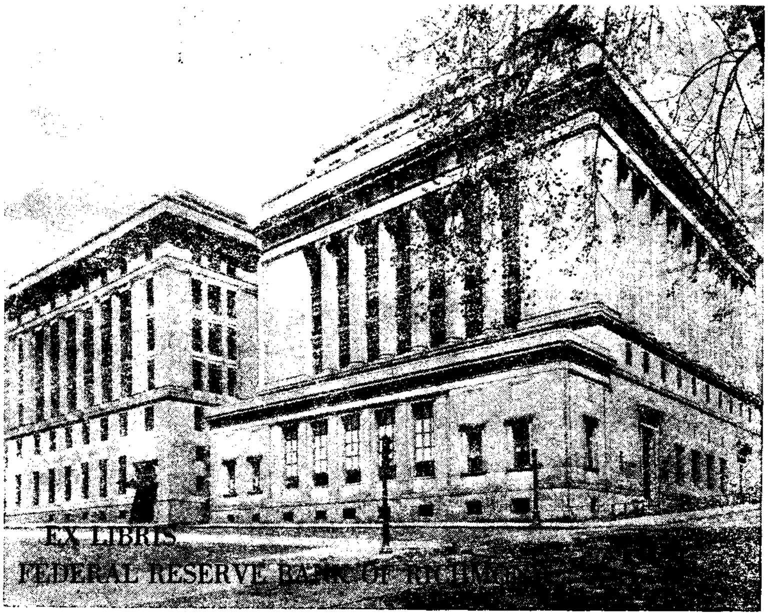
1975 ANNUAL REPORT

Comptroller of the Currency
Administrator of National Banks


EX LIBRIS
FEDERAL RESERVE

Annual Report 1975
Comptroller of the Currency

The Administrator of National Banks

James E. Smith

Comptroller of the Currency

Letter of Transmittal

Treasury Department,
Office of the Comptroller of the Currency,
Washington, D.C., October 1, 1976

Sirs: Pursuant to the provisions of Section 333 of the United States Revised Statutes, I am pleased to submit the 1975 *Annual Report of the Comptroller of the Currency.*

Respectfully,

Robert Bloom,
Acting Comptroller of the Currency.

The President of the Senate
The Speaker of the House of Representatives

Contents

Statistical Tables

Perspective

The Office of the Comptroller of the Currency, like the Nation's banking system, has changed over time, but in no period has change occurred as rapidly as in the last few years. I am hopeful that this preface will put many of the events of 1975 into the perspective of the dynamics of the banking and bank regulatory systems.

The Economy

The U.S. economy experienced its worst recession since the 1930's in 1974–75, and real output of goods and services declined in five successive quarters from the beginning of 1974 through March 1975. Since then there has been a steady recovery, but levels of output before the recession were not passed until the first quarter of 1976. Inevitably, the National Banking System sustained a high volume of recession-related loan losses. However, bank earnings were sufficient to cover those losses and still generate increases in capital and valuation reserves. The strong position of National banks allowed them to lessen the impact of the recession on those borrowers having purely cyclical difficulties by liberalizing loan terms.

The demand for bank loans normally declines during recessions, and such was the case in the recent period. Loan demand has remained weak for an exceptionally long period, since March 1975, with the level of total loans outstanding in mid-1976 approximately the same as that at the bottom of the recession. That soft loan demand is attributable to an extended period during which business inventories were reduced and to the relatively high level of nonfinancial corporations' internally generated funds in 1975 and early 1976. National banks have been able to strengthen their balance sheets by purchasing a heavy volume of Treasury securities. Banks' use of that source of funds has allowed large Treasury financings to be accommodated without generating strong upward pressure on interest rates.

As the economic recovery proceeds, the demand for short-term bank credit is expected to increase. The National Banking System is in an excellent position to meet that demand, and thus contribute further to economic advance.

Technological Advances

Economic adversity is often father to cost-saving and competitive innovation. During 1973 and 1974, the banking industry was exposed to a new technological development—electronic banking. The advent of on-line accounting systems and the inefficiencies in traditional batch processing systems, accompanied by heavy branch development costs, led bankers to consider and implement automated teller machines. As a result of uncertainty under applicable laws as to the status of such devices, bankers began seeking approval to operate such terminals at locations other than approved branch sites during 1974.

On December 24, 1974, the Comptroller announced his interpretation of 12 U.S.C. 36 that such terminals, known as Customer-Bank Communication Terminals (CBCT's) were not branches and, thus, were not subject to state branching limitations.[1] On May 19, 1975, the Comptroller amended his previous ruling to require sharing of terminals located 50 miles or more from the bank's service area with any other interested institutions.[2] Additionally, the May revision established certain pre-notification requirements Since those rulings were issued, this Office's position has been strongly resisted by several state banking commissioners and the Independent Bankers Association of America. A number of Federal courts have held the Comptroller's ruling on the branch question to be erroneous. The Comptroller and several banks have petitioned the Supreme Court of the United States to review the question. The pre-notification provision of the interpretive ruling was suspended October 21, 1975, and presently only notification following CBCT installation is required.

Despite ongoing litigation, in 1975, 51 banks es-

[1] See *Annual Report* of the Comptroller of the Currency, 1974, pp. 316–326.

[2] See pp. 235–241 of this report.

tablished 153 CBCT's and 24 states enacted legislation allowing State-chartered institutions privileges similar to those afforded to National banks. As of June 30, 1976, 73 banks had established a total of 225 CBCT's. Customer acceptance of electronic systems has been good as indicated by transaction volumes and customer use of new plastic cards. The outlook for the rest of 1976 and 1977 will be affected by the United States Supreme Court's decision on whether or not CBCT's are branches.

Bank Regulation

In the past, National bank regulation was primarily reactive to changes in the banking system and in individual banks. Recognizing that the rapid rate of change that now characterizes the banking industry may necessitate basic changes in bank regulation, the Comptroller's Office underwent an in-depth management review by outside consultants (for further information see *Annual Report* for 1974 and elsewhere in this report). The Comptroller's evaluation of the Haskins & Sells report has led to a major reorganization within his Office. Implementation of most new programs has been completed or will be completed by the end of 1976.

The Haskins & Sells report has given the Comptroller's Office a new outlook. We view banking as a dynamic process; individual banks and the system as a whole will be analyzed by looking to the future as well as to the past. Diagnosis of areas of weakness, treatment of existing problems, and measures to prevent future difficulties will be used to maintain a healthy banking system. Planning for the future, based on the lessons of the past and also on expectations will direct not only bank regulation, but also the internal operations of the Office. The increased complexity of banking and related operations requires that we, as bank supervisors, maintain at least the same degree of technical expertise in specialized fields as do National banks and bankers. That will be a further commitment of the Office. In summary, we believe that the Haskins & Sells report has allowed us to see ourselves better and to provide better regulation. The Comptroller's goal is to promote an open, healthy and competitive National Banking System. The general policies to be followed by the Comptroller toward that end will be announced in the early fall of 1976.

Each operating division, each region and the headquarters-based research and analysis division will contribute to the Comptroller's planning program. The program has already produced an internal plan of activities and further results, which may also be of help to bankers in planning for the future, will be released. Those releases will be through technical publications, trade journals or publications of our own. The Comptroller's internal plan, backed by operational reviews, has already led to progress in the areas of manpower development, budgeting and resource deployment.

Bank Examinations

The National Bank Surveillance System, a databased analysis of individual banks, alone and in comparison with competitors and similar institutions, is now operational. Both headquarters and regional personnel have undergone training in the system. With support from NBSS reports, examiners will be implementing revised examination procedures this winter after extensive training sessions in the fall. NBSS reports for and pre-examination interviews with each National bank will allow examiners to focus each examination on the particular aspects of the bank which need the most scrutiny. In general, bank examinations will place greater emphasis on each bank's own policies, procedures and internal controls.

Bank Corporate Activities

The processing of applications for new bank charters, branch certificates, merger approvals, and changes in capital is undergoing change. Many of the processes that were handled by the headquarters staff are now centered in the regions. After six months of training in the Washington Office, regional corporate specialists were sent to each region in mid-1976. Proposed corporate activity policy statements for the Comptroller's Office were proposed this summer and are now being finalized on the basis of the substantial and generally favorable comments received. The processing of applications is also currently under review in an attempt to speed up the application process.

Consumer Affairs

The Comptroller's Consumer Affairs Division began operation in September 1974. That division is charged with protecting the rights of the public in dealings with National banks. During 1975, substantial consumer legislation was enacted and many regulations were promulgated. On January 1, 1976, a Consumer Complaint Information System was established at the Comptroller's Washington Office to deal with bank customer complaints. The Office's commitment of personnel to the area of consumer affiars has been expanded in each of the last 3 years and further growth is expected in 1977.

Beginning in September 1976, a select group of 250 examiners will undergo 2 weeks of intensive training in the newly designed procedures for examination of National bank compliance with various consumer protection laws. All National banks will be subjected to a separate examination for consumer protection purposes within a 12-month period during 1976–77.

Extensive resources have been devoted consumer protection in processing consumer complaints and in conducting examinations. Both consumers and banks have benefited from the new consumer protection laws. Despite the necessary complexity of many of the regulations, increased disclosure and more rigorous, non-discriminatory credit guidelines should serve the public well.

Changes in Organization

To redirect emphasis in accordance with the recommendations of the Haskins & Sells report, the organization of the Comptroller's Office has been modified. In July and September of 1975, several Deputy Comptrollers were appointed to head specialized, modified or new functions. Seasoned managers in the Office have responded even more positively than expected to the search for new and better procedures and that positive attitude is continuing. Enthusiasm extends throughout the staff and in the banking community as well.

The primary initiator of the reorganization of the Office, the Honorable James E. Smith, who was Comptroller of the Currency for over 3 years, resigned effective July 30, 1976. Mr. Stanley E. Shirk was nominated by the President to serve a 5-year term as Comptroller of the Currency. The Senate has not yet acted on that nomination. As Acting Comptroller of the Currency, I can assure the Congress and the public that every effort is being exerted to continue the striving for excellence, for a sound banking system serving the public interest in an open atmosphere, and for a most efficient and productive agency.

Robert Bloom
Acting Comptroller of the Currency
October 1, 1976.

I. Condition of the National Banking System

1975 found the U.S. economy in the severest recession since 1938. The negative movement of income and employment factors exerted the expected influence on the condition of the National Banking System. In the United States, as gross private investment fell, total loans made by National banks decreased for the first time in recent years, by 1.8 percent. With the decrease in loan opportunities and in light of prevailing economic conditions, banks converted their funds into security holdings which, by year-end, showed an increase of 17.2 percent. The total asset figures for National banks were bolstered by a 2.0 percent increase in demand deposits, compared to an 0.8 percent increase in 1974, but 1975's 5.2 percent increase in time and savings deposits was only about 30 percent of the previous year's increase. Despite the small increase in total time and savings deposits, the proportion of such deposits relative to total deposits continued to increase to a new high of 78.3 percent. In 1972, that figure was only 54.5 percent.

For the third consecutive year, the rate of increase in total assets was less than the prior year. At year-end 1975, total assets of National banks had reached $553,427 million, a figure 3.6 percent above the December 1974 amount. The three previous year-end increases were 9.2 percent (1974), 12.6 percent (1973), and 15.5 percent (1972).

The most striking change in the composition of National bank assets was in the securities category. For the first time in many years, National bank holdings of United States Treasury securities increased substantially; holdings in Treasury securities increased 60.9 percent from year-end 1974 to year-end 1975. Of the $18,405 million increase in total securities, $17,723 million or 96.3 percent was in U.S. Governments. Holdings of state and local securities actually fell by a small amount from previous year-end figures. As the recession brought about a slackening of loan demand, the need for purchased funds correspondingly fell. As a result, Federal funds purchased and securities sold under agreements to repurchase increased only a nominal 4.8 percent.

The impact of the recession can be readily seen in the composition of National bank assets for 1975. Loans relative to total assets were 52.9 percent, down from 55.7 percent in 1974. Securities rose from 20.0 to 22.7 percent of total assets.

Despite the difficulties that National banks faced in the recession year, total loan reserves rose 1.3 percent. Since loans had actually fallen, the loan reserve rose to 1.8 percent of loans outstanding as compared to 1.7 percent the previous year. Total capital of National banks reached $38,979 million at year-end 1975, reflecting an 8.8 percent increase over the prior year's figure of $35,830 million. Capital notes and debentures increased $33 million during this relatively poor year for bank securities in the open market. Despite the difficult times, total capital accounts of National banks increased to 7.0 percent of total assets compared to the 1974 figure of 6.7 percent. The recession and the increasingly conservative position of banks resulted in a capital relative to risk assets—total assets minus cash, Treasury securities, and other U.S. Government agencies—ratio of 9.5 percent in 1975 compared to 8.7 percent a year earlier.

Table 1

Assets, liabilities, and capital accounts of National banks, 1974 and 1975

(Dollar amounts in millions)

	Dec. 31, 1974 4,708 banks		Dec. 31, 1975 4,744 banks		Change, 1974–1975	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
Assets						
Cash and due from banks	$76,557	14.33	$78,050	14.10	$1,493	1.95
U.S. Treasury securities	29,081	5.44	46,804	8.46	17,723	60.94
Obligations of other U.S. Government agencies and corporations	16,788	3.14	17,248	3.11	460	2.74
Obligations of States and political subdivisions	57,296	10.72	57,161	10.33	–135	–.24
Other securities	3,835	.72	4,192	.76	357	9.31
Total securities	107,000	20.02	125,405	22.66	18,405	17.20
Federal funds sold and securities purchased under agreements to resell	23,751	4.44	23,296	4.21	–455	–1.92
Direct lease financing	2,426	.45	2,972	.54	546	22.51
Loans	297,852	55.73	292,546	52.86	–5,306	–1.78
Fixed assets	9,052	1.69	10,334	1.87	1,282	14.16
Customers' liability on acceptances outstanding	7,037	1.32	5,003	.90	–2,034	–28.90
Other assets	10,747	2.02	15,821	2.86	5,074	47.21
Total assets	534,422	100.00	553,427	100.00	19,005	3.56
Liabilities						
Demand deposits of individuals, partnerships, and corporations	137,829	25.79	143,363	25.91	5,534	4.02
Time and savings deposits of individuals, partnerships and corporations	207,794	38.88	222,550	40.21	14,756	7.10
Deposits of U.S. Government	2,711	.51	2,194	.40	–517	–19.07
Deposits of States and political subdivisions	40,206	7.52	38,321	6.92	–1,885	–4.69
Deposits of foreign governments and official institutions, central banks, and international institutions	7,472	1.40	6,571	1.19	–901	–12.06
Deposits of commercial banks	29,552	5.53	28,828	5.21	–724	–2.45
Certified and officers' checks, etc.	5,662	1.06	5,886	1.06	224	3.96
Total deposits	431,225	80.69	447,713	80.90	16,488	3.82
Demand deposits	180,391	33.75	183,962	33.24	3,571	1.98
Time and savings deposits	250,834	46.94	263,751	47.66	12,917	5.15
Federal funds purchased and securities sold under agreements to repurchase	36,323	6.80	38,049	6.88	1,726	4.75
Liabilities for borrowed money	3,286	.61	2,826	.51	–460	–14.00
Acceptances executed by or for account of reporting banks and outstanding	7,142	1.34	5,056	.91	–2,086	–29.21
Other liabilities	15,424	2.89	15,546	2.81	122	.79
Total liabilities	493,400	92.32	509,190	92.01	15,790	3.20
Minority interest in consolidated subsidiaries	2	—	1	—	–1	–50.00
Reserves on Loans and Securities						
Reserves on loans	5,119	.96	5,183	.94	64	1.25
Reserves on securities	70	.01	74	.01	4	5.71
Capital Accounts						
Capital notes and debentures	2,258	.42	2,291	.41	33	1.46
Preferred stock	13	—	14	—	1	7.69
Common stock	8,336	1.56	8,809	1.59	473	5.67
Surplus	14,067	2.63	14,718	2.66	651	4.63
Undivided profits	10,652	1.99	12,782	2.31	2,130	20.00
Reserves	503	.09	365	.07	–138	–27.44
Total capital accounts	35,830	6.70	38,979	7.04	3,149	8.79
Total liabilities and capital accounts	534,422	100.00	553,427	100.00	19,005	3.56

NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than 0.01 percent. Data reflect consolidation of all majority-owned bank premises, subsidiaries, and all significant domestic majority-owned subsidiaries, with the exception of Edge Act subsidiaries.

II. Income and Expenses of National Banks

One of the effects of the recession was that total operating income of all National banks fell 3.8 percent during 1975 while net income rose 5.3 percent. Thus, the increase in National bank profits that occurred was not the result of increased operating income, as is usually the case, but was occasioned by the decrease in expenses of National banks during the year by $1,624 million, or 4.6 percent.

Applicable income taxes continued to decrease in 1975 to $1,069 million, a decrease of 4.8 percent for the year. So, despite all the recessionary pressures, net income of National banks actually increased to $4,259 million in 1975 from $4,045 million in 1974, an increase of 5.3 percent. The all important rate of return on assets, 0.77 percent for 1975, was essentially the same as it had been the preceding year. The return on assets was sustained because the rate of increase of net income was somewhat greater than that for total assets.

Interest and fees on loans totaled $25,476 million in 1975, a decrease of 10.4 percent compared to 1974. The recession also affected income on Federal funds sold and securities purchased under agreements to resell; that figure decreased 36.3 percent to $1,384 million. Loan related income fell to 65.5 percent of total operating income. Total revenue from securities holdings were 17.0 percent of total operating income in 1975, compared to 13.8 percent in 1974. That reversed the trend of decreasing income from securities found in previous years.

As holdings in U. S. Treasury securities increased by $17,723 million, interest earned on such securities increased 37.3 percent. Further, the interest earned on U. S. Treasuries was $1,023 million more than the earnings on Federal funds sold and securities purchased under agreements to resell. That also was a reversal of the previous year's trend. Revenues from obligations of States and political subdivisions totaled $2,724 million, showing an increase of 7.6 percent over 1974.

On the expense side, the recession had an extraordinary effect on the total cost of funds. Interest on deposits fell by $1,335 million, or 8.1 percent. The cost of Federal funds purchased and securities sold under agreements to repurchase decreased $2,014 million, or 47.0 percent, between year-end 1974 and 1975. The total savings of $3,618 million in interest and Fed funds costs was enough to sufficiently reduce expenses to make 1975 a profit year. Those costs equalled 53.3 percent of total operating expenses in 1975, compared to 61.1 percent in 1974.

Salaries and wages of officers and employees increased by 8.7 percent during the year. While the proportion of total expense represented by those items, 18.1 percent, was higher than in the previous year, it was still significantly lower than the 1972 figure of 23.1 percent.

One of the largest increases in expenses in 1975 was the additional $832.5 million provided for loan losses; that produced a 59.8 percent rise over the prior year's total. Cash dividends totaling $1.8 billion were paid by National banks during 1975. That was an increase of 9 percent over the previous year. In 1975 dividends reflected a pay-out ratio of 42.8 percent as compared to 41.3 percent in 1974.

Table 2

Income and expenses of National banks, 1974 and 1975*

(Dollar amounts in millions)

	1974		1975		Change, 1974–1975	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
Number of banks	4,708	...	4,744	...	36	0.8
Operating income:						
Interest and fees on loans	$28,418.6	70.26	$25,475.6	65.48	−2,943.0	−10.36
Income on Federal funds sold and securities purchased under agreements to resell	2,173.1	5.37	1,383.6	3.56	−789.5	−36.33
Interest and dividends on investments:						
U.S. Treasury securities	1,752.7	4.33	2,406.8	6.19	654.1	37.32
Obligations of other U.S. Government agencies and corporations	1,018.4	2.52	1,194.9	3.07	176.5	17.33
Obligations of States and political subdivisions	2,531.3	6.26	2,724.4	7.00	193.1	7.63
Other securities	258.9	.64	280.2	.72	21.3	8.23
Trust department income	853.7	2.11	926.4	2.38	72.7	8.52
Service charges on deposit accounts	827.2	2.05	883.5	2.27	56.3	6.81
Other service charges, collection and exchange charges, commissions, and fees	938.5	2.32	1,087.0	2.79	148.5	15.82
Other operating income	1,676.0	4.14	2,544.9	6.54	868.9	51.84
Total operating income	40,448.3	100.00	38,907.4	100.00	−1,540.9	−3.81
Operating expense:						
Salaries and wages of officers and employees	5,593.0	15.87	6,079.4	18.08	486.4	8.70
Pensions and other employee benefits	1,034.0	2.94	1,149.8	3.42	115.8	11.20
Interest on deposits	16,585.0	47.06	15,249.6	45.36	−1,335.4	−8.05
Expense of Federal funds purchased and securities sold under agreements to repurchase	4,277.2	12.14	2,263.4	6.73	−2,013.8	−47.08
Interest on borrowed money	519.3	1.47	248.7	.74	−270.6	−52.11
Interest on capital notes and debentures	147.8	.42	149.8	.45	2.0	1.35
Occupancy expense of bank premises, net	1,146.6	3.25	1,282.2	3.82	135.6	11.83
Furniture and equipment, depreciation, rental costs, servicing, etc.	811.9	2.30	902.3	2.68	90.4	11.13
Provision for loan losses (or actual net loan losses)	1,391.8	3.95	2,224.3	6.62	832.5	59.81
Other operating expenses	3,734.9	10.60	4,068.2	12.10	333.3	8.92
Total operating expense	35,241.4	100.00	33,617.5	100.00	−1,623.9	−4.61
Income before income taxes and securities gains or losses	5,206.9	...	5,289.9	...	83.0	1.59
Applicable income taxes	1,122.6	...	1,068.6	...	−54.0	−4.81
Income before securities gains or losses	4,084.3	...	4,221.3	...	137.0	3.35
Net securities gains (after tax effect)	−42.4	...	16.0	...	58.4	137.74
Net income before extraordinary items	4,041.9	...	4,237.3	...	195.4	4.83
Extraordinary charges or credits	2.8	...	21.8	...	19.0	678.57
Minority interest in consolidated subsidiaries	—	...	—	...	—	—
Net income	4,044.5	...	4,259.0	...	214.5	5.30
Cash dividends declared:						
On common stock	1,670.2	...	1,820.6	...	150.4	9.00
On preferred stock	1.0	...	.8	...	−.2	−20.00
Total cash dividends declared	1,671.2	...	1,821.4	...	150.2	8.99
Ratio to income before income taxes and securities gains or losses:						
Applicable income taxes	...	21.56	...	20.20	...	...
Net securities gains	...	−.81	...	.30	...	...
Extraordinary charges or credits	...	.05	...	.41	...	...
Ratio to total operating income:						
Salaries and wages	...	13.83	...	15.63	...	...
Interest on deposits	...	41.00	...	39.19	...	...
All other operating expenses	...	32.30[R]	...	31.58	...	...
Total operating expenses	...	87.13	...	86.40	...	...
Net income	...	10.00	...	10.95	...	...

* Includes all banks operating as National banks at year-end, and full year data for those State banks converting to National banks during the year.

[R] Restated

NOTE: Dashes indicate amounts of less than $500,000. Data may not add to totals because of rounding.

III. Structural Changes in the National Banking System

National banks increased in number from 4,708 to 4,744 during 1974. Of that number, 2,683 were unit banks and 2,061 operated 16,269 branches. That is a grand total of 21,013 offices, up from 20,273 the prior year. During the year, the number of branches increased 4.5 percent, and the total number of offices increased 3.7 percent. Three unit banking states, Texas, Illinois and Florida, led in total number of National banks, with 584, 421 and 295, respectively. California had the largest number of branches, 2,647, down 0.6 percent from the prior year. New York, with 1,631, up 5.6 percent for the year, and Pennsylvania with 1,354, up 2.6 percent, were second and third in number of branches.

The National Banking System gained 750 *de novo* branches in 1975. Mergers and conversions led to the entry of 155 additional branches while 203 branches were closed. Of the 750 *de novo* branches, 520, or over 69 percent, were opened in communities with populations of less than 100,000 persons. Banks with total resources of less than $100 million established 368, or 49 percent, of the *de novo* branches. At the same time, 175, or about 23 percent, of those branches were opened by banks with over $1 billion in total resources. New York led the states with 78 *de novo* branches; California, with 59, and Michigan, with 53, ranked second and third. It is interesting to note that in California, 85 existing branches were discontinued or consolidated.

During 1975, 76 National banks were chartered. That compares with 92 charters issued in 1974. Texas, with 15, and Florida, with 11, account for 34 percent of the total. An additional 37 banks were chartered for the purpose of effecting corporate reorganizations, and 12 State banks converted to National bank status.

Table 3

National banks and banking offices, by States, Dec. 31, 1975

	National banks			Number of branches	Number of offices
	Total	Unit	With branches		
United States	4,744	2,683	2,061	16,269	21,013
Alabama	95	33	62	290	385
Alaska	6	1	5	66	72
Arizona	3	1	2	300	303
Arkansas	75	19	56	160	235
California	57	11	46	2,647	2,704
Colorado	132	107	25	25	157
Connecticut	24	3	21	258	282
Delaware	5	2	3	4	9
District of Columbia	14	3	11	98	112
Florida	295	242	53	53	348
Georgia	64	17	47	318	382
Hawaii	2	0	2	11	13
Idaho	6	1	5	161	167
Illinois	421	318	103	103	524
Indiana	120	34	86	469	589
Iowa	100	52	48	83	183
Kansas	171	127	44	63	234
Kentucky	80	25	55	204	284
Louisiana	53	12	41	242	295
Maine	20	1	19	128	148
Maryland	42	9	33	357	399
Massachusetts	77	10	67	504	581
Michigan	120	20	100	749	869
Minnesota	201	181	20	25	226
Mississippi	39	6	33	210	249
Missouri	112	61	51	65	177
Montana	55	50	5	5	60
Nebraska	120	84	36	50	170
Nevada	4	1	3	77	81
New Hampshire	44	12	32	85	129
New Jersey	113	13	100	963	1,076
New Mexico	36	7	29	111	147
New York	150	34	116	1,631	1,781
North Carolina	26	5	21	767	793
North Dakota	43	23	20	21	64
Ohio	219	53	166	972	1,191
Oklahoma	194	143	51	51	245
Oregon	7	1	6	299	306
Pennsylvania	244	91	153	1,354	1,598
Rhode Island	5	0	5	114	119
South Carolina	19	6	13	298	317
South Dakota	32	20	12	75	107
Tennessee	75	11	64	368	443
Texas	584	583	1	1	585
Utah	12	7	5	98	110
Vermont	16	4	12	48	64
Virginia	108	15	93	661	769
Washington	24	6	18	519	543
West Virginia	103	85	18	18	121
Wisconsin	128	85	43	83	211
Wyoming	45	45	0	0	45
Virgin Islands	1	0	1	7	8
Puerto Rico	1	1	0	0	1
FDIC National banks*	2	2	0	0	2
District of Columbia – all†	16	3	13	128	144

* Deposit Insurance banks are formed by the FDIC under Section 11 of the Federal Deposit Insurance Act for a limited period of time.
† Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Table 4

Applications for National bank charters, and charters issued,* by States, calendar 1975*

	Received†	Approved	Disapproved	Withdrawn	Pending Dec. 31, 1975	Chartered
United States	209	72	61	0	71	76
Alabama	7	3	3	0	1	2
Alaska	0	0	0	0	0	1
Arizona	0	0	0	0	0	0
Arkansas	1	0	1	0	0	1
California	8	4	1	0	3	3
Colorado	4	1	1	0	2	5
Connecticut	0	0	0	0	0	0
Delaware	0	0	0	0	0	0
District of Columbia	2	1	0	0	1	1
Florida	51	10	20	3	18	11
Georgia	0	0	0	0	0	2
Hawaii	0	0	0	0	0	0
Idaho	0	0	0	0	0	0
Illinois	19	6	7	0	6	2
Indiana	5	1	0	0	4	0
Iowa	0	0	0	0	0	0
Kansas	2	2	0	0	0	2
Kentucky	1	1	0	0	0	0
Louisiana	4	1	1	0	2	1
Maine	0	0	0	0	0	0
Maryland	0	0	0	0	0	2
Massachusetts	1	0	1	0	0	0
Michigan	8	6	0	0	2	4
Minnesota	5	3	1	0	1	0
Mississippi	1	0	1	0	0	1
Missouri	5‡	5‡	0	0	0	3‡
Montana	1	1	0	0	0	0
Nebraska	0	0	0	0	0	0
Nevada	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0
New Jersey	3	0	1	0	2	0
New Mexico	3	1	0	1	1	2
New York	5	0	2	0	3	1
North Carolina	0	0	0	0	0	0
North Dakota	1	0	0	0	1	0
Ohio	1	1	0	0	0	0
Oklahoma	5	1	1	0	3	2
Oregon	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	2
Rhode Island	0	0	0	0	0	0
South Carolina	1	0	0	0	1	2
South Dakota	0	0	0	0	0	0
Tennessee	1	0	1	0	0	0
Texas	43	18	15	0	10	15
Utah	2	0	0	0	2	1
Vermont	0	0	0	0	0	0
Virginia	3	2	1	0	0	1
Washington	0	0	0	0	0	2
West Virginia	5	0	0	0	5	2
Wisconsin	6	2	2	0	2	2
Wyoming	3	1	0	1	1	2
Virgin Islands	1‡	1‡	0	0	0	1‡
Puerto Rico	1	0	1	0	0	0

* Excludes conversions and corporate reorganizations.
† Includes 143 applications pending as of December 31, 1974.
‡ Includes 1 Deposit Insurance Corporation National bank.

Table 5

Applications for National bank charters issued pursuant to corporate reorganizations, and charters issued, by States, calendar 1975

	Received*	Approved	Disapproved	Withdrawn	Pending Dec. 31, 1975	Chartered
United States	19	17	0	1	1	37
Alabama	2	2	0	0	0	3
Alaska	0	0	0	0	0	0
Arizona	0	0	0	0	0	0
Arkansas	0	0	0	0	0	0
California	1	1	0	0	0	0
Colorado	0	0	0	0	0	0
Connecticut	0	0	0	0	0	0
Delaware	0	0	0	0	0	0
District of Columbia	1	1	0	0	0	0
Florida	0	0	0	0	0	0
Georgia	1	1	0	0	0	0
Hawaii	0	0	0	0	0	0
Idaho	0	0	0	0	0	0
Illinois	4	3	0	0	1	3
Indiana	0	0	0	0	0	0
Iowa	0	0	0	0	0	0
Kansas	0	0	0	0	0	0
Kentucky	0	0	0	0	0	1
Louisiana	0	0	0	0	0	1
Maine	0	0	0	0	0	0
Maryland	0	0	0	0	0	0
Massachusetts	1	1	0	0	0	2
Michigan	2	2	0	0	0	3
Minnesota	0	0	0	0	0	0
Mississippi	0	0	0	0	0	1
Missouri	0	0	0	0	0	0
Montana	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0
Nevada	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0
New Jersey	0	0	0	0	0	1
New Mexico	0	0	0	0	0	0
New York	0	0	0	0	0	0
North Carolina	0	0	0	0	0	0
North Dakota	0	0	0	0	0	0
Ohio	2	2	0	0	0	2
Oklahoma	0	0	0	0	0	2
Oregon	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	1
Rhode Island	0	0	0	0	0	0
South Carolina	1	0	0	1	0	0
South Dakota	0	0	0	0	0	0
Tennessee	1	1	0	0	0	0
Texas	3	3	0	0	0	13
Utah	0	0	0	0	0	0
Vermont	0	0	0	0	0	0
Virginia	0	0	0	0	0	1
Washington	0	0	0	0	0	0
West Virginia	0	0	0	0	0	2
Wisconsin	0	0	0	0	0	0
Wyoming	0	0	0	0	0	1
Virgin Islands	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0

* Includes 2 applications pending as of December 31, 1974.

Table 6

Applications for conversion to National bank charter and charters issued, by States, calendar 1975

	Received	Approved	Disapproved	Withdrawn	Pending Dec. 31, 1975	Chartered
United States	8	1	0	0	7	12
Alabama	0	0	0	0	0	0
Alaska	0	0	0	0	0	0
Arizona	0	0	0	0	0	0
Arkansas	0	0	0	0	0	0
California	0	0	0	0	0	0
Colorado	0	0	0	0	0	0
Connecticut	0	0	0	0	0	0
Delaware	0	0	0	0	0	0
District of Columbia	0	0	0	0	0	0
Florida	5	1	0	0	4	3
Georgia	1	0	0	0	1	0
Hawaii	0	0	0	0	0	0
Idaho	0	0	0	0	0	0
Illinois	0	0	0	0	0	0
Indiana	0	0	0	0	0	0
Iowa	0	0	0	0	0	1
Kansas	0	0	0	0	0	0
Kentucky	0	0	0	0	0	0
Louisiana	0	0	0	0	0	0
Maine	0	0	0	0	0	0
Maryland	0	0	0	0	0	0
Massachusetts	0	0	0	0	0	0
Michigan	1	0	0	0	1	0
Minnesota	0	0	0	0	0	0
Mississippi	0	0	0	0	0	1
Missouri	0	0	0	0	0	1
Montana	0	0	0	0	0	0
Nebraska	0	0	0	0	0	0
Nevada	0	0	0	0	0	0
New Hampshire	0	0	0	0	0	0
New Jersey	0	0	0	0	0	0
New Mexico	0	0	0	0	0	0
New York	0	0	0	0	0	0
North Carolina	1	0	0	0	1	0
North Dakota	0	0	0	0	0	0
Ohio	0	0	0	0	0	2
Oklahoma	0	0	0	0	0	0
Oregon	0	0	0	0	0	0
Pennsylvania	0	0	0	0	0	0
Rhode Island	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0
South Dakota	0	0	0	0	0	1
Tennessee	0	0	0	0	0	0
Texas	0	0	0	0	0	0
Utah	0	0	0	0	0	0
Vermont	0	0	0	0	0	0
Virginia	0	0	0	0	0	1
Washington	0	0	0	0	0	1
West Virginia	0	0	0	0	0	1
Wisconsin	0	0	0	0	0	0
Wyoming	0	0	0	0	0	0
Virgin Islands	0	0	0	0	0	0
Puerto Rico	0	0	0	0	0	0

Table 7

Branches of National banks, by States, calendar 1975

	Branches in operation Dec. 31, 1974	De novo branches opened for business Jan. 1 to Dec. 31, 1975	Branches acquired through merger or conversion Jan. 1 to Dec. 31, 1975	Existing branches discontinued or consolidated Jan. 1 to Dec. 31, 1975	Branches in operation Dec. 31, 1975
United States	15,567*	750	155	203	16,269
Alabama	267	23	0	0	290
Alaska	65	0	1	0	66
Arizona	265	12	27	4	300
Arkansas	144	17	0	1	160
California	2,662	59	11	85	2,647
Colorado	21	4	0	0	25
Connecticut	251	8	0	1	258
Delaware	4	1	0	1	4
District of Columbia	86	4	9	1	98
Florida	25	28	0	0	53
Georgia	311	10	2	5	318
Hawaii	10	1	0	0	11
Idaho	154	7	0	0	161
Illinois	93	10	0	0	103
Indiana	441	26	2	0	469
Iowa	76	2	5	0	83
Kansas	52	11	0	0	63
Kentucky	192	12	0	0	204
Louisiana	227	17	0	2	242
Maine	124	5	0	1	128
Maryland	336	22	0	1	357
Massachusetts	492	10	3	1	504
Michigan	696	53	3	3	749
Minnesota	17	8	0	0	25
Mississippi	212	10	0	12	210
Missouri	51	15	0	1	65
Montana	3	2	0	0	5
Nebraska	45	6	0	1	50
Nevada	74	3	0	0	77
New Hampshire	78	5	2	0	85
New Jersey	917	49	8	11	963
New Mexico	101	11	0	1	111
New York	1,546*	78	15	8	1,631
North Carolina	761	18	0	12	767
North Dakota	16	5	0	0	21
Ohio	904	33	38	3	972
Oklahoma	51	2	0	2	51
Oregon	289	18	0	8	299
Pennsylvania	1,320	50	2	18	1,354
Rhode Island	113	1	0	0	114
South Carolina	289	7	4	2	298
South Dakota	69	5	1	0	75
Tennessee	353	19	0	4	368
Texas	0	1	0	0	1
Utah	93	5	0	0	98
Vermont	46	1	1	0	48
Virginia	625	33	11	8	661
Washington	501	15	8	5	519
West Virginia	11	6	1	0	18
Wisconsin	81	2	1	1	83
Wyoming	0	0	0	0	0
Virgin Islands	7	0	0	0	7
District of Columbia – all†	124	4	1	1	128

* Adjustment of 2 in New York to correct 1974 total.

† Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Table 8

De novo branch applications of National banks, by States, calendar 1975

	Received*	Approved	Rejected	Abandoned	Pending Dec. 31, 1975
United States	797	530	82	14	171
Alabama	24	22	1	0	1
Alaska	7	5	1	1	0
Arizona	15	12	1	0	2
Arkansas	13	10	0	0	3
California	72	45	14	0	13
Colorado	2	1	0	0	1
Connecticut	6	5	1	0	0
Delaware	0	0	0	0	0
District of Columbia	4	3	0	0	1
Florida	21	11	1	1	8
Georgia	11	3	3	4	1
Hawaii	0	0	0	0	0
Idaho	7	2	0	0	5
Illinois	8	7	0	0	1
Indiana	37	22	2	0	13
Iowa	1	1	0	0	0
Kansas	11	7	1	0	3
Kentucky	25	16	0	1	8
Louisiana	19	15	1	0	3
Maine	5	4	0	0	1
Maryland	12	7	0	1	4
Massachusetts	12	8	1	0	3
Michigan	116	47	32	0	37
Minnesota	11	10	0	0	1
Mississippi	12	9	0	0	3
Missouri	3	3	0	0	0
Montana	0	0	0	0	0
Nebraska	3	2	0	0	1
Nevada	2	0	1	0	1
New Hampshire	8	6	1	0	1
New Jersey	40	23	7	4	6
New Mexico	5	3	0	0	2
New York	62	48	5	0	9
North Carolina	12	11	1	0	0
North Dakota	4	4	0	0	0
Ohio	42	30	0	1	11
Oklahoma	2	2	0	0	0
Oregon	16	12	1	0	3
Pennsylvania	42	36	0	0	6
Rhode Island	2	2	0	0	0
South Carolina	6	6	0	0	0
South Dakota	3	3	0	0	0
Tennessee	16	13	1	0	2
Texas	7	6	0	0	1
Utah	5	1	3	0	1
Vermont	0	0	0	0	0
Virginia	24	20	0	1	3
Washington	27	16	1	0	10
West Virginia	9	8	0	0	1
Winconsin	6	3	2	0	1
Wyoming	0	0	0	0	0
Virgin Islands	0	0	0	0	0
Puerto Rico	0	0	0	0	0
District of Columbia – all†	5	4	0	0	1

* Includes 192 applications as of December 31, 1974.
† Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Table 9

De novo branches of National banks opened for business, by community size and by size of bank, calendar 1975

Population of cities	*Branches*	*Total resources of banks (millions of dollars)*	*Branches*
Less than 5,000	117	Less than 10.0	43
5,000 to 24,999	205	10.0 to 24.9	133
25,000 to 49,999	119	25.0 to 49.9	113
50,000 to 99,999	79	50.0 to 99.9	79
100,000 to 249,999	87	100.0 to 999.9	207
250,000 to 499,999	55	1,000.0 and over	175
500,000 to 1,000,000	41	Total	750
Over 1,000,000	47		
Total	750		

Table 10

Mergers, calendar 1975*

	Transactions involving two or more operating banks	*Others pursuant to corporate reorganization*	*Total*
Applications received, 1975:			
Mergers	32	21	53
Consolidations	3	0	3
Purchases and Assumptions	13	0	13
Total received	48	21	69
Approvals issued, 1975:			
Mergers	28	34	62
Consolidations	4	0	4
Purchases and Assumptions	14	0	14
Total approvals	46	34	80
Denials issued, 1975:			
Mergers	0	0	0
Consolidations	0	0	0
Purchases and Assumptions	1	0	1
Total denials	1	0	1
Total decisions	47	34	81
Abandoned, 1975:			
Mergers	3	4	7
Consolidations	0	0	0
Purchases and Assumptions	0	0	0
Total abandoned	3	4	7
Consummated, 1975:			
Mergers	22	36	58
Consolidations	3	0	3
Purchases and Assumptions	14	0	14
Total consummated	39	36	75

* Includes mergers, consolidations and purchases and assumptions where the resulting bank is a National bank.

IV. Bank Examinations and Related Activities

The National Bank Act requires that all National banks be examined twice in each calendar year but the Comptroller, in the exercise of his discretion, may waive one such examination in a 2-year period or may cause such examinations to be made more frequently, if considered necessary. Also, the District Code authorizes the Comptroller to examine each nonNational bank and trust company in the District of Columbia.

For the year ended December 31, 1975, the Office examined 6,011 banks, 21,182 branches and facilities, 1,926 trust departments, and 353 affiliates and subsidiaries and conducted 867 special examinations and visitations. The Office received 228 applications to establish new banks, including 19 corporate reorganizations. Also, the Office processed 605 applications to establish *de novo* branches and 8 applications to convert State banks to National banking associations.

The bank examination process is considered the fact-finding arm in discharging the Office's responsibility for bank supervision. The examination report and related data are used to determine a bank's soundness and performance, and whether its operations are within the framework of applicable banking laws and regulations. The appraisal of a bank's loans and investments, the determination of the adequacy of its loan and investment policies and procedures, and the assessment of the ability and capacity of its management represent the most demanding phases of the examination process.

As of December 31, 1975, the Office employed 2,281 examining personnel; 2,117 commercial examiners and 164 trust examiners.

The review headed by Haskins & Sells, referred to in the 1974 *Annual Report,* has been completed. Implementation of various recommendations contained in this study are now in process. New examining methods and procedures and increased career development programs are but two of many areas receiving attention.

The basic 5-day EDP seminar, inaugurated in 1970, was continued in 1975. Eight such seminars were conducted during the year, with approximately 200 examiners attending. Instruction covers EDP systems capabilities and limitations and what impact they have on the commercial and trust examination function. The Office uses a select group of EDP examiners in each region to examine EDP operations. Those individuals have received specialized training in EDP, including in-bank training in EDP operations. To improve the skills of those specialized examiners and to keep them abreast of changes in the bank computer environment, a major National accounting firm was contracted to develop and present an advanced EDP seminar. Four such seminars were presented during the last 6 months of 1975 and all EDP examiners attended. Continued EDP training is projected for the coming year, including pre- and post-sessions to complement the current in-bank training program for those selected to become EDP examiners and an annual update seminar for EDP examining personnel.

Ninety-seven National banks, with 664 foreign branches require examiners trained in international finance procedures and policies. Personnel from the Washington Office International Division, together with outside international experts, conduct periodic seminars to provide that training.

The Office continues to encourage its examiners to attend and participate in educational programs relating to banking and finance.

V. Law Department

The Law Department provides legal advice and supportive research to the Comptroller and his staff concerning any matters falling within the scope of the official duties of his Office, including interpretations of banking laws and regulations. The Department also responds to litigation in which the Office may become interested, and exercises certain direct responsibilities in enforcement and securities disclosure. Some of the major activities are described below.

A. Litigation

On January 1, 1975, there were 20 cases pending in which the Comptroller was a defendant. During the year, ten of those cases were concluded; three by stipulation of the parties, one by dismissal by the court, two by dismissal of the Comptroller as a defendant, one by denial of *certiorari* by the Supreme Court, and four upon the merits. None of the cases was decided adversely to the Office. Half of the cases challenged the Comptroller's decisions on new bank charters, a main office relocation, and branch bank applications. The most significant decision was the decision of the United States District Court for the District of Columbia upholding the Comptroller's interpretation of the Glass-Steagall Act to permit the offering of an automatic investment service by National banks, *New York Stock Exchange Inc. and Investment Company Institute* v. *Smith,* Civil No. 74-1405 (D.D.C., Dec. 5, 1975).

During 1975, 38 new cases were filed in which the Comptroller was a defendant.

B. Enforcement

During 1975, there were five final cease and desist orders issued by the Office to National banks. Eighteen formal written agreements in lieu of cease and desist orders were utilized during the same period. Those agreements and orders brought about significant changes in the affected banks. Specifically, they called for such things as improvement of the bank's capital structure, alteration of the bank's management structure through removal and hiring of various personnel, correction of Truth-in-Lending Act violations, improvement in the bank's audit and other internal control functions, alteration and improvement of the bank's relationship with its affiliates, alteration of the composition and quality of the bank's loan portfolio, and correction of various violations of statutory provisions contained in Title 12 of the United States Code.

The enforcement effort should be strengthened in the coming year if Congress passes the legislative proposal recommended by the regulatory agencies which would authorize them to bring actions to impose civil, monetary penalties against banks and individuals and would enable the Comptroller to remove officials from banks under his jurisdiction when their conduct amounts to gross negligence.

C. Securities Disclosure

The Securities Acts Amendments of 1975 greatly extended the purview of the Federal securities laws to, among other things, bank municipal bond dealing, bank transfer and clearing agency functions, and disclosure by institutional investment managers (including bank trust departments). The Law Department consulted, coordinated, and cooperated with the Securities and Exchange Commission, the Municipal Securities Rulemaking Board, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and other interested parties in carrying out myriad new responsibilities required by those amendments. An excess of 200 registration forms from National bank municipal securities dealers were reviewed by this Office. Many additional inquiries were answered. A registration rule and form for National bank transfer agents was promulgated by the Comptroller in October 1975. The Office continues to provide input on various rules promulgated by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

In response to the 1974 amendments to the Securities Exchange Act of 1934, the Comptroller adopted, effective September 30, 1975, a substantial revision to his Securities Exchange Act disclosure rules (12 C.F.R. 11) making those rules substantially similar to those of the Securities and Exchange Commission. The Securities Disclosure Division reviews all changes in those Securities and Exchange Commission rules and regulations in order to assure that Part 11 remains substantially similar.

The Law Department reviewed approximately 425 annual reports, 625 proxy statements, 1,175 quarterly reports, 825 current reports, and 10,000 ownership reports filed by National banks pursuant to the Securities Exchange Act of 1934. The Department was also involved in an increased number of tender offers, election contests, and other take-over attempts. At the request of the Securities and Exchange Commission, the Law Department commented on numerous registration statements filed with them and proposed releases relating to banks or bank holding companies.

Attorneys from the Law Department participated in the Securities and Exchange Commission-Federal Banking Agencies Task Force on statistical disclosure by bank holding companies which was responsible, in part, for substantial revisions in bank call reports. Much of the work in that area related to corporate accounting, and a significant change in the accounting for the reserve for loan losses was achieved. Other changes in accounting are expected in 1976. The Department has undertaken a study of the Comptroller's regulation on offering circulars (12 C.F.R. 16) in connection with additional disclosures now being made by National banks.

D. Interpretations and Regulations

During 1975, the Law Department responded to well over 2,000 requests for information, advice, and interpretations of law and regulations received from members of the Comptroller's staff, banks, attorneys, bank customers, members of Congress, and other agencies of the Federal government and the various State governments. In addition, numerous rulings and circulars were issued announcing new policies or modifications of existing regulations. The following represents a partial digest of that activity.

1. *Banking Bulletin 75-3.* In late 1974, the Office received information that an offer of large deposits characterized as Arab in origin had been made to at least one bank on the condition that no member of the Jewish faith sit on the bank's board of directors or control 20 percent or more of the bank's outstanding stock. Because the Comptroller believes that such business practices, if accepted, constitute a threat to the personal rights of American citizens, the banking industry, and individual banks, he issued Banking Bulletin 75-3 on February 24, 1975, advising all National banks of his intention to assure their adherence to policies of nondiscrimination in their dealings with American citizens. The bulletin read in part:

> One of the major responsibilities of this Office is to ensure that each National bank meets the needs of the community it was chartered to serve. While observing those credit and risk factors inherent to the banking business, all activities of all National banks, indeed of all banks regardless of the origin of their charters, must be performed with this overriding principle of service to the public in mind. Discrimination based on religious affiliation or racial heritage is incompatible with the public service function of a banking institution in this country.

2. *Banking Bulletin 75-8.* Over the years, the Office had considered mobile home loans to be in the consumer credit category. As a result, the charge-off policy employed by the examiners had been somewhat similar to that used for other consumer loans. For example, mobile home paper delinquent in excess of 180 days was charged off unless there was a record of recent regular payments, and repossessed mobile homes were charged off at the time of repossession even though the delinquency was less than 180 days.

Recognizing the changed role of mobile homes in the existing housing market, the Office, on July 10, 1975, amended its charge-off policies for such loans to more closely parallel the treatment afforded delinquent real estate loans and foreclosed real property. This change of policy does not apply to loans secured by recreational vehicles or trailers which remain in the consumer loan category.

3. *Banking Bulletin 75-10.* On July 2, 1975, the Emergency Housing Act of 1975, Public Law 94-50, became effective. The Act is designed to assist homeowners who have suffered a significant loss of income and are financially unable to meet their mortgage payments. One of the primary objectives of the legislation is to have the Federal supervisory agencies provide support and encouragement to lenders subject to their jurisdiction by encouraging a policy of forbearance with respect to home mortgage foreclosures. A secondary objective is to provide assistance through an insured loan program or a direct loan program when forbearance is no longer feasible unless outside help is provided. The Department of Housing and Urban Development is responsible for providing financial assistance on a stand-by basis.

Section 110 of the Act directed this Office to take appropriate action to waive or relax limitations with respect to mortgage delinquencies in order to encourage forbearance and to request each National bank, until July 2, 1976, to notify it, the Secretary of HUD, and the mortgagor at least 30 days prior to instituting foreclosure proceedings. Therefore, Banking Bulletin 75-10 was issued on August 28, 1975, informing the National banks of the essential elements of the legislation and announcing the adoption of a policy temporarily modifying loan classification criteria and certain statutory interpretations with respect to mortgage loan delinquencies.

E. Legislative

Because of the increase in activity in Congress affecting banking and bank regulation, the Law Department expanded its staff and responsibilities in the legislative area.

During the year the Law Department assisted in the drafting of legislation jointly proposed by the Comptroller, the FDIC, and the Federal Reserve to improve the Financial Institutions Supervisory Act. The Department also assisted in the drafting of the Financial Institution Act of 1975, which passed the Senate on December 11, 1975.

During 1975, the Comptroller appeared before committees of Congress on seven different occasions on matters relating to pending legislation or committee investigations. The subjects included proposed amendments to the Glass-Steagall Act, the effect on the National Banking System of a default by New York City on its debt obligations, bank regulatory agency restructuring, disclosure of financial data, and electronic funds transfers.

During the last three months of 1975, the Law Department coordinated preparation of the agency's responses to the House Banking Committee's study on Financial Institutions and the Nation's Economy (FINE Study). The responses to the Committee's questions, submitted to the Committee in December, provided an extensive review of the Comptroller's Office. The responses were bound and circulated for use by agency personnel, Congress, and the public.

VI. Fiduciary Activities of National Banks

During 1975, 57 National banks applied for permission to exercise fiduciary powers. Of that number, 31 were approved. That includes 5 conversions from State charters. At year-end, 2,010 National banks had the authority to exercise trust powers.

In March 1975, a school was held for Assistants and Associates in Trusts, the entry and intermediate levels of trust examiners, in Washington, D. C. The curriculum covered all aspects of trust department operations and fiduciary law and other laws and regulations.

The number of trust examiners increased during the year, so that by the end of 1975 there were 53 Representatives in Trusts, 22 Associates in Trusts, and 67 Assistants in Trusts on the rolls.

Enactment of the Securities Acts Amendments of 1975 brought new statutory and administrative duties to the Office. National banks acting as transfer agents for issuers subject to the Securities Exchange Act were required to register with this Office. Regulation 9 was amended to provide for that registration and Form TA-1 (CC-7510-06) was developed jointly with the other banking agencies and the SEC. In addition, work was begun during the year, in coordination with the other agencies, to effectuate other sections of the Act relating to safeguarding of securities and clearing agencies.

Acceptance of recommendations made by Haskins & Sells resulted in the initiation of their implementation. Several of the accepted recommendations relate to the examination process. It was decided to publish an internal controls questionnaire to be completed by the examiner at each examination. It attempts to identify those policies, procedures and controls which experience has shown would be present in a well-managed trust department. Based upon the information developed from that questionnaire, the examiner will decide the direction, scope and emphasis of his examination. Supplementing the questionnaire will be an examination procedures checklist also to be completed by the examiner at the time of examination. That checklist sets forth the procedures he followed and indicates why any were omitted. That should result in better standardization of procedures and permit better quality control.

The trust examination report is also being modified to reflect the revised procedures and to permit better communications with the banks. In addition, a revised examination handbook is being drafted to replace the present one, which is somewhat out of date. It is expected that those improvements will be completed by mid-1976.

Implementation of recommendations relating to other activities of the Trust Division also was initiated. Steps were taken to transfer, to the Regional Administrators, the authority to grant fiduciary powers to National banks. The position of Regional Representative in Trusts is to be created to provide a means of coordinating trust supervisory efforts in the regional offices. Procedures are being established to permit better communication between the Washington Office and field examiners. Those steps also should be completed by mid-1976. It is hoped that a better supervisory product will result.

VII. International Banking and Finance

The beginning of 1975 found the international banking community continuing to experience the still unmeasured effects of bank failures, heavy foreign exchange losses, world-wide recession coupled with high inflation, and the energy crisis. At the same time, tiering in the Euromarkets and growing balance-of-payments deficits by oil-importing nations were beginning to force curtailment of new credit and were limiting activity in the international money markets. That raised serious questions as to the ability of those markets to recycle the still formidable OPEC surpluses. Many of those problems, which had seemed insurmountable less than a year before, were effectively countered by changes in National policies.

Reduced oil consumption by industrialized nations as a result of recession, the institution of energy conservation programs by many governments, stockpiling of oil reserves in the face of possible future price increases, and the sharp rise in imports by the OPEC nations, were major factors contributing to the reduction of OPEC surpluses and to the easing of market pressures. As the payment surpluses of the OPEC nations declined and their imports increased, the industrialized nations experienced improvement in their trade and current account balances. However, oil-importing lesser developed countries were less fortunate because markets for their exports were adversely affected by recession while overall inflation and the continuing rise in oil prices increased their import costs. The problem of market support for the financing requirements of those countrues continued to cause concern through year-end 1975.

By year-end, international financial markets had demonstrated remarkable recovery from the stagnant conditions that had existed when the year began. International lending began to revive, stimulated by the widening of interest margins and the gradual elimination of tiering within the market. Banks that had curtailed their foreign lending during the turmoil of 1974 reentered the market, encouraged by signs of economic recovery and by the easing of inflation.

During the first half of 1975, while markets were relatively inactive, National banks advantageously employed their resources toward the development of more selective credit policies, improved operational and credit reporting systems, increased control over foreign exchange activities, and greater asset diversification. New policies indicate the adoption of philosophies emphasizing "manageable" growth. That is reflected, in part, by the relatively modest growth in foreign branch assets from $99.8 billion, in 1974, to $101.2 billion, at year-end 1975. That represents growth of only 1.4 percent, compared to an average annual increase of 29.6 percent for the years 1970–1974.

National banks opened 42 foreign branches and closed 27 during 1975, compared with 15 openings and 21 closings during the previous year. At year-end 1975, seven branches were approved but unopened, compared to 22 in 1974. National banks continued to hold investments in foreign financial institutions, either directly or through their Edge Act subsidiaries.

Supervisory responsibility over the foreign activities of all National banks is delegated to the International Banking Group within the Banking Operations Division. Through a six-man team of examiners based in London and experienced examiners selected from the 14 National Bank Regions, the International Banking Group conducts examinations of the international divisions, foreign branches, and foreign affiliates of National banks. Examinations are especially tailored to the organizational and geographic structure as well as to the reporting procedures of the bank under examination. Those examinations include evaluation of the quality of the international loan and investment portfolios, analysis of foreign exchange activities and reporting procedures, accounting and record-keeping systems, and adequacy of internal control and audit programs.

During 1975, 153 National Bank Examiners were assigned to conduct examinations of 80 foreign branches and subsidiaries in 25 countries. Examinations of 15 foreign electronic data processing centers were also performed. Discussions with branch and subsidiary managers, as well as with central bank and bank supervisory officials, provided invaluable insight into current economic conditions, present and anticipated exchange controls, fiscal and monetary policy, and political developments. In addition, overseas examinations provided essential background knowledge of local religious, cultural, and legal influences on banking activities in particular countries.

A major development during 1975 was the decentralization of the credit supervision functions of two of the Nation's largest banks into overseas regional credit centers. Those centers, located in strategic cities throughout the world, are designed to improve the banks' own supervision of their foreign activities. In order to adjust to the new structure, the International Banking Group, key examining personnel, and management of each bank jointly developed a foreign branch information gathering system, a regional credit examination program and a revised examination report format. The new examination system is designed to permit an intensive review to determine weaknesses in loans and internal credit review systems in less time. Major emphasis is placed on verifying the accuracy of the reporting systems from branches and subsidiaries to their regional centers, and then to the bank's head office.

In an effort to keep abreast of the constant changes in the international banking system and to improve the capabilities of examining personnel, the International Banking Group conducted quarterly seminars covering all phases of international banking supervision. A total of 82 examiners participated in those seminars. Four National Bank Examiners attended the School for International Banking conducted by the American Bankers Association. In addition, a weekly newsletter of relevant published articles was mailed to 255 examiners and our regional offices, as well as to the staffs of the Board of Governors of the Federal Reserve System, the Department of the Treasury, and members of Congress.

In 1975, the International Banking Group continued to work with the staffs of Congress, the FDIC, the Board of Governors of the Federal Reserve System, and the Bankers Association of Foreign Trade in developing new techniques for more effective supervision of the Nation's banking system. During the year, the International Banking Group participated in meetings with bank supervisors from the nine European common market countries, as well as with those from Canada, Japan, Switzerland, Australia, Thailand, Indonesia, and the Philippines. Those meetings contributed to the development of open and meaningful relationships between the Office of the Comptroller of the Currency and foreign bank supervisors, emphasizing the need for mutual assistance and exchange of ideas. In keeping with that spirit of international cooperation, examiners and Washington staff members conducted seminars for foreign bank supervisory officials in Bolivia, Colombia, Peru, and the Philippines.

VIII. Washington Operations

As a result of the recommendations set forth in the Haskins & Sells Study (1974–1975), completed in mid-1975, the Administrative Operations' function of the Office of the Comptroller of the Currency was reorganized and renamed Washington Operations. Headed by the Deputy Comptroller for Washington Operations, that department is now responsible for all the operating and support functions of the 14 regional offices as well as the Washington headquarters.

The Washington Operations Department is comprised of six operating divisions: Bank Organization and Structures; Systems and Data Processing; Research and Analysis; Human Resources (personnel); Finance and Administration; and Financial Accounting and Reporting.

A. Bank Organization and Structure Division

During 1975, the processing of applications involving charters, branches, conversions, mergers, fiduciary powers, operating subsidiaries, title changes, relocations, and capital were consolidated into the newly formed Bank Organization and Structure Division.

The Division's first major undertaking was to work toward implementation of the recommendations emanating from the Haskins & Sells Study of the corporate area. In late 1975, work commenced on the formulation of written policies for the various corporate activities. Those statements of policy are intended to provide the public and the banking industry with a better understanding of the bases for decisions. Additionally, the Division has revised and continues to review all forms, instructions, and internal procedures. The objective of the Division is to gradually delegate greater responsibility for the processing of applications to the regional offices. In 1975, each regional office appointed a Regional Director of Corporate Activities to assist the Regional Administrator in meeting that increasing level of responsibility.

It is anticipated that the statements of policy developed for corporate activities will be published for comment in the *Federal Register* in mid-1976. Complete implementation of new forms and procedures is expected by the latter half of 1976.

It is hoped that the restructuring of this Division will result in a more responsive and accessible decision-making process, that will better serve the needs of the public and the banking industry.

B. Systems and Data Processing Division

During the past year, substantial effort was directed toward the implementation of the Haskins & Sells management study recommendations. Two important segments of those efforts were the development and implementation of computer programs for the National Bank Surveillance System (NBSS), a major component of the regulatory system, and efforts in support of the Office's Financial and Administration Division.

To put the National Bank Surveillance System into operation, professional personnel from each of the Division's three functional areas, systems and programming, data operations, and management analysis, worked with members of the NBSS group and staff personnel from Research and Analysis, Economics, Strategic Studies, and Statistics. NBSS is designed to provide both background and current information on the status of each National bank. A comprehensive bank data base utilizing call reports, past due loan reports, and examination reports for input has been developed. That data base, and a set of more than 100 ratios representing predetermined variations for data items, allows the production of a variety of computer-generated analysis reports. Those reports provide an effective means of continuous, close supervision of every aspect of the banks' operations.

As a part of the NBSS and regulatory systems development, the December 31, 1975 Call Report package was redesigned by the Division's graphic function to assist the banks in responding to the reporting requirements. For the first time, the package was a standard size and was produced as a self-mailer.

Specific plans for the restructuring of the Financial and Administration Division were mapped out and preliminary steps for the implementation of new systems were completed during the year. Working closely with the Fiscal Management Branch and members of the Haskins & Sells implementation group, Systems and Data Processing Division personnel are currently developing a computer-based system to streamline and simplify the Office's accounting functions and to produce many of the Office's financial reports. That system should be fully operational during 1976.

Another important project completed in 1975 was the Consumer Complaint Information System which was designed to collect and edit data relating to consumer-bank disputes, complaints filed, and decisions rendered. Periodic computer reports are produced, providing the Consumer Affairs Division with data on the current status of consumer complaints as well as an historical file including data on the type of complaints received and a regional analysis of those data.

A variety of other projects varying in scope from a new graphics program to the development of a high-speed microfilm public information service have been a part of the Division's on-going support during 1975.

C. Research and Analysis Division

In September 1975, the Department of Banking and Economic Research became the Research and Analysis Division under the administrative direction of the Deputy Comptroller for Washington Operations, and operational control was delegated to a newly appointed Director. The structure was streamlined and the Department's objectives were reevaluated in terms of recommendations in the Haskins & Sells Study. The primary objectives of the reorganization were to increase the Division's usefulness to the rest of the Office and to establish an ongoing research program which would result in publication in various banking, economic, and academic journals. Essential to that effort was bringing the Washington staff complement to full strength while maintaining quality and diversity, revitalizing the Regional Economist program, and enhancing the Division's computer capabilities. By the end of the year, the Division was well on its way to meeting each of those goals.

Restaffing had first priority in 1975. By the end of the year, three senior research economists had been hired for the Washington Office, bringing the complement to four with an expectation of the hiring of two more economists in early 1976. The Division also upgraded the hiring requirements for research assistants giving special emphasis to a high level of expertise in computer operations.

While research projects initiated in 1975 have not yet led to publication, the Washington staff showed a dramatic increase in research productivity in the year's final quarter. Studies on such timely issues as past due loans, bank liquidity, and fair housing have been started. Attempts are being made to determine what significant variables affect bank examiner productivity, to analyze worker mobility relative to banking markets in the United States, and to build a model to measure and analyze the size and growth potential of individual bank markets.

The Regional Economist program which had atrophied over the past decade was revived and, by December 31, 13 regions were staffed with an economist. The regional staff was recruited, in part, so that their skills would supplement the operations of the Washington Office. The Division now has ready access through the various regions to recognized experts in such areas as survey research, trust operations, computer operations, and banking structure. Although not every Regional Economist is involved in research in conjunction with or at the direction of the Washington Office, three projects currently under way have National implications—a study on electronic funds transfer systems and National banks, a study on classified loans incorporating data from regional offices in Memphis, Boston, New York, Chicago, and San Francisco, and a risk/return analysis of common trust funds throughout the entire banking system.

The Division's computer capability has been enhanced through the Bureau's relationship with Boeing Computer Services and the Division's arrangement with Data Resources, Inc. The latter service was used to develop the first executive economic forecast exclusively for the Comptroller's use. That forecast is scheduled to be repeated every 6 weeks under the direction of one of the senior Washington Office economists.

D. Human Resources Division

In the fall of 1975, in response to recommendations in the Haskins & Sells Study, the Office of Personnel Management, under the new organizational title of the Human Resources Division, established five branches. Those branches are: Employee Relations, Position and Pay Management, Staffing and Placement, Employee Development, and Personnel Operations. That realignment led to the initiation of many new programs, policies, and guidelines.

The Employee Relations Branch, in an effort to effect the Haskins & Sells recommendations, completely reviewed all grievance and adverse action policies and reviewed all employee benefit programs.

This branch proposes to develop, for the first time in the Comptroller's Office, uniform performance standards and evaluations, uniform work rules, employee appeal and management review procedures and an effective system of personnel research.

The most notable innovations by this branch in 1975 were:

- The advent of a new preventive dental care program—Blue Cross/Blue Shield Dental Insurance. This program is open to all full-time permanent employees and provides insurance coverage for the dental expenses of employees and their families. Coupled with other health insurance programs and the Federal life insurance program, the program allows the Office to provide employees with the most comprehensive health coverage possible.
- The broadening of the applicability of the physical examination program. The program is now available, both in Washington and the regions, to all GG13's and above who are at least 40 years of age and have 5 years of service with the Office. Employees receive up to $100 in expenses toward the cost of a complete physical examination.
- The issuance of an innovative policy statement on alcoholism and drug abuse. Administrative Circular 71, dated July 29, 1975, entitled "Alcoholism and Drug Abuse," has added new dimensions to the counseling aspect of the Employee Relations Branch. Professional counseling and a referral service is now available for all Office employees.

Employee performance was emphasized when 78 Special Achievement Awards were presented to Office employees and 10 employees received financial remuneration for suggestions they made which were accepted and adopted. The Treasury Department's Annual Awards Ceremony on October 17, 1975, was highlighted by the Comptroller's acceptance of the 1974 Annual Treasury Safety Award. That award recognized a 70 percent reduction in disabling injuries in the Comptroller's Office for the period.

The Position and Pay Management Branch highlighted its functions with the publication of a Position Management Classification Handbook and Personnel Guide for Supervisors. Position management and classification surveys and reviews were conducted for five major organizational segments of the Office this year. Job descriptions and desk audits pertaining to hundreds of positions were completed, resulting in standard position descriptions for non-professional jobs in both the headquarters and the regional offices. The Bureau now has position descriptions for the majority of jobs. During 1975, the Position and Pay Management Branch processed approximately 5,000 personnel actions. The Position and Pay Management Branch will administer the new salary plan projected for 1976. That plan is geared toward providing salaries that are competitive with the professional, non-governmental financial community and that are equitable in relation to other positions within the organization. The new system will also provide for salary adjustments based upon individual performance.

One of the most important new fields encompassed by Human Resources, is the active recruitment and employment of the handicapped. In conjunction with that effort, during 1975, the Staffing and Placement Branch concluded a survey on existing facilities and their accessibility to handicapped individuals. The results of the survey indicated that the Office is easily accessible to handicapped employees and applicants. The branch processed over 4,000 personnel actions and applications, more than in any past year. That total reflects not only applications being processed, but also posting of vacancies, testing of applicants (including administering the bank examiner's qualifying examination), interviewing, checking references and records, and monitoring the merit promotion plan.

The Employee Development Branch, with a new emphasis on training all Office personnel, focused its efforts on three major areas, two related to training examiners and one to training organizational concepts. During 1975, 57 experienced examiners participated in a special instructional program in advanced electronic data processing examination techniques. Another examiner-oriented program is scheduled for 1976—The Assistant National Bank Examiners' School for Advanced Study. All Assistants are eligible for participation within 6 months of their commissioning. Specific educational and training needs for each level of responsibility have been identified, and career educational lattices have been designed for all levels of examiners, supervisors and managerial personnel. Previously established, in-house, formal training programs reached 998 of our field personnel, or approximately 35 percent of the Bureau staff. Interagency and non-government training accounted for 15 percent of the training sponsored by the Bureau.

The Personnel Operations Branch resolved innumerable problems pertaining to pay administration, leave, life/health insurance, and taxes. To assist in that effort, a new and innovative system of personnel records control was established in compliance with FPM 29.6-31. Under the new system both expediency and accuracy are assured.

It is anticipated that, by 1976, the Human Resources Division will implement one of the most critical recommendations made by the Haskins & Sells Study—the consolidation of its branches into three major organizational segments: Employee Relations, Personnel Development, and Washington Operations.

E. *Finance and Administration Division*

This Division is charged with the responsibility for all fiscal operations, purchasing, property management, and office services for the Office of the Comptroller of the Currency. It has two organizational branches: Fiscal Management Branch and Administrative Operations Branch.

The Fiscal Management Branch's functions and activities are covered in "Financial Operations of the Office of the Comptroller of the Currency" elsewhere in this *Annual Report.*

The Administrative Operations Branch, in their efforts to respond to the recommendations of the Haskins & Sells Study, has been primarily concerned with the space requirements both at the Washington headquarters and at each of the 14 regions. Space management activities in 1975 included the relocation of the regional headquarters offices in Richmond, Va., and Denver, Colo., and the expansion of the regional offices located at Portland, Oreg., and Memphis, Tenn. Three additional sub-regional offices have been established.

The Administrative Operations Branch has been responsible for the Bureau's contribution to the bicentennial celebration. In that connection, the production of exhibits on the history of banking and the role of the Comptroller of the Currency are now on display in banks throughout the country. The Bureau's participation in the Treasury Department's bicentennial exhibitions and related activities has also emerged from this branch.

F. *Financial Accounting and Reporting Division*

Currently, the responsibilities charged to this Division—form and content of bank financial reports, bank accounting principles and compliance with securities acts—are being handled through various other divisions. Ultimately, those responsibilities will be consolidated and transferred to this Division.

IX. Consumer Affairs

The Consumer Affairs Division is charged with the responsibility of protecting the rights of the public dealing with banks under Office jurisdiction. Throughout 1975, the Division was actively involved in programs geared toward making ourselves more accessible and responsive to the public. Implementation of those programs through communication techniques affords the public the opportunity to voice complaints, seek information, and present their views. Some of the activities during 1975 are listed below.

A. Compliance

The Office of the Comptroller of the Currency has the responsibility of enforcing compliance with State and Federal consumer laws and regulations as they apply to National banks. Administration of that obligation is accomplished through the bank examination process and through the review and resolution of complaints, received from whatever source, alleging violations of law. The Consumer Affairs Division has taken an increasingly active part in the administration of that responsibility with the development of evaluative criteria and measurement techniques designed for enforcing compliance. As part of a management study conducted recently, the examination report is being revised and the Division is preparing comprehensive checklists and work papers to examine for bank compliance with consumer protection laws.

Whenever a violation is discovered during bank examinations, the matter is immediately called to the attention of bank management and a report is forwarded to the appropriate regional office and to the Washington Office. Appropriate procedures are subsequently taken to correct the violations. Various checklists are used by the examiners as aids during the examination process. Numerous tests are performed on selected loans, policies, procedures and advertising to determine whether banks are in compliance. In cases of continual and extreme violations, we have used our cease and desist authority and have made referrals to the United Stated Department of Justice. During 1975, two formal written agreements and one cease and desist order were issued and numerous referrals were made to the United States Department of Justice in connection with violations of consumer laws and regulations.

Complaints against National banks cover a wide variety of consumer banking activities. Among the compliants we receive, either in Washington or in one of the 14 regional offices, are ones dealing with check cashing privileges, interest charges, deposits not credited, rebates, and individual credit decisions. A computer program has been established to catalog those compliants. When a complaint is received, it is immediately referred to a staff attorney who investigates the facts of the situation and prepares as complete a response as possible. Inquiry is made to the bank concerned through letter or, if necessary, a visit by an examiner. Depending on what is discovered, either the bank is asked to remedy its error or the complainant is informed that no basis has been found for the complaint. If there appears to be a factual dispute between the parties, the complainant is advised to seek legal counsel to pursue the matter further since this Office does not have authority to adjudicate fact situations.

B. Training Information and Education

The Division participated in seven schools to provide additional training to over 200 experienced National Bank Examiners from throughout the country in the interpretation, administration and enforcement of consumer legislation and regulations.

Information designed to check bank compliance with laws and to detect potential weaknesses and abuses on the part of banks in the area of consumer credit is constantly collected and researched. Comprehensive studies were compiled during 1975 in the areas of unfair or deceptive acts or practices, advertising, consumer leasing, credit insurance, service charges, EFTS guidelines, enacted legislation and promulgated regulations. The Consumer Affairs Division provided an innovative service to banks regarding laws that became effective during 1975. Those laws were the Real Estate Settlement Procedures Act, Equal Credit Opportunity Act and Fair Credit Billing Act. The Division wrote to the Presidents of all National Banks, with copies to examiners, sending them copies of the Acts, copies of the implementing regulations, and an analysis of both, including a checklist and transition calendar. Designated personnel were made available to bankers and their attorneys to discuss any questions. Also, there were requests for comments from Congress, the Board of Governors of the Federal Reserve System, and the Department of Housing and Urban Development regarding proposed legislation and regulations to which we responded extensively.

The Division also responded to numerous requests from students and educational institutions requesting information concerning consumer banking and consumer protection legislation and regulations. Throughout the year, the Division has offered advice and counselling to the public in response to the numerous telephone calls seeking such assistance. The entire staff has been actively involved in lecturing, serving on panels, and attending meetings, seminars and schools.

C. Liaison

The Division has maintained continuing liaison with Federal regulatory agencies, State banking departments, consumer interest groups and industry associations for mutual assistance and an interchange of ideas in the field of banking consumer protection. There has been an increased activity in that area, especially with consumer interest groups, on matters of interest to bank customers. Consumer views have been encouraged and duly considered.

D. Legislation

The two most significant enactments during 1975 were the Home Mortgage Disclosure Act of 1975 and the Real Estate Settlement Procedures Act (RESPA) Amendments of 1975. The Home Mortgage Disclosure Act was enacted to disclose the failure of some financial institutions to provide adequate home financing in certain geographical areas and to provide disclosures to the public regarding residential lending activities of certain financial institutions. Our Office will have the responsibility for enforcing the Act and the implementing regulations to be issued by the Board of Governors of the Federal Reserve System. The RESPA Amendments were enacted because Congress felt that RESPA was causing undesirable delays in settlements and that it had become extremely burdensome for lenders. Again, our Office will have the responsibility for enforcing the amended Act and the revised implementing regulations to be issued by the Board and the Department of Housing and Urban Development (HUD).

There were several regulations issued during the year that implemented legislation enacted during the 93rd Congress. Included among those were Regulation B (12 C.F.R. 202), issued by the Board to implement the Equal Credit Opportunity Act; amendments to Regulation Z (12 C.F.R. 226), issued by the Board to implement the Fair Credit Billing Act; and Regulation X (24 C.F.R. 82), issued by HUD to implement the Real Estate Settlement Procedures Act. The Consumer Affairs Division actively participated in commenting on those regulations and subsequently prepared policy guidelines for an enforcement program to monitor banks under our jurisdiction for compliance with the Acts and implementing regulations.

In addition, the Division has the continuing responsibility of enforcing compliance with consumer protection laws as they apply to National banks. Among the other laws generally included in this area are Consumer Credit Protection Act, which includes the Truth-in-Lending Act and the Fair Credit Reporting Act; Title VIII of the Civil Rights Act of 1968; Equal Employment Opportunity Act; Flood Disaster Protection Act of 1973; various housing acts; Regulations Q and Z of the Federal Reserve Board; usury laws; and State consumer protection laws.

The Consumer Affairs Division maintains a legislative log for each session of Congress. The purpose of that log is to keep the Division updated on all pending consumer legislation and also all proposed and promulgated rules of the various regulatory agencies.

E. Computer System

During 1975, the Consumer Affairs Division developed a Consumer Complaint Information System (CCIS). The establishment of the CCIS enables the Division to catalog complaints and determine the volume and type of complaints received and handled nationwide, and to determine which banks have an inordinate number of complaints filed against them. There were 1,037 complaints received in the Washington Office during 1975, a one-third increase over the previous year. The information derived from the system will be used to supplement the examining process, to determine legitimate customer concerns, and to respond to statistical inquiries. Additionally, the CCIS gives the Division the ability to constantly monitor our operation and utilize consumer complaints for policy program development.

At year end, the Consumer Affairs Division reviewed and evaluated its performance during 1975 to assure that consumer interests were recognized and protected. It is the intention of the Office of the Comptroller of the Currency to intensify the examination procedures to assure that National banks are complying with consumer credit protection laws.

X. Other Activities

A. Strategic Studies Department

The Strategic Studies Department is a small group of highly qualified professionals recruited from industry who represent several critical disciplines. The unit, headed by the Deputy Comptroller for Strategic Studies, is tasked with anticipating, monitoring and assessing changes likely to impact the National Banking System and the Bureau's ability to supervise that system. The changes addressed by Strategic Studies may be financially or technologically motivated, or may arise from complex domestic or international economic factors.

The department is organized along functional lines and includes a Corporate Analysis Division and a Corporate Development Division.

The Corporate Analysis Division, headed by an experienced financial analyst, applies sophisticated analytical techniques to bank and industry data to discern trends and monitor shifts in market share, rate of growth, earnings performance, resource allocation and balance between domestic and international activities. A series of carefully structured interviews is under way to learn the views of bank chairmen, presidents, and chief financial officers on the present and future of the financial service industry. Those interviews also serve as a channel of communication through which "leading edge" thinking on complex concepts flows from the industry into the Office.

The Corporate Development Division has been primarily concerned with developments in electronic funds transfer systems (EFTS) technology. The Division has been active in aiding the Comptroller in the formulation of policies to insure an orderly and closely monitored transition from a costly and inefficient payments mechanism to a competitive and effective range of EFTS alternatives. That transition has been highlighted by an interpretive ruling based on the National Bank Act, extensive litigation on the issues, and a parallel evolution of State legislation clarifying EFTS authority for State-chartered financial service institutions. The impact of EFTS on inter-bank competition, competition between commercial banks and other bank and non-bank entities, and the broadened service opportunities made possible by evolving EFTS technology have expanded the scope of the Division to include defining structural changes within the industry resulting from the interaction of technology, services, and market forces.

Strategic Studies will continue to play a key staff role under the Haskins & Sells recommendations. The Department's objectives are to discern and interpret "leading edge" concepts that might impact the banking industry and to recommend appropriate policy or operating changes to facilitate supervision of the National Banking System. To enhance the value of Strategic Studies to the Comptroller and the Bureau, close working relationships are being developed with virtually all functional areas within the Office and communications are being maintained and expanded with Congress, other regulators, the industry, and leading thinkers from most segments of the American economy. The scope of analysis and interpretation has expanded to encompass the entire world, because many National banks are now multinational in their operations and because economic, technological and financial developments abroad clearly impact our Nation and its banking system.

B. Operations Planning

Operations Planning is intended to provide the Bureau with a way of looking at present and future economic, political, and social environments in order to permit continuous adjustment of policies, practices, and procedures. Through this program we hope to be able to base policy and operating decisions on changes that are occurring or likely to occur in the banking industry. The operations planning process will ensure adoption of overall Office operating and performance objectives and will integrate the performance of all operating and service units toward those objectives. The Deputy Comptroller for Operations Planning will ensure effective functioning of the process.

The operations planning group has worked since approximately October 1, 1973, to implement development and installation of the process. Completion is scheduled for late summer 1976. By the end of 1975, the skeleton of the process had been developed and the Regional Administrators had been through an orientation program. The implementation schedule developed included, for early 1976, orientations for Deputy Comptrollers and workshops for Deputy Comptrollers, Regional Administrators, and their planning associates.

XI. Financial Operations of the Office of the Comptroller of the Currency

Total revenue of the Office of the Comptroller of the Currency for the year was $58.9 million, an increase of 3.7 percent over 1974. That percentage increase is sharply lower than the 10.9 percent increase the previous year. Assessment receipts, which account for 88 percent of total revenue, amounted to $51.8 million, an increase of $3.0 million. That resulted from a $44.8 billion increase in National bank assets. National bank assets affecting 1975 assessment receipts rose 9 percent, compared to an increase of 13 percent in the previous year. Thus, the decline in bank asset growth was a major contributing factor in the decrease in total revenue growth, along with sharp declines in several other revenue categories.

Revenue from trust examinations totaled $2,713,000, an increase of $128,000. Approximately 1,639 trust examinations were made in 1975, compared to 1,630 in 1974. Revenue from applications for new branches, charters, and mergers and consolidations was down sharply, continuing the 1974 trend. New branch application revenue decreased $107,000 due to the receipt of only 588 applications in 1975, compared to 839 and 1,284 in 1974 and 1973, respectively. Revenue from new bank charter and from merger and consolidation fees declined $325,000 and $142,000. There were 78 new bank charter applications in 1975, compared to 216 in 1974, and 299 in 1973; the number of bank merger applications dropped to 62 from 110, in 1974, and 142, in 1973. Interest on investments decreased $484,000, a decline of 14 percent for a total of $2,997,000. That decline is attributable to a smaller amount of investments and a lower rate of interest on temporary investments. The other revenue categories remained at substantially the same levels when compared to 1974.

Total expenses amounted to $68.6 million, compared to $55.5 million for 1974, an increase of $13.1 million. That represents a 23.6 percent increase in 1975, compared to a 21.1 percent increase in 1974.

Salaries, personnel benefits, and travel expenses amounted to $59.2 million, or 86.3 percent of total expenses for the year. Those three expenses amounted to $50.1 million in 1974. Salary increases were caused by (1) a full year under the government-wide general pay increase of 5.5 percent effective October 1974 and another general pay increase of 5 percent effective October 1975, and (2) an increase in our examining staff and support personnel. Travel expenses totaled $10.9 million, a rise of $2.8 million over 1974. That increase was caused by higher *per diem* and mileage allowances, as well as by the increase in the examining staff. The higher *per diem* and mileage allowances were in line with increases authorized for employees of all Federal agencies.

The remaining expenses totaled $9.4 million, an increase of $4.0 million over the previous year. The most significant increases occurred in rent, consultants, education, and data processing. The rent increase reflects a full year's cost of commercial space leased for the purpose of consolidating the Washington staff at one location and rent payments for previously rent-free space in government buildings. Consulting costs were higher because of the study of examination procedures and its initial implementation. The increase in education results from the greater emphasis placed on that area and the training of examiners in the new examination techniques which are being adopted as a result of the procedures study. The greater data processing cost is also a result of the procedures study implementation and represents "tooling up" for the NBSS and other programs. Although the costs related to the procedures study have been substantial, for the most part, they represent nonrecurring costs and the results to be achieved will well be worth the cost in terms of more effective bank supervision by the Comptroller of the Currency.

The equity account is in reality a reserve for contingencies. The financial operations of 1975 have severely eroded that reserve, and the $9.7 million excess of expenses over revenue reduced the equity to $24.0 million at year-end. That represents a 3.8-month reserve for operating expenses, based on the level of expenses over the last three months of 1975. The equity account has been administratively restricted in the amount of $2,160,000, as explained in Note 2 to the financial statements.

Table 11

COMPTROLLER OF THE CURRENCY

BALANCE SHEETS

	December 31 1975	December 31 1974
ASSETS		
Current assets:		
Cash	$ 603,266	$ 121,237
Obligations of U.S. Government, at amortized cost (approximates market value) (Note 1)	6,001,948	8,970,646
Accrued interest on investments	470,838	699,359
Accounts receivable	341,737	252,243
Travel advances	580,857	536,885
Prepaid expenses and other assets	225,378	198,552
Total current assets	8,224,024	10,778,922
Long-term obligations of U.S. Government, at amortized cost (approximates market value) (Note 1)	19,091,952	27,069,661
Fixed assets and leasehold improvements, at cost (Note 1):		
Furniture and fixtures	2,446,058	1,632,599
Office machinery and equipment	803,942	645,857
Leasehold improvements	3,913,197	2,655,248
	7,163,197	4,933,704
Less accumulated depreciation and amortization	1,063,666	719,026
	6,099,531	4,214,678
Total assets	$33,415,507	$42,063,261
LIABILITIES AND COMPTROLLER'S EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,062,306	$ 923,858
Taxes and other payroll deductions	211,744	178,650
Accrued travel and salaries	2,118,915	1,636,130
Total current liabilities	3,392,965	2,738,638
Long-term liabilities:		
Accumulated annual leave	3,301,420	2,917,160
Closed Receivership Funds (Note 2)	2,704,743	2,706,932
Total liabilities	9,399,128	8,362,730
Comptroller's equity:		
Administratively restricted (Note 2)	2,160,000	2,000,000
Unrestricted	21,856,379	31,700,531
	24,016,379	33,700,531
Commitments and contingencies (Note 3)	....	....
Total liabilities and Comptroller's equity	$33,415,507	$42,063,261

See notes at end of tables.

Table 12

COMPTROLLER OF THE CURRENCY
STATEMENTS OF REVENUE, EXPENSES AND COMPTROLLER'S EQUITY

	Year ended December 31 1975	1974
Revenue (Note 1):		
Semiannual assessments	$51,753,849	$48,749,470
Examinations and investigations	3,860,808	4,271,273
Investment income	2,997,207	3,481,139
Examination reports sold	223,945	216,279
Other	62,117	83,998
	58,897,926	56,802,159
Expenses:		
Salaries	44,073,615	38,550,745
Retirement and other employee benefits (Note 3)	4,204,230	3,493,216
Per diem	7,220,781	5,244,786
Travel	3,709,116	2,861,221
Rent and maintenance (Note 3)	2,613,596	1,522,938
Communications	859,509	567,172
Moving and shipping	640,901	548,531
Employee education and training	732,655	401,686
Printing, reproduction and subscriptions	707,601	355,609
Office machine repairs and rentals	321,684	193,866
Depreciation and amortization	386,128	228,139
Supplies	310,715	182,602
Consulting services	1,926,987	841,122
Conferences	190,586	152,328
Remodeling	117,389	147,426
Other	566,585	214,090
	68,582,078	55,505,477
Excess (deficiency) of revenue over expenses	(9,684,152)	1,296,682
Comptroller's equity at beginning of year	33,700,531	32,403,849
Comptroller's equity at end of year	$24,016,379	$33,700,531

See notes at end of tables.

Table 13

COMPTROLLER OF THE CURRENCY
STATEMENTS OF CHANGES IN FINANCIAL POSITION

	Year Ended December 31 1975	1974
Financial resources were used for:		
Excess (deficiency) of expenses over revenue	$ 9,684,152	$(1,296,682)
(Charges) and credits not affecting working capital in the period:		
Additions to accumulated annual leave	(629,131)	(592,548)
Depreciation and amortization	(386,128)	(228,139)
Amortization of premium and accretion of discount on long-term U.S. Government obligations, net	21,010	4,340
Net gain (loss) on sale of fixed assets	(2,338)	18,326
Working capital used for (provided by) operations for the period	8,687,565	(2,094,703)
Purchase of leasehold improvements	1,257,949	2,655,248
Purchase of fixed assets	1,017,895	1,292,070
Payment of accrued leave	244,871	257,182
Net closed receivership disbursements (receipts)	2,189	(440)
Purchase of long-term U.S. Government obligations	....	2,997,000
Total	11,210,469	5,106,357
Financial resources were provided by:		
Long-term U.S. Government obligations transferred to current assets	7,998,719	9,188,347
Proceeds from sale of fixed assets	2,525	119,794
Total	8,001,244	9,308,141
(Decrease) increase in working capital	$(3,209,225)	$ 4,201,784

Analysis of Changes in Working Capital

	1975	1974
(Decrease) increase in current assets:		
Cash	$ 482,029	$(1,499,405)
Obligations of U.S. government	(2,968,698)	5,221,646
Accrued interest	(228,521)	(38,871)
Accounts receivable	89,494	7,233
Travel advances	43,972	53,445
Prepaid expenses and other assets	26,826	93,223
	(2,554,898)	3,837,271
Decrease (increase) in current liabilities:		
Accounts payable and other accruals	(138,448)	(580,399)
Taxes and other payroll deductions	(33,094)	(23,278)
Accrued travel and salaries	(482,785)	968,190
	(654,327)	364,513
(Decrease) increase in working capital	$(3,209,225)	$ 4,201,784

See notes on next page.

Notes to Financial Statements December 31, 1975 and 1974

Note 1—Organization and Accounting Policies

The Comptroller of the Currency (Comptroller's Office) was created by an Act of Congress for the purpose of establishing and regulating a National banking system. The National Currency Act of 1863, rewritten and re-enacted as The National Banking Act of 1864, created the Comptroller's Office, provided for its supervisory functions and the chartering of banks. The revenue of the Comptroller's Office is derived principally from assessments and fees paid by the National banks and interest on investments in U.S. Government obligations. Assessments paid by National banks are not construed to be government funds. No funds derived from taxes or Federal appropriations are allocated to or used by the Comptroller's Office in any of its operations. The Comptroller's Office is exempt from Federal income taxes.

The accounts of the Comptroller's Office are maintained on the accrual basis. Furniture, fixtures, office machinery and equipment are depreciated on the straight-line basis principally over estimated useful lives of 10 years. Leasehold improvements are amortized over the terms of the related leases (including renewal options) or the estimated useful lives, whichever is shorter. Premiums and discounts on investments in U.S. Government obligations are amortized or accreted ratably over the terms of the obligations. U.S. Government obligations having a maturity date more than 12 months from the date of the financial statements are classified as long-term investments.

Note 2—Closed Receivership Funds

Prior to the assumption of closed National bank receivership functions by the Federal Deposit Insurance Corporation in 1936, the Comptroller of the Currency appointed individual receivers for all closed National banks. After settling the affairs of the closed banks and issuing final distributions to the creditors of the banks (principally depositors), the receivers transferred to the custody of the Comptroller's Office all remaining funds which represented distributions which were undeliverable or had not been presented for payment. Close Receivership Funds in the accompanying balance sheets represent the potential claims for such funds by the original creditors of the receiverships. Since inception of the receivership function, unclaimed funds have been invested in U.S. Government securities. The income from investments has been applied as an offset to expenses incurred by the Comptroller's Office in performing this function and accordingly has been recorded as revenue in the statements of revenue, expenses and Comptroller's equity. Through December 31, 1975, income has exceeded direct expenses by approximately $2,160,000 (including $160,000 and $155,000 in 1975 and 1974, respectively), which excess amount is included in the Comptroller's equity. An analysis of allocable indirect expenses has not been made.

In its reexamination of the legal status of Closed Receivership Funds and related excess income earned thereon, the Comptroller's legal staff has been unable to locate any definitive statutory or case law which specifies the ultimate disposition of such funds. In the absence of legal precedent, the legal staff is unable to currently give a definitive opinion as to the appropriate disposition of either the unclaimed receivership funds or the excess income from investment of such funds. The Comptroller is in the process of seeking legislative resolution of these matters.

Pending a resolution of the legal uncertainties and legislative action surrounding these funds, the Comptroller's Office has included a liability for Closed Receivership Funds in its balance sheets and recognized income from investment of such funds as revenue in its statements of revenue, expenses and Comptroller's equity. In recognition of these uncertainties, the Comptroller has administratively restricted a portion of the Comptroller's equity in an amount that approximates the excess income earned from investment of Closed Receivership Funds since custody of the funds commenced.

Note 3—Commitments and Contingencies

Regional and sub-regional offices lease office space under agreements which expire at varying dates through 1986. Minimum rental commitments under 93 leases in effect at December 31, 1975, aggregate approximately $920,000 for 1976 and varying lesser amounts each year thereafter, to approximately $304,000 for 1980 and insignificant amounts thereafter through 1986. In addition, the Comptroller's Office occupies office space in Washington, D.C. under a lease agreement which provided for an initial 5-year term with five consecutive 5-year renewal options. The Comptroller's Office has exercised two of its options through 1989. Rent is at an annual rate of $1,600,000. Certain of the leases provide that annual rentals may be adjusted to provide for increases in taxes and other related expenses.

The Comptroller's Office contributes to the Civil Service retirement plan for the benefit of all its eligible employees. Contributions aggregated $3,000,900 and $2,628,454 on 1975 and 1974, respectively. The plan is participatory, with 7 percent of salary being contributed by each party.

The accompanying balance sheets include a liability for annual leave, accumulated within specified limits, which if not taken by employees prior to retirement is paid at that date.

Various banks in the District of Columbia have deposited securities with the Comptroller's Office as collateral for those banks entering into and administering trust activities. Those securities, having a par or stated value of $12,091,000 are not assets of the Comptroller's Office and accordingly are not included in the accompanying financial statements.

The Comptroller's Office is a defendant, together with other bank supervisory agencies and other persons, in litigation generally related to the closing of certain National banks. In the opinion of the Comptroller's legal staff, the Comptroller's Office will be able to defend successfully against these complaints and no liability is expected to result therefrom.

OPINION OF INDEPENDENT ACCOUNTANT

To the Comptroller of the Currency

In our opinion, the accompanying balance sheets, the related statements of revenue, expenses and Comptroller's equity and of changes in financial position present fairly the financial position of the Comptroller of the Currency at December 31, 1975 and 1974, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation of securities owned at December 31, 1975 and 1974, by correspondence with the custodians.

Price Waterhouse & Co.

Washington, D.C.
April 21, 1976.

APPENDIX A

Merger Decisions, 1975

Merger* Decisions, 1975

I. Mergers consummated, involving two or more operating banks

---

* Includes mergers, consolidations, and purchase and sale transactions where the emerging bank is a National bank. Decisions are arranged chronologically by effective date.

II. Mergers consummated, involving a single operating bank.

III. Additional Approvals

A. Approved but abandoned, no litigation

I. *Mergers consummated, involving two or more operating banks.*

THE NATIONAL BANK OF NORTHERN NEW YORK, Watertown, NY., and First National Bank in Gouverneur, Gouverneur, N.Y.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First National Bank in Gouverneur, Gouverneur, N.Y. (13911), with	$ 12,155,648	1	———
and The National Bank of Northern New York, Watertown, N.Y. (2657), which had	141,447,280	11	———
merged Jan. 31, 1975, under charter and title of the latter bank (2657). The merged bank at date of merger had	153,602,928	———	12

COMPTROLLER'S DECISION

On September 20, 1974, The National Bank of Northern New York, Watertown, N.Y., applied to the Comptroller of the Currency for permission to merge with First National Bank of Gouverneur, Gouverneur, N.Y., under the charter and title of the former.

The National Bank of Northern New York, Watertown, N.Y., the charter bank, was organized in 1882 and currently operates 11 offices and one facility in the Fifth Banking District of New York. It has total assets of $140.7 million and IPC deposits of $104.8 million. The service area of the charter bank is a sparsely populated area of Northern New York with an economy that is primarily dependent on farming and agriculturally related businesses.

The charter bank is the second largest of the 18 commercial banks headquartered in the fifth district. Its major competitors include Marine Midland Bank—Northern, Watertown, with deposits of $172.9 million, which is a member of Marine Midland Banks, Inc.; St. Lawrence National Bank, Canton, with deposits of $61.6 million; Farmers National Bank of Malone, Malone, with deposits of $44.2 million, which is a member of Bankers Trust New York Corporation; and Chase Manhattan Bank of Northern New York, Canton, with deposits of $12.7 million, which is a member of The Chase Manhattan Corporation.

First National Bank in Gouverneur, Gouverneur, N.Y., the merging bank, is a unit institution organized in 1934. The merging bank has assets of $12.2 million and IPC deposits of $9.3 million. The area served by the merging bank has an estimated population of 10,000 and its primary businesses are dairy farming and agriculture.

The merging bank is the 10th largest of the 18 banks headquartered in the Fifth Banking District of New York. It competes primarily with St. Lawrence National Bank, Canton; Jefferson National Bank, LaFargeville, with deposits of $8.5 million; The First National Bank of Hermon, Hermon, with deposits of $2.4 million; and Citizens National Bank of Hammond, Hammond, with deposits of $2 million.

There is only minimal competition between the charter bank and the merging bank because of the distance separating their closest offices and the number of alternative banking facilities in the area. The merging bank is 40 miles away from the closest office of the charter bank and the small size of the merging bank prevents it from competing directly with the charter bank.

Consummation of the proposed transaction will result in no adverse competitive effects. Service in the merging bank's area will be improved because the resulting bank will offer previously unavailable services including lease financing, data processing, a trust department, and an agri-business department. The resulting bank's lending limit will be significantly larger than that of the merging bank. The proposed merger will further stimulate competition in the Gouverneur area by removing "head office protection" and opening that community to *de novo* branching by other banks.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

December 26, 1974.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The nearest offices of the parties are separated by a distance of approximately 40 miles, with several competitive alternatives in the intervening area. Thus, it appears that the proposed transaction would eliminate no substantial existing competition. Nor does it appear that the proposed merger would eliminate substantial potential competition.

Therefore, we conclude that the proposed transaction would not have a substantial competitive impact.

* * *

NATIONAL CENTRAL BANK,
Lancaster, Pa., and The Richland National Bank, Richland, Pa.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Richland National Bank, Richland, Pa. (8344), with	$ 18,047,628	1	———
and National Central Bank, Lancaster, Pa. (694), which had	910,793,409	48	———
merged Feb. 7, 1975, under charter and title of the latter bank (694). The merged bank at date of merger had	928,841,037	———	49

COMPTROLLER'S DECISION

On September 5, 1974, The Richland National Bank, Richland, Pa., and National Central Bank, Lancaster, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

National Central Bank, the charter bank, was organized in 1845 and now has assets of $929.7 million and IPC deposits of $681.8 million. It operates 45 offices throughout Berks, Chester, Dauphin, Lancaster and York counties. The service area of the bank, which has a population of 1.4 million, is supported by industrial, commercial and agricultural enterprises.

The charter bank is the largest bank operating in central Pennsylvania. Significant competition is provided by American Bank and Trust Company, Reading, with deposits of $836 million; Commonwealth National Bank, Harrisburg, with deposits of $489 million; and Dauphin Trust Company, Harrisburg, with deposits of $334 million. The charter bank receives additional competition from the large metropolitan Philadelphia banks.

The Richland National Bank, the merging bank, was established in 1906 and has operated since that time as a unit bank. The bank now has assets of $18.4 million and IPC deposits of $15 million. The merging bank, located in Lebanon County, serves a small agricultural area in Eastern Lebanon County with a population of 17,800. The bank has recently received approval to establish a branch in nearby Newmanstown.

The merging bank ranks sixth in deposit size among the eight banks with head offices located in Lebanon County. The largest of the eight banks, Lebanon Valley National Bank, Lebanon, Pa., with deposits of $85 million, provides the merging bank significant competition. Additional competition is provided by Farmers Trust Company of Lebanon with deposits of $25.2 million; Lebanon County Trust Company with deposits of $36.5 million; and Peoples National Bank of Lebanon with deposits of $32.5 million. Banks headquartered outside Lebanon County but with offices in that county that compete directly with merging bank include American Bank and Trust Company and Dauphin Deposit Trust Company.

There is no apparent competition between the charter and merging banks because of the distance that separates their two closest offices and the alternative banking facilities operating between them. The closest offices of the two banks are about 8 miles apart. Additionally, the small size of the merging bank prevents it from being a significant competitor of the charter bank.

Consummation of the proposed merger will stimulate competition in the service area of the merging bank because the resulting branches in Richland and Newmanstown will offer new and improved services such as a significantly larger lending limit, competitive interest rates, and trust services.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

January 8, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

National Central and Richland Bank are headquartered about 20 miles apart. National Central's Robesonia office in western Berks County, however, is located approximately 6 miles from Richland Bank. Thus, it appears this acquisition would eliminate some existing competition. However, it does not appear that concentration in commercial banking would be significantly increased in any relevant banking market. And in view of the modest size of Richland Bank in relation to other banks presently operating in Lebanon County, it does not appear that the proposed merger would eliminate substantial potential competition.

Therefore, we conclude that the proposed transaction would not have a substantial competitive impact.

* * *

NATIONAL CITY BANK,
Cleveland, Ohio, and Northern Ohio Bank, Cleveland, Ohio

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Northern Ohio Bank, Cleveland, Ohio, with	$ 105,000,000	2	———
was purchased Feb. 18,1975 by National City Bank, Cleveland, Ohio (786), which had	2,536,231,014	44	———
After the purchase was effected, the receiving bank had	2,375,264,526	———	46

Due to the emergency nature of the situation, no "Comptroller's Decision" or Attorney General's report was issued.

* * *

CITY BANK AND TRUST COMPANY, NATIONAL ASSOCIATION,
Jackson, Mich., and Springport State Savings Bank, Springport, Mich.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Springport State Savings Bank, Springport, Mich., with	$ 4,216,046	1	———
and City Bank and Trust Company, National Association, Jackson, Mich., (15367), which had	211,188,080	14	———
merged Feb. 28, 1975, under charter and title of the latter bank (15367). The merged bank at date of merger had	215,404,126	———	15

COMPTROLLER'S DECISION

On October 8, 1974, City Bank and Trust Company, National Association, Jackson, Mich., and Springport State Savings Bank, Springport, Mich., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

City Bank and Trust Company, National Association, Jackson, Mich., organized in 1848, is the oldest bank in Michigan and now has assets of $201.4 million and IPC deposits of $153.9 million. This bank has 14 offices and is the largest bank in the Jackson area. Its service area includes the city of Jackson, a heavily industrialized area with a population of 100,000, and its surrounding suburbs.

City Bank and Trust Company, N.A. competes primarily with two other banks: The National Bank of Jackson, with total deposits of $156 million; and the Midwest Bank, Jackson, with total deposits of $28.4 million.

Springport State Savings Bank, the merging bank, is a unit institution organized in 1908 and currently has assets of $4.2 million and IPC deposits of $3.2 million. The merging bank is located in a rural area 22 miles from the city of Jackson. Competition is provided by the Bank of Albion, with deposits of $8.9 million, and the Eaton Rapids branch of American Bank and Trust Company, Lansing, with deposits of $228.2 million.

Competition between the charter bank and the merging bank is minimal. The closest branch of the charter bank is located in Albion, 8 miles from the merging bank. However, the charter bank has not attracted any business from the Springport area.

Consummation of the proposed transaction will result in no adverse competitive effects. The proposed merger will make available an increased lending limit in the Springport area to provide for the needs of the agricultural businesses there. The merger will also solve the management succession problem of the merging bank caused by the death of its president in March 1974.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is therefore approved.

January 23, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The town of Springport (population 723) is situated approximately 22 miles northwest of Jackson (population 45,484), the county seat and population center of Jackson County. Applicant's offices nearest Bank are located 8 miles south of Springport in Albion, where there is also another bank. The proposed transaction, therefore, would appear to eliminate some existing competition between Bank and Applicant, the largest bank in Jackson County, and increase concentration in commercial banking in the area served by the merging banks.

* * *

FIRST NATIONAL BANK, VALPARAISO,
Valparaiso, Ind., and Citizens Bank of Hebron, Hebron, Ind.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Citizens Bank of Hebron, Hebron, Ind. with	$11,575,475	1	———
and First National Bank, Valparaiso, Valparaiso, Ind. (14874), which had	62,878,612	3	———
merged Feb. 28, 1975, under charter and title of the latter bank (14874). The merged bank at date of merger had	73,245,097	———	4

COMPTROLLER'S DECISION

On September 13, 1974, Citizens Bank of Hebron, Hebron, Ind., and First National Bank, Valparaiso, Valparaiso, Ind., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

First National Bank, the charter bank, was organized in 1889 and, with deposits of $55 million, is the second largest bank in Porter County. This bank operates two branches, one in Valparaiso and the other in Portage and has a pending application to establish a branch just outside the town of Chesterton. The service area of the charter bank includes central and northern Porter County, an area that is well populated and has an economy based on industry. First National Bank is a subsidiary of Fina Bank Corp., Inc., a one-bank holding company.

The charter bank's principal competitor is Northern Indiana Bank and Trust Co., Valparaiso, with deposits of $86 million.

Citizens Bank of Hebron, the merging bank, was organized in 1889 and, with deposits of $9.4 million, is the fifth largest of the six banks in Porter County. The service area of the merging bank is the southern section of Porter County which is rural in nature and has an economy based on agriculture.

There is minimal competition between the charter and merging banks because of the contrasting nature of their service areas and the distance that separates them. Charter bank has not actively solicited business in the merging bank's service area. The closest office of the charter bank is some 14 miles from the merging bank. The resulting bank will remain the second largest bank in Porter County and there will continue to be an adequate number of banking alternatives in Cedar Lake, Crown Point, DeMotte, Konts, LaCrosse, Lowell, Shelby, and Valparaiso.

Consummation of the proposed merger will stimulate competition in the service area of the merging bank because the resulting bank will offer new and improved services such as a larger lending limit, trust services, investment counseling services, and, eventually, 24-hour teller machines.

Applying the statutory criteria it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

January 23, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Bank is located in the small community of Hebron (population 1,600), about 14 miles south of Applicant's Valparaiso headquarters. There are no competitive alternatives in the intervening area. Thus, it appears that the proposed merger would eliminate some existing competition and increase concentration in commercial banking in Porter County.

* * *

VALLEY NATIONAL BANK,
Des Moines, Iowa, and Highland Park State Bank, Des Moines, Iowa

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Highland Park State Bank, Des Moines, Iowa, with	$ 31,210,000	3	
was purchased Feb. 28, 1975, by Valley National Bank, Des Moines, Iowa (16324), which had	83,334,029	2	
After the purchase was effected, the receiving bank had	103,543,268		5

COMPTROLLER'S DECISION

On June 21, 1974, Valley National Bank, Des Moines, Iowa, applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of Highland Park State Bank, Des Moines, Iowa.

Valley National Bank, Des Moines, Iowa, the purchasing bank, was organized in 1895 and currently operates two offices in the central business district of Des Moines. The bank is an affiliate of Banks of Iowa, Inc., a multi-bank holding company. The purchasing bank, with assets of $65.3 million and IPC deposits of $47.2 million, is the smallest of the four banks located in the business district and the fifth largest of the 16 banks in the Des Moines area. Competition is provided by Iowa-Des Moines National Bank, with deposits of $366.3 million; Central National Bank & Trust Company, Des Moines, with deposits of $223.7 million; and Bankers Trust Company, Des Moines, with deposits of $177.4 million.

Highland Park State Bank, Des Moines, the selling bank, was organized in 1952 and presently operates two offices in a suburban residential area of Des Moines. With assets of $27.2 million and IPC deposits of $23.9 million, the selling bank is the ninth largest of the 16 banks in the Des Moines area. Its primary competitors are Bankers Trust Company; Plaza State Bank, Des Moines, with deposits of $24 million; and East Des Moines National Bank, with deposits of $16.6 million.

Competition between the purchasing bank and the selling bank is limited. The purchasing bank is oriented toward serving the business community while the selling bank is consumer-oriented. The two banks are located 3 miles apart in a well developed metropolitan area with several intervening alternate banking facilities. In addition, a geographical barrier, the Des Moines River, restricts accessibility between the two banks' service areas.

Consummation of the proposed transaction will result in no adverse competitive effects. The purchasing bank will become the fourth largest bank in Des Moines and will be able to compete more strongly with the three largest banks. The proposed transaction will enable the selling bank to compete more effectively by providing closer supervision of loan processing which in the past has been the source of considerable losses.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and this application is, therefore, approved.

January 20, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Both parties to this transaction are located in Des Moines, in southwestern Polk County, Iowa. Their offices are situated about 3 miles apart. Thus, the proposed transaction would apparently eliminate existing competition between the parties and increase concentration in the Des Moines area.

Commercial banking in the Des Moines area is highly concentrated, with the three largest banks controlling approximately 65 percent of total city deposits. Applicant is the fourth largest bank in the city, with approximately 5.1 percent of total city deposits, while Bank, with approximately 2.3 percent of total city deposits, ranks ninth among the 16 commercial banks in Des Moines. Their market shares in Polk County are not significantly different than in the city of Des Moines. Thus, the proposed merger would apparently have some adverse effects on competition in the Des Moines area.

According to the application, Applicant's profit-sharing trust currently controls approximately 24.9 percent of Bank's outstanding common stock, and individuals associated with Applicant participated in the formation of Bank. The application does not, however, contain sufficient information to fully evaluate the relevance of these facts, and we express no opinion on their effect on the foregoing competitive analysis.

* * *

THE NATIONAL BANK OF GEORGIA,
Atlanta, Ga., and The First National Bank of Tucker, Tucker, Ga.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Tucker, Tucker, Ga. (15531), with	$ 19,622,360	2	———
was purchased Mar. 24, 1975, by The National Bank of Georgia, Atlanta, Ga. (15541), which had	262,063,454	25	———
After the purchase was effected, the receiving bank had	271,100,007	———	27

COMPTROLLER'S DECISION

On March 22, 1975, an application was made to the Comptroller of the Currency by The National Bank of Georgia, Atlanta, Ga., for permission to purchase assets and assume deposit liabilities of The First National Bank of Tucker, Tucker, Ga.

Pursuant to the provisions of 12 U.S.C. 181 and 12 U.S.C. 1828(c), it is found that an emergency exists and that this Office must act immediately to prevent the probable failure of The First National Bank of Tucker, Tucker, Ga., and to protect its depositors, creditors, and shareholders.

Accordingly, approval by the shareholders of The First National Bank of Tucker of the purchase and sale agreement is waived and The National Bank of Georgia is authorized to proceed with the purchase and assumption transaction effective as of the opening of business March 24, 1975.

March 22, 1975.

NOTE: Due to the emergency nature of the situation, no Attorney General's report on competitive factors was requested.

* * *

THE AMERICAN NATIONAL BANK IN SOUTH HAVEN,
South Haven, Mich., and The Lawrence Office of The American National Bank and Trust Company of Michigan, Kalamazoo, Mich.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Lawrence Office of The American National Bank and Trust Company of Michigan, Kalamazoo, Mich. (13820), with	$233,611,644*	1	———
was purchased Mar. 31, 1975, by The American National Bank in South Haven, South Haven, Mich. (16186), which had	4,300,285	1	———
After the purchase was effected, the receiving bank had	15,201,498	———	2

COMPTROLLER'S DECISION

On November 27, 1974, The American National Bank in South Haven, South Haven, Mich., applied for permission to purchase the assets and assume the liabilities of the Lawrence Office of The American National Bank and Trust Company of Michigan, Kalamazoo, Mich.

The American National Bank in South Haven, the buying bank, was organized in 1973, and currently has deposits of $2.4 million. The buying bank is a member of American National Holding Company, a multi-bank holding company. Competition is provided by Citizens Trust and Savings Bank, South Haven, with deposits of $55.3 million.

The American National Bank and Trust Company of Michigan, the selling bank, was organized in 1933 and now has deposits of $200.5 million. The selling bank is owned by American National Holding Company. The branch to be sold is located in Lawrence, 29 miles from the head office of the selling bank and 23 miles from the purchasing bank.

Inasmuch as both the buying bank and the selling bank are wholly-owned subsidiaries of American National Holding Company, the subject transaction is essentially a reorganization of existing corporate assets. As such, it will have no adverse competitive effects.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and is, therefore, approved.

February 20, 1975.

* Represents assets of bank, not purchased branch.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed transaction is part of a plan through which the Lawrence Office of The American National Bank and Trust Company of Michigan would be transferred to The American National Bank in South Haven. Since both the transferring bank and the acquiring bank are wholly-owned subsidiaries of American National Holding Company, a bank holding company, the proposed transaction is simply a corporate reorganization and would have no competitive effect.

* * *

BANKERS TRUST HUDSON VALLEY, NATIONAL ASSOCIATION, Poughkeepsie, NY., and Bankers Trust of Rockland County, Spring Valley, N.Y.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Bankers Trust of Rockland County, Spring Valley, N.Y., with	$ 85,612,536	12	———
and Bankers Trust Hudson Valley, National Association, Poughkeepsie, N.Y. (15641), which had	112,173,534	17	———
merged Apr. 30, 1975, under charter of the latter bank (15641) and title "Bankers Trust Company of Hudson Valley, National Association." The merged bank at date of merger had	197,786,070	———	29

COMPTROLLER'S DECISION

On January 2, 1975, Bankers Trust of Rockland County, Spring Valley, N.Y., and Bankers Trust Hudson Valley, National Association, Poughkeepsie, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title, "Bankers Trust Company of Hudson Valley, National Association."

Bankers Trust Hudson Valley, National Association, the charter bank, was organized in 1852 and presently operates 16 branches. The charter bank is a subsidiary of Bankers Trust New York Corporation, New York, N.Y., and presently has total assets of $115 million and IPC deposits of $80 million. The primary service area of the charter bank includes the cities of Poughkeepsie and Kingston and their surrounding areas, as well as the portion of Orange County adjacent to the city of Newburgh, and the portion of Sullivan County surrounding Monticello. The economy of that area is diversified with emphasis on manufacturing, agriculture, and the resort business.

Competition for the charter bank is provided by Empire National Bank, Middletown, with deposits of $440 million; Marine Midland Bank of Southeastern New York, N.A., Poughkeepsie, with deposits of $302 million, which is a member of Marine Midland Banks, Inc.; Dutchess Bank and Trust Company, Poughkeepsie, with deposits of $65 million, which is a member of Charter New York Corporation; and eight other independent banks with aggregate deposits of $103 million.

Bankers Trust of Rockland County, the merging bank, was organized in 1900 and presently operates 11 branches. The merging bank is also a member of Bankers Trust New York Corporation and presently has total assets of $85 million and IPC deposits of $60 million. The primary service area of the merging bank encompasses all of Rockland County. The economy of that area is based on a wide range of commercial and industrial activity with a large portion of its residents commuting to New York City for employment.

Competition for the merging bank in Rockland County is provided by The County Trust Company, White Plains, with deposits of $977.3 million, which is a member of The Bank of New York Co., Inc.; National Bank of Westchester, White Plains, with deposits of $514 million, which is a member of Lincoln First Banks, Inc.; Empire National Bank, Middletown, with deposits of $440 million; and Marine Midland Bank of Southeastern New York, N.A., Poughkeepsie, with deposits of $302 million, which is a member of Marine Midland Banks, Inc.

There is little, if any, competition between the charter and merging banks because their closest offices are separated by a distance of 25 miles and an adequate number of alternative banking facilities operate in the intervening area. The fact that both banks are subsidiaries of Bankers Trust New York Corporation further precludes meaningful competition between them.

Consummation of the proposed merger would stimulate competition in the service areas of both banks because the resulting bank will offer new and improved services such as an increased lending limit, expanded trust services, greater efficiencies of operations, and greater depth of management. Furthermore, since both banks are subsidiaries of Bankers Trust New York Corporation, the proposed merger is merely an internal corporate reorganization which will have no adverse effect on competition in New York.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

March 27, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

* * *

FIDELITY NATIONAL BANK, Roanoke County, Va., and The Fidelity National Bank, Buchanan, Va.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Fidelity National Bank, Buchanan, Va., (9375), with	$ 5,721,494	2	———
and Fidelity National Bank, Roanoke County, Va. (16192), which had	6,997,000	1	———
merged Apr. 30, 1975, under charter and title of the latter bank (16192). The merged bank at date of merger had	12,143,843	———	3

COMPTROLLER'S DECISION

On September 7, 1974, Fidelity National Bank, Buchanan, Va., and Fidelity National Bank, Roanoke, Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Fidelity National Bank, Roanoke, the charter bank, was organized in 1973 and presently operates as a unit bank with total assets of $6.8 million and IPC deposits of $4.7 million. The charter bank is a subsidiary of Fidelity American Bankshares, Inc., Lynchburg, Va., a bank holding company which controls 16 banks with total assets of $815 million. The primary service area of the charter bank encompasses the southwestern portion of the city of Roanoke where the economy is based on a wide variety of light industry.

Direct competition for the charter bank is provided by eight other banks that operate in the Roanoke Valley; the largest are First National Exchange Bank, Roanoke, with deposits of $573 million, a member of Dominion Bankshares Corporation; The Colonial-American National Bank of Roanoke, with deposits of $129 million; and Bank of Virginia—Roanoke Valley, Roanoke, with deposits of $70 million, a member of Bank of Virginia Company.

Fidelity National Bank, Buchanan, the merging bank, was organized in 1909 and presently operates one branch. It also is a subsidiary of Fidelity American Bankshares, Inc., and has total assets of $5.4 million and IPC deposits of $4.5 million. The primary service area of the merging bank encompasses the towns of Buchanan and Blue Ridge. While the economy of Buchanan is based on the manufacturing industry, Blue Ridge serves as a bedroom community for Roanoke. Direct competition for the merging bank is provided by Bank of Buchanan, with deposits of $6.1 million.

There is only minimal competition between the charter and merging banks because their nearest offices are separated by a large distance and an adequate number of alternative banking facilities operate in the intervening area. The closest offices of these two banks are about 25 miles apart and the small size of each bank prevents it from being a significant competitor of the other. Furthermore, the fact that both charter and merging banks are subsidiaries of Fidelity American Bankshares, Inc., precludes meaningful competition between them.

Consummation of the proposed merger will stimulate competition in the service area of the merging bank because the resulting bank will be able to offer the residents and businesses of Botetourt County a larger lending limit to meet their credit needs. As a result of the proposed merger, the resulting bank will be able to consolidate its managerial functions and will achieve economies of operation. Thus, the resulting bank will become a more effective competitor for the larger banks in the Roanoke Valley. In addition, consummation of the proposed merger will have no effect on the size of Fidelity American Bankshares, Inc.

Applying the statutory criteria, it is concluded that the propsed merger is in the public interest and this application is, therefore, approved.

March 12, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

* * *

BANKERS NATIONAL BANK,
Bogota, N.J., and Elmwood State Bank, Elmwood Park, N.J.

Name of bank and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Elmwood State Bank, Elmwood Park, N.J., with	$15,648,699	1	———
and Bankers National Bank, Bogota, N.J. (11543), which had	40,543,569	2	———
merged May 5, 1975, under charter and title of the latter bank (11543). The merged bank at date of merger had	56,192,268	———	3

COMPTROLLER'S DECISION

On January 2, 1975, Elmwood State Bank, Elmwood Park, N.J., and Bankers National Bank, Bogota, N.J., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter, with headquarters in Elmwood Park.

Bankers National Bank, the charter bank, was organized in 1919 and presently operates one branch. It has total assets of $39.1 million and IPC deposits of $29.9 million. The primary service area of the charter bank encompasses the towns of Bogota and Ramsey. The economy of that service area is based on a wide array of light and medium industry. Winged City Corporation, Clifton, N.J., a registered bank holding company, holds over 55 percent of the charter bank's stock.

Direct competition for Bankers National Bank is provided by Peoples Trust of New Jersey, Hackensack, with deposits of $913 million, a member of United Jersey Banks; Garden State National Bank, Hackensack, with deposits of $463 million; The Trust Company of New Jersey, Jersey City, with deposits of $263 million; and Commercial Trust Company of New Jersey, Jersey City, with deposits of $222 million.

Elmwood State Bank, the merging bank, was organized in 1969 and presently operates as a unit bank with total assets of $16.3 million and IPC deposits of $11.9 million. The primary service area of the merging bank encompasses the west-central section of Bergen County and the east-central section of Paterson County. The economy of that service area is based on a wide variety of light and medium industry. Winged City Corporation, which controls the charter bank, owns 3 percent of the stock of the merging bank.

Direct competition for the merging bank is provided by New Jersey Bank, National Association, Clifton, with deposits of $662 million, a member of Greater Jersey Bancorp; National Community Bank, Rutherford, with deposits of $648 million; First National Bank of New Jersey, Totowa, with deposits of $468 million; and Broadway Bank and Trust Company, Paterson, with deposits of $107 million.

There is only minimal competition between the charter and merging banks because their nearest offices are located 6 miles apart and an adequate number of alternative banking facilities operate in the intervening area. Furthermore, the charter and merging banks are affiliated by means of an interlocking directorate.

Consummation of the proposed merger will stimulate competition in Bergen County because the resulting bank will be able to offer improved services such as an increased lending limit to the residents and businesses in the area. By combining resources and management, the resulting bank will be in a better position to compete with the much larger banks currently operating in its service area.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

April 1, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The main offices of the parties are separated by a distance of about 8 miles in urban Bergen County. Although the proposed transaction may eliminate some existing competition, it does not appear that concentration in commercial banking would be significantly increased in any relevant banking market. Accordingly, we conclude that the proposed merger would not have a substantial competitive impact.

* * *

HOLYOKE NATIONAL BANK,
Holyoke, Mass., and Chicopee Bank & Trust Company, Chicopee, Mass.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Chicopee Bank & Trust Company, Chicopee, Mass., with	$10,937,000	2	———
was purchased May 9, 1975, by Holyoke National Bank, Holyoke, Mass. (1939), which had	27,959,913	5	———
After the purchase was effected, the receiving bank had	39,120,606	———	7

Due to the emergency nature of the situation, no "Comptroller's Decision" or Attorney General's report was issued.

* * *

FIRST NATIONAL BANK OF ARIZONA,
Phoenix, Ariz., and Southern Arizona Bank and Trust Company, Tuscon, Ariz.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Southern Arizona Bank and Trust Company, Tucson, Ariz., with	$ 360,977,686	27	———
and First National Bank of Arizona, Phoenix, Ariz. (3728), which had	1,848,797,552	115	———
merged May 14, 1975, under charter and title of the latter bank (3728). The merged bank at date of merger had	2,163,101,889	———	142

COMPTROLLER'S DECISION

On October 23, 1974, First National Bank of Arizona, Phoenix, Ariz., and Southern Bank and Trust Company, Tucson, Ariz., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

First National Bank of Arizona, Phoenix, Ariz., the charter bank, was organized in 1872 and is controlled by Western Bancorporation, a California-based multibank holding company. The charter bank is the second largest bank in the State with 111 offices statewide but with concentration in the Phoenix area. It has assets of $1.96 billion and IPC deposits of $1.32 billion. The bank competes primarily with Valley National Bank, Phoenix, with deposits of $2.34 billion;

and with The Arizona Bank, Phoenix, with deposits of $805.3 million.

Southern Arizona Bank and Trust Company, Tucson, Ariz., the merging bank, was organized in 1903 and is also a subsidiary of Western Bancorporation. With assets of $382.6 million and IPC deposits of $273.1 million, the merging bank is the fourth largest bank in the State. The merging bank operates 26 offices of which 23 offices are in the vicinity of Tucson, the second largest city in the State. Tuscon has an estimated population of 240,000. Competition is provided by Valley National Bank; The Arizona Bank; Great Western Bank and Trust, Phoenix, with deposits of $240.4 million; and Union Bank, Tucson, with deposits of $81.3 million. The charter bank operates 10 offices in Tucson.

A public hearing was held in connection with the proposed merger at which the protestants, primarily members of the Tucson community, raised objections that the merger would eliminate competition between the charter and merging banks, that Tucson would be left without a major bank committed to community development, and that excessive concentration of statewide banking resources would result. Those objections are without merit.

Competition between the charter bank and the merging bank is minimal. As a result of their common holding company ownership, there has been considerable coordination between the banks in personnel policies, staff benefits, and audit procedures. The two banks have partially consolidated computer service operations and have collaborated in lending activities. Although there is a certain amount of overlap in the service areas of various branches of the two banks in Tucson, the charter bank has not been an aggressive competitor in that city. Those factors, combined with the competition from other Phoenix-based banks, particularly Valley National Bank, have minimized direct competition between the charter and the merging banks.

Consummation of the proposed transaction will result in no adverse competitive effects. The merger will not result in a greater concentration of banking assets in the State in view of Western Bancorporation's present ownership of both banks. The ability of the resulting bank to provide for the needs of the merging bank's service area will be improved through a greater lending limit, economies of scale, statewide banking facilities, and specialized management expertise, especially in the areas of international banking and trust services. The resulting bank will establish a southern Arizona regional headquarters in Tucson staffed primarily by officers of the merging bank and thus responsive to the needs of the community. The advantages outweigh any possible objections that might be advanced against this merger.

Applying the statutory criteria, it is the conclusion of this Office that the subject transaction is in the public interest and, therefore, is approved.

April 14, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are and have been for many years majority-owned subsidiaries of the same bank holding company, Western Bancorporation. Western presently holds 98.6 percent of the stock of First National Bank of Arizona, and 90.7 percent of the stock of Southern Arizona Bank and Trust Company.

Although the merging banks operate banking offices in common local banking markets, the proposed transaction would not eliminate effective competition because of their common ownership. According to the application, Western has decided to conduct its banking business in the State of Arizona through one banking subsidiary rather than two, in order to realize cost savings and increased efficiencies. Thus, the proposed merger is essentially a corporate reorganization and would have no adverse competitive effect.

* * *

THE FIRST NATIONAL BANK OF SOUTH JERSEY,
Egg Harbor Township, N.J., and Cape May County National Bank, Ocean City, N.J.

Name of bank and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The Cape May County National Bank, Ocean City, N.J. (14145), with	$ 65,160,279	5	———
and First National Bank of South Jersey, Egg Harbor Township, N.J. (1326), which had	441,314,031	39	———
merged May 31, 1975, under charter and title of the latter bank (1326). The merged bank at date of merger had	507,235,874	———	44

COMPTROLLER'S DECISION

On January 14, 1975, The Cape May County National Bank, Ocean City, N.J., and First National Bank of South Jersey, Egg Harbor Township, N.J., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

First National Bank of South Jersey, the charter bank, was organized in 1907 and presently operates 38 branches. It has total assets of $442 million and IPC deposits of $351 million. The primary service area of the charter bank encompasses Atlantic County, where 18 of its branches are located, and the western portion of southern New Jersey. The economy of that area is based on agriculture and related industries and the resort industry.

Competition for the charter bank is provided by New Jersey National Bank, Trenton, with deposits of $645 million, a member of New Jersey National Corporation; Heritage Bank, N.A., Cherry Hill, with deposits of $449 million, a member of Heritage Bancorporation; The Bank of New Jersey, Camden, with deposits of $430 million, a member of Bancshares of New Jersey; and Peoples National Bank of New Jersey, Westmont, with deposits of $340 million.

The Cape May County National Bank, the merging bank, was organized in 1924 and presently operates four branches. It has total assets of $71 million and IPC deposits of $58 million. The primary service area of the merging bank encompasses Cape May County. The resort business is the most important segment of that area's economy.

Competition for the merging bank is provided by The Marine National Bank, Wildwood, with deposits of $53 million; The First National Bank of Cape May Court House, Cape May Court House, with deposits of $45 million; and Union Trust Company of Wildwood, N.J., with deposits of $31 million.

There is only minimal competition between the charter and merging banks. While the closest two offices of the banks are located only 2.5 miles apart, Great Egg Harbor provides a natural geographic barrier between them. Furthermore, competition between the charter and merging bank is precluded by the fact that the management of both banks is dominated by the same individual.

Consummation of the proposed merger will stimulate competition in Cape May County because the resulting bank will offer new and improved services such as an increased lending limit, overdraft checking, trust services, computer services, and 24-hour banking.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

April 16, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The effects of this proposed merger will be felt primarily in the Ocean City-Atlantic City area which encompasses much of Atlantic County and the northern portion of Cape May County. Bank's three Ocean City offices are located within 15 miles of nine of Applicant's offices in adjacent Atlantic County and the nearest offices of the parties are 3, 5, and 6 miles apart. Atlantic City and Ocean City are separated by Great Egg Harbor, a 3- to 5-mile span of marsh land and open water. Although the cities are in rather close proximity and are joined by two causeways, they do not appear to constitute a single, integrated banking market.

Nonetheless, it appears that the proposed merger would eliminate some competition between the parties in the Atlantic City-Ocean City area.

* * *

HERITAGE BANK, NATIONAL ASSOCIATION - IRON, Morristown, N.J., and First Charter National Bank, Monroe Township, N.J.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First Charter National Bank, Monroe Township (P. O. Jamesburg), N.J. (288), with	$155,228,747	11	———
and Heritage Bank, National Association - Iron, Morristown, N.J. (1113), which had	219,254,754	20	———
consolidated June 2, 1975, under charter of the latter bank (1113) and title "Heritage Bank-North, National Association." The consolidated bank at date of consolidation had	374,483,501	———	31

COMPTROLLER'S DECISION

On January 3, 1975, Heritage Bank, National Association - Iron, Morristown, N.J., and First Charter National Bank, Monroe Township, N.J., applied to the Comptroller of the Currency for permission to consolidate under the charter of the former, with the title "Heritage Bank-North, National Association", and with its main office in Monroe Township.

Heritage Bank, National Association - Iron, the charter bank, was organized in 1885 and was acquired by Heritage Bancorporation, Cherry Hill, N.J., in 1971. The charter bank operates 20 offices and has assets of $232.4 million and IPC deposits of $158.7 million. The area served by the charter bank is Morris County, a suburban and rural area with an estimated population of 540,000.

The charter bank is the largest of the 12 banks headquartered in Morris County. It competes with First National State Bank of Northeast New Jersey, Succasunna, with deposits of $90.5 million, which is a member of First National State Bancorporation; The Dover Trust Company, Dover, with deposits of $60.1 million, which is a member of United Jersey Banks; and Chatham Trust Company, Chatham, with deposits of $50.6 million. Additional competition is provided by the following banks which maintain offices in Morris County: Peoples Trust of New Jersey, Hackensack, with deposits of $913.2 million, which is a member of United Jersey Banks; National Community Bank of New Jersey, Rutherford, with deposits of $648.2 million; and New Jersey Bank (National Association), Clifton, with deposits of $661.8 million, which is a member of Greater Jersey Bancorp.

First Charter National Bank, Monroe Township, N.J., the consolidating bank, was organized in 1864 and was acquired by Heritage Bancorporation in 1973. The consolidating bank operates 11 offices with total assets of $149.4 million and IPC deposits of $115.3 million. The area served by the consolidating bank includes parts of Middlesex and Mercer counties and is industrial and residential in character with an estimated population of 102,000.

The consolidating bank is the second largest of the 19 banks headquartered in Middlesex County. It competes with The National Bank of New Jersey, New Brunswick, with deposits of $169 million, which is a member of Fidelity Union Bancorporation; The Edison Bank, National Association, South Plainfield, with deposits of $74.7 million, which is a member of First National State Bancorporation; and Amboy-Madison National Bank, Madison Township, with deposits of $60.4 million.

Competition between the charter bank and the consolidating bank is minimal as both belong to the same holding company and their nearest branches are 17 miles apart with a large number of alternative banking facilities in the intervening distance. Because both banks are members of Heritage Bancorporation there will be no additional concentration of bank deposits. The resulting bank will be able to offer improved services including a larger lending limit, greater efficiencies in operations, and greater management depth.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and this application is, therefore, approved.

April 15, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The consolidating banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed consolidation is essentially a corporate reorganization and would have no effect on competition.

* * *

NATIONAL BANK OF ALASKA,
Anchorage, Alaska, and The First Bank of Cordova, Cordova, Alaska

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First Bank of Cordova, Cordova, Alaska, with	$ 8,815,758	1	
and National Bank of Alaska, Anchorage, Alaska, (14651), which had	463,152,655	28	
merged June 2, 1975, under charter and title of the latter bank (14651). The merged bank at date of merger had	470,980,897		29

COMPTROLLER'S DECISION

On January 2, 1975, National Bank of Alaska, Anchorage, Alaska, and The First Bank of Cordova, Cordova, Alaska, applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

National Bank of Alaska, the charter bank, was organized in 1916 and is now the largest bank in the State. The charter bank operates 29 offices statewide with assets of $359 million and IPC deposits of $227.6 million. Competition for the bank is provided principally by The First National Bank of Anchorage, which has deposits of $253.1 million.

The First Bank of Cordova, the merging bank, was organized in 1909 and is the smallest bank in the State. It is a unit institution with assets of $8.7 million and IPC deposits of $6.3 million. The service area of the merging bank is restricted to the village of Cordova, an isolated fishing community with an estimated population of 2,000. Competition in Cordova is provided by a recently opened branch of The First National Bank of Anchorage.

Competition between the charter bank and the merging bank is minimal. The closest office of the charter bank is in Valdez, 45 miles away and accessible only by air and water from Cordova.

Consummation of the proposed transaction will result in no adverse competitive effects. The resulting bank will be better able to compete with the First National Bank of Anchorage branch and will serve the community through a larger lending limit, commercial banking services, a specialized fisheries department, improved consumer services, and trust services.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and this application is, therefore, approved.

April 15, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Bank's Cordova office is located about 45 air miles southeast of Applicant's nearest office in Valdez, the southern terminus of the Trans-Alaska pipeline. Cordova is inaccessible by road and transportation between Cordova and Valdez is limited to air and water. Bank's deposits and loans originate largely in the Cordova area, a fishing and seafood processing area supporting a population of about 2,000. It does not appear that the proposed merger would eliminate substantial existing competition.

The proposed merger would, however, have some competitive effect on the developing structure of commercial banking in the State of Alaska. Two commercial banks, Applicant and the First National Bank of Anchorage, dominate banking in the State and control about 60 percent of commercial bank deposits. Although Bank, with about 1 percent of statewide deposits, is the smallest commercial bank in Alaska, this proposed transaction will nevertheless eliminate one of only seven banks with offices in south-central Alaska and one of only 13 banks in the State. The merger will increase, albeit slightly, Applicant's share of statewide deposits and further entrench Applicant's already dominant market position in south-central Alaska.

* * *

SHAWMUT COUNTY BANK, N.A., Cambridge, Mass., and Shawmut Winchester Bank, N.A., Winchester, Mass.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Shawmut Winchester Bank, N.A., Winchester, Mass. (11103), with	$ 13,133,567	1	
and Shawmut County Bank, N.A., Cambridge, Mass. (4771), which had	151,074,786	16	
consolidated June 26, 1975, under charter and title of the latter bank (4771). The consolidated bank at date of consolidation had	164,208,353		17

COMPTROLLER'S DECISION

On February 11, 1975, The County Bank, N.A.,* Cambridge, Mass., and The Winchester National Bank,* Winchester, Mass., applied to the Comptroller of the Currency for permission to consolidate under the charter of the former and with the title "Shawmut County Bank, N.A."

The County Bank, N.A., Cambridge, Mass., the charter bank, was organized in 1933 and in 1947 was acquired by the predecessor of The Shawmut Association, Inc., a multi-bank holding company. The charter bank currently operates 15 offices and one facility with assets of $155.2 million and IPC deposits of $123.3 million. The area the bank services is located north of the city of Boston and is of a mixed urban-suburban character.

The charter bank competes primarily with Middlesex Bank, N.A., Burlington, with deposits of $277.9 million, a member of Baystate Corporation; Harvard Trust Company, Cambridge, with deposits of $239.3 million, a member of Baystate Corporation; and Coolidge Bank and Trust Company, with deposits of $107.5 million. Additional competition is provided by the major banks headquartered in Boston.

The Winchester National Bank, Winchester, Mass., the consolidating bank, was organized in 1918 and was acquired by the predecessor of The Shawmut Association, Inc. in 1927. The Winchester National Bank is a unit institution with assets of $12.6 million and IPC deposits of $9.8 million. The bank is located in a suburban area north of the city of Boston.

Competition is provided by Middlesex Bank, N.A., Burlington; Woburn National Bank, Woburn, with deposits of $19 million; and Winchester Trust Company, Winchester, with deposits of $14.4 million, a member of Baystate Corporation.

Competition between the consolidating banks is minimal. They are members of the same holding company, their closest offices are 7.5 miles apart in a populous, commercially well developed area and there are a large number of alternative banking facilities.

Consummation of the proposed transaction will have no adverse competitive effect. The consolidation will benefit competition in The Winchester National Bank's service area in that the resulting bank will have a significantly larger lending limit than did the consolidating bank.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and this application is therefore approved.

April 25, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The consolidating banks are both majority-owned subsidiaries of the same bank holding company. As such, their proposed consolidation is essentially a corporate reorganization and would have no effect on competition.

* Both banks changed their names effective on March 31, 1975.

* * *

SECURITY PACIFIC NATIONAL BANK,
Los Angeles, Calif., and Mother Lode Bank, Placerville, Calif.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Mother Lode Bank, Placerville, Calif., with	$ 94,779,437	1	———
and Security Pacific National Bank, Los, Angeles, Calif. (2491), which had	12,580,641,304	511	———
merged June 29, 1975, under charter and title of the latter bank (2491). The merged bank at date of merger had	12,672,530,721	———	512

COMPTROLLER'S DECISION

On October 7, 1974, Mother Lode National Bank, Placerville, Calif., and Security Pacific National Bank, Los Angeles, Calif., applied to the Comptroller of the Currency for permission to merge under the charter and title of the latter.

Security Pacific National Bank, Los Angeles, Calif., the charter bank, was chartered in 1871 and currently has assets of $14.2 billion and IPC deposits of $7.8 billion. While the charter bank operates 492 branches throughout the State of California, they are concentrated in the southern half of the State.

The charter bank is the second largest bank in the State and competes with Bank of America NT&SA, San Francisco, with deposits of $41.8 billion; Crocker National Bank, San Francisco, with deposits of $8 billion; Wells Fargo Bank, National Association, San Francisco, with deposits of $7.4 billion; and United California Bank, Los Angeles, with deposits of $6.8 billion.

Mother Lode Bank, Placerville, Calif., the merging bank, was organized in 1953 and currently has assets of $86.8 million and IPC deposits of $68.3 million. The merging bank operates 10 offices, two in the Greater Sacramento Area and the other eight in the lower portion of the Sierra Nevada Mountains. The branches in the Sierra Nevada area are widely separated; the bank serves six different rural areas as well as the suburbs of Sacramento.

The merging bank is the fifth largest of the seven commercial banks that have branches in its various service areas. Its major competitors are Bank of America NT&SA, San Francisco; Crocker National Bank, San Francisco; and Wells Fargo Bank, National Association, San Francisco.

Competition between the charter bank and the merging bank is minimal. The charter bank has a branch in the suburbs of Sacramento located 8 miles from the merging bank's Roseville branch and 6 miles from the merging bank's Folsom branch. However, as there are 11 other banking facilities in the area, including six Bank of America branches, there is little direct competition between the charter and merging banks. In the other areas where the merging bank has branches, the charter bank is not represented at all.

Consummation of the proposed transaction will have no adverse competitive effects. The relatively small lending limit of the merging bank precludes effective competition with Bank of America and Wells Fargo who dominate the area. The resulting bank will be able to offer more sophisticated services not now offered by the merging bank including a trust department, money management services, international banking, and increased agricultural lending. Thus, competition between the resulting bank and its major competitors will be enhanced.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

March 14, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Applicant operates seven offices in the Sacramento area, including an office in the suburban village of Citrus Heights, northeast of Sacramento. Bank's nearest office is located in Roseville (population 21,000), about 4 miles north of Applicant's Citrus Heights branch. Although there are a number of competitive alternatives in this suburban area, it appears that the proposed merger would eliminate some existing competition between the parties as well as the potential for increased future competition throughout the Sacramento Valley.

Accordingly, we conclude that the proposed transaction would have some adverse competitive effects.

* * *

FIRST-FARMERS NATIONAL BANK,
Converse, Ind., and State Bank of Amboy, Amboy, Ind.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
State Bank of Amboy, Amboy, Ind., with	$ 8,022,107	1	———
and First-Farmers National Bank, Converse, Ind. (11671), which had	21,166,095	2	———
consolidated June 30, 1975, under charter and title of the latter bank (11671). The consolidated bank at date of consolidation had	29,188,202	———	3

COMPTROLLER'S DECISION

On November 15, 1974, First-Farmers National Bank, Converse, Ind., and State Bank of Amboy, Amboy, Ind., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

First-Farmers National Bank, the charter bank, was organized in 1885 and presently operates one branch. The charter bank has total assets of $19.9 million and IPC deposits of $16.4 million. The primary service area of the charter bank encompasses the towns of Kokomo and Bennetts Switch, and has an economy based on agriculture and related industries.

Competition for the charter bank is provided by Union Bank and Trust Company, Kokomo, with deposits of $92 million; First National Bank, Kokomo, with deposits of $60 million; Marion National Bank of Marion, with deposits of $55.8 million; First National Bank in Marion, with deposits of $46.7 million; and Citizens National Bank of Grant County, Marion, with deposits of $17 million.

State Bank of Amboy, the consolidating bank, was organized in 1919 and presently operates as a unit bank with total assets of $7.5 million and IPC deposits of $6.4 million. The primary service area of the merging bank encompasses the town of Amboy. The economy of that service area is based on agriculture and related industries.

Competition for the consolidating bank is provided by Union Bank and Trust Company, Kokomo, with deposits of $92 million; First National Bank, Kokomo, with deposits of $60 million; Marion National Bank of Marion, with deposits of $55.8 million; First National Bank in Marion, with deposits of $46.7 million; and Citizens National Bank of Grant County, Marion, with deposits of $17 million.

Although the charter and consolidating banks are separated by a distance of only 4 miles, there is little, if any, competition between them. Both of the banks primarily serve the towns in which they are located. While their service areas do overlap to a slight degree, the limited scope of operations and unaggressiveness, especially of the consolidating bank, preclude any substantial competition. While there are different members of two families on the boards of directors of both banks, the banks are operated independently and there exists no direct or indirect common control. The two banks involved have relatively few common depositors and do not participate in any loans.

Consummation of the proposed transaction will allow the resulting bank to better serve the credit needs of the local agricultural community, especially the larger scale farmer who cannot presently be adequately served by either the charter or consolidating bank due to their small lending limits. The resulting bank will provide increased lending capacity and will have increased resources with which to more effectively compete with the larger banks in Kokomo and Marion. Consummation of the proposed transaction will also alleviate the management succession problem at the consolidating bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

March 18, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Miami County, located in north-central Indiana, is rural in nature with agriculture the principal industry. Converse and Amboy are small communities (1970 population 1,044 and 473, respectively) situated in the southeastern part of the county.

First-Farmers and Amboy Bank, the only banks in their respective communities, are located about 4 miles apart, with no other banks intervening. Thus, the consolidation would eliminate some existing competition between them. These banks, however, are subject to competition from commercial banks located in the larger communities of Marion, located about 10 miles to the east of Converse (four banks holding total deposits of $117 million); Peru, 16 miles northwest of Converse (two banks holding total deposits of

$77 million); Wabash, 14 miles northeast of Converse (two banks holding total deposits of about $39 million); and Kokomo, 18 miles southwest of Converse (three banks holding total deposits of $160 million). Thus, in view of the presence of these other large banks, as well as the small size of Amboy Bank and the community it serves, the effect of the merger on competition would not be significantly adverse.

* * *

HIGHLAND NATIONAL BANK OF NEWBURGH, Newburgh, N.Y., and The National Bank of Orange and Ulster Counties, Goshen, N.Y.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The National Bank of Orange and Ulster Counties, Goshen, N.Y. (1399), with	$ 39,391,214	8	
and Highland National Bank of Newburgh, Newburgh, N.Y. (1106), which had	87,862,283	5	
merged June 30, 1975, under charter and title of the latter bank (1106). The merged bank at date of merger had	127,253,497		13

COMPTROLLER'S DECISION

On November 14, 1974, The National Bank of Orange and Ulster Counties, Goshen, N.Y., and Highland National Bank of Newburgh, Newburgh, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Highland National Bank of Newburgh, the charter bank, was organized in 1834 and presently operates as a subsidiary of United Bank Corporation of New York, Albany, N.Y., which controls three banks with aggregate deposits of $1.3 billion. The charter bank operates four branches and has total assets of $86.3 million and IPC deposits of $63.9 million. The primary service area of the bank encompasses the city of Newburgh and the surrounding portions of northwestern Orange County. The economy of that service area is based on a wide array of manufacturing in addition to dairy, fruit, and vegetable farming.

Direct competition for Highland National Bank of Newburgh is provided by numerous other banks the largest of which are The County Trust Company, White Plains, with deposits of $977 million, which is a member of The Bank of New York Company, Inc.; Empire National Bank, Middletown, with deposits of $440 million; and Marine Midland Bank of Southeastern New York, National Association, Poughkeepsie, with deposits of $303 million, which is a member of Marine Midland Banks, Inc.

The National Bank of Orange and Ulster Counties, the merging bank, was organized in 1812 and presently operates seven branches. It has total assets of $35.2 million and IPC deposits of $26.6 million. The primary service area of the merging bank encompasses the village of Goshen, the town of Goshen, and the city of Middleton. The economy of that service area is based on a wide array of manufacturing, farming, and tourism.

Direct competition for The National Bank of Orange and Ulster Counties is provided by the abovementioned competitors of the charter bank and by Rondout National Bank of Kingston, with deposits of $28 million; The National Bank of Florida, with deposits of $10 million; and Chase Manhattan Bank of Mid-Hudson, National Association, Saugerties, with deposits of $22 million, which is a member of The Chase Manhattan Corporation.

There is only minimal competition between the charter bank or any other subsidiary of United Bank Corporation of New York and the merging bank because their closest two offices are separated by a relatively large distance and an adequate number of alternative banking facilities operate in the intervening area. The nearest office of any of United Bank Corporation of New York's subsidiaries to an office of The National Bank of Orange and Ulster Counties is the Montgomery Banking Center office of Highland National Bank of Newburgh, approximately 7 miles from the Scotchtown office of the merging bank.

Consummation of the proposed merger will stimulate competition in the service area of the merging bank because the resulting bank will offer new and improved services such as a larger lending limit, trust and investment services, municipal advisory services, computer capabilities, higher rates on time deposit instruments and extended banking hours. In addition, the merging bank will have access to the management training program of United Bank Corporation of New York. Consummation of the proposed merger would not significantly affect the size of

United Bank Corporation of New York in relation to other bank holding companies in the State.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

May 28, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Although the main offices of the parties are separated by about 20 miles, Bank's offices in Walkill (population 11,518) and Goshen (population 8,393) are located 7 and 12 miles, respectively, from Applicant's Montgomery (population 13,995) office. No competitive alternatives lie in the intervening area between Applicant's Montgomery office and Bank's Walkill office, but other alternatives are conveniently accessible in the surrounding area. The Application indicates, on the basis of a 10 percent sampling of deposit and loan accounts, that very little deposit and loan overlap exists between the parties. Nevertheless, it appears that the proposed transaction would eliminate some existing competition as well as the potential for increased competition in the future. It does not, however, appear that concentration in commercial banking will be substantially increased in any relevant banking market.

* * *

THE NATIONAL BANK OF DERBY LINE, Derby Line, Vt., and The Island Pond National Bank, Island Pond, Vt.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Island Pond National Bank, Island Pond, Vt. (4275), with	$ 5,306,069	1	———
and The National Bank of Derby Line, Derby Line, Vt. (1368), which had	18,925,729	3	———
merged July 1, 1975, under charter of the latter bank (1368) and title "Community National Bank." The merged bank at date of merger had	23,497,033	———	4

COMPTROLLER'S DECISION

On February 24, 1975, The National Bank of Derby Line, Derby Line, Vt., and The Island Pond National Bank, Island Pond, Vt., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title, "Community National Bank."

The National Bank of Derby Line, the charter bank, was organized in 1851 and presently operates two branches. It has total assets of $18.1 million and IPC deposits of $14.3 million. The primary service area of the charter bank encompasses the town of Derby and the unincorporated area known as Derby Line. The economy of this area is based on agriculture, the lumber industry, and tourism.

Competition for the charter bank is provided by Chittenden Trust Company, Burlington, with deposits of $216 million; The Howard Bank, Burlington, with deposits of $166 million; and Passumpsic Savings Bank, St. Johnsbury, with deposits of $48 million.

The Island Pond National Bank, the merging bank, was organized in 1890 and presently operates as a unit bank with total assets of $5.2 million and IPC deposits of $4.1 million. The primary service area of the merging bank encompasses the village of Island Pond and the immediately surrounding area. The economy of the area is based on dairy farming, the furniture industry, and tourism. Competition for the merging bank is provided by the same banks that compete with the charter bank.

There is little, if any, competition between the charter and merging banks because their nearest two offices are separated by a relatively large distance and an adequate number of alternative banking facilities operate in the intervening area. The closest offices of the two banks are approximately 22 miles apart. Furthermore, the small size of the merging bank precludes it from being an effective competitor for the charter bank.

Consummation of the proposed merger will stimulate competition in the service area of the merging bank because the resulting branch in Island Pond will offer new and improved services such as an increased lending limit, trust services, a wider range of checking accounts and consumer loans, and time deposit passbook accounts. Furthermore, as a result of the proposed merger, the charter bank will provide the experienced management that the merging bank has little prospects of attracting because of its limited resources.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

May 8, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Applicant's two Orleans County offices are located about 20 miles northwest of Bank, and Applicant's Essex County office, in the town of Canaan, lies about 31 miles northeast of Bank. There are no competitive alternatives in the intervening area, and Applicant and Bank presently operate the only banking offices in Essex County. The proposed merger will eliminate some existing competition between the parties and will eliminate one of only four competitive alternatives in the Orleans-Essex County area. It does not, however, appear that concentration in commercial banking would be substantially increased in any relevant banking market.

* * *

THE FIRST NATIONAL BANK OF NEWPORT, Newport, N.H., and The Citizen's National Bank of Newport, Newport, N.H.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Citizen's National Bank of Newport, Newport, N.H. (3404), with	$ 5,460,354	2	
and The First National Bank of Newport, Newport, N.H. (888), which had	4,807,172	2	
merged Aug. 1, 1975, under charter of the latter bank (888) and title "First Citizens National Bank." The merged bank at date of merger had	10,267,526		4

COMPTROLLER'S DECISION

On October 24, 1974, The Citizen's National Bank of Newport, Newport, N.H., and The First National Bank of Newport, Newport, N.H., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title "First Citizens National Bank."

The First National Bank of Newport, the charter bank, was organized in 1865 and now, with one branch, has assets of $4.7 million and IPC deposits of $2.7 million. The service area of the bank consists of the west-central section of New Hampshire which includes Newport as well as the towns or villages of Croydon, Goshen, Grantham, Lempster, Unity, Sunappe, Springfield, New London, and Newbury.

Citizen's National Bank of Newport, the merging bank, was organized in 1865 and now, with one branch, has assets of $5.3 million and IPC deposits of $3.2 million. It competes in the same service area as does the charter bank.

There are eight banking institutions serving the service area of the charter and merging banks. The principal competitors with those banks include Claremont Savings Bank, with deposits of $37.8 million; Indian Head National Bank of Claremont, with deposits of $14 million; New London Trust Company, with deposits of $6.4 million; Claremont National Bank, with deposits of $19 million; Newport Savings Bank, with deposits of $22.4 million; and Sugar River Savings Bank, Newport, with deposits of $34.7 million.

Both the merging and charter banks have shared quarters with savings banks for a period of years. While savings banks did not offer services that could compete with those offered by a commercial bank, recent legislative changes in New Hampshire law have given savings associations expanded operating powers. Through services such as NOW accounts, which enable savings banks to offer checking account services, thrift institutions now compete directly with commercial banks. Because thrift institutions may pay interest on those accounts, the commercial banks with which they compete have been placed at a competitive disadvantage. As a result of this new competitive relationship both merging and charter banks were told by their respective landlord savings associations to vacate their present offices. The proposed merger is an attempt to minimize overhead costs and meet the very competitive environment of their service area.

Consummation of the proposed merger will stimulate competition in the service area of the resulting bank. The resulting bank will be a larger more viable competitor which will offer new and improved services such as a larger lending limit. The resulting bank will rank sixth in size in relation to the seven remaining commercial and savings banks.

Applying the statutory criteria it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

June 11, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The application states that in Newport, a small community (population 6,000) located in western New Hampshire near the Vermont border, competition for certain services has emerged between the commercial banks and savings banks with which they share facilities. As a result, the commercial banks find it necessary to move out of their present quarters which in both cases are owned by savings banks. The commercial banks propose this merger as a means of creating sufficient resources for such a move.

The proposed merger would combine the only two commercial banks in the community and reduce the number of commercial banks in Sullivan County from five to four. This proposed merger, therefore, would eliminate existing competition and increase concentration in commercial banking in the Claremont-Newport area and Sullivan County.

* * *

PITTSBURGH NATIONAL BANK,
Jeanette, Pa., and The Second National Bank of Connellsville, Connellsville, Pa.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Second National Bank of Connellsville, Connellsville, Pa. (4481), with	$ 27,481,536	1	———
was purchased Aug. 8, 1975, by Pittsburgh National Bank, Jeannette, Pa. (252), which had	2,728,727,389	100	———
After the purchase was effected, the receiving bank had	2,738,413,020	———	101

COMPTROLLER'S DECISION

On March 20, 1975, Pittsburgh National Bank, Jeannette, Pa., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of The Second National Bank of Connellsville, Connellsville, Pa., under the charter and with the title of the former.

Pittsburgh National Bank, the purchasing bank, was organized in 1864 and presently has total assets of $2.9 billion and IPC deposits of $1.9 billion. The bank is the principal subsidiary of Pittsburgh National Corporation, Pittsburgh, a one-bank holding company. The purchasing bank operates 96 branches and serves all of Allegheny, Westmoreland, Butler, and Washington counties and the southern half of Indiana County. The economy of that service area is supported by a wide array of light, medium, and heavy industries.

The purchasing bank is provided competition by numerous other Pittsburgh-based banks, the largest of which are Mellon Bank, N.A., with deposits of $7.4 billion; Equibank, N.A., with deposits of $1.5 billion; and The Union National Bank of Pittsburgh, with deposits of $742 million.

The Second National Bank of Connellsville, the selling bank, was organized in 1890 and presently operates as a unit bank with total assets of $26.5 million and IPC deposits of $22.1 million. The primary service area of the selling bank encompasses the borough of Connellsville and the immediate area. The economy of this service area is supported by agriculture, soft coal production, and light industry. Direct competition for the selling bank is provided by Gallatin National Bank, Uniontown, with deposits of $224 million. A new bank, Yough Valley National Bank, has been granted approval to open its main office in Connellsville.

There is little, if any, competition between the purchasing and selling banks because a large distance separates their nearest offices and an adequate number of alternative banking facilities operate in the intervening area. The closest office of the purchasing bank is located approximately 12 miles from the selling bank and two independent banks are situated in the intervening area.

Consummation of the proposed transaction will have little effect in the service area of the purchasing bank. However, in the service area of the selling bank, the resulting bank will be able to offer new and improved services to the community such as trust services, check credit, 24-hour banking, automobile leasing, an increased lending limit, and investment portfolio analysis. Furthermore, consummation of the proposed transaction will not significantly increase the size of Pittsburgh National Corporation in relation to that of the other bank holding companies in Pennsylvania.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and the application is, therefore, approved.

July 1, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Applicant's closest office to Bank is its Mount Pleasant branch, located in Westmoreland County approximately 12 miles north of Connellsville. There are at least six offices of three banks in the area intervening between these offices. Thus, while the proposed transaction may eliminate some existing competition between the parties, it does not appear that concentration would be substantially increased in any relevant banking market.

* * *

RAINIER NATIONAL BANK,
Seattle, Wash., and The First National Bank of Poulsbo, Poulsbo, Wash.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Poulsbo, Poulsbo, Wash. (11285), with	$ 17,114,171	2	
was purchased Aug. 22, 1975, by Rainier National Bank, Seattle, Wash. (4375), which had	2,102,152,910	117	
After the purchase was effected, the receiving bank had	2,171,615,000		119

COMPTROLLER'S DECISION

On April 14, 1975, Rainier National Bank, Seattle, Wash., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of The First National Bank of Poulsbo, Poulsbo, Wash.

Rainier National Bank, the purchasing bank, was organized in 1889 and currently has assets of $2.1 billion and IPC deposits of $1.5 billion. The bank is headquartered in Seattle, the largest city in Washington, and operates 116 branches, 34 of which are located within the city limits. An additional 30 branches are located in the Seattle suburbs and the remaining branches are divided between western Washington, with 22, and the eastern and central portions of the State, with 30. The purchasing bank is a wholly-owned subsidiary of Marine Bancorporation, Seattle, a one-bank holding company.

Rainier National Bank is the second largest of the 92 commercial banks in Washington both in terms of deposits and number of offices. Statewide competition is provided primarily by Seattle-First National Bank, Seattle, with deposits of $3.4 billion; Pacific National Bank of Washington, Seattle, with deposits of $800.5 million; Peoples National Bank of Washington, Seattle, with deposits of $615.4 million; and Old National Bank of Washington, Spokane, with deposits of $496.7 million, which is a member of Washington Bancshares, Inc.

The First National Bank of Poulsbo, the selling bank, was organized in 1909 and currently has assets of $16 million and IPC deposits of $13.4 million. The bank is headquartered in Poulsbo on the northern portion of the Kitsap County peninsula approximately 20 miles across the Puget Sound from Seattle. The selling bank operates one branch, also in Poulsbo, located 1.2 miles from the main office. It is the only commercial bank serving Poulsbo and ranks 36th in size among commercial banks in Washington.

Primary competition for the selling bank is provided by three banks either headquartered in or with branches in Silverdale, approximately 11 miles to the south. They are Kitsap County Bank, Port Orchard, with deposits of $30.2 million; Silverdale State Bank, Silverdale, with deposits of $4 million; and Suburban State Bank, Silverdale, with deposits of $1.5 million. The $17 million deposit American Marine Bank, Winslow, and its Kingston branch provide additional competition as do small savings and loan associations in Poulsbo and Silverdale.

The service area of the purchasing bank includes most of Washington, but it is noteworthy that the bank does not have offices in either Spokane or Tacoma, the State's second and third largest cities. At one time the economy of the Puget Sound region, where the majority of its branches are concentrated, was heavily dependent on the Boeing Company. Economic downturns caused by cyclical swings in the aerospace industry have resulted in a more diversified economy, and logging and the wood products industry have become increasingly important. The selling bank primarily serves the northern portion of the Kitsap County peninsula and the town of Poulsbo is located in the center of that area. The United States Navy is the largest employer in the service area and a planned major expansion of the Trident submarine facility at Bangor will stimulate the economy in the region.

There is minimal competition between the purchasing and the selling banks. The main offices of the two banks are 20 miles apart and are separated by the Puget Sound. The closest branch of the purchasing bank to the selling bank is located in Bremerton, approximately 17 miles south of Poulsbo, and the Silverdale banks in the intervening distance serve as banking alternatives. Washington law prohibits branching into incorporated cities where a commercial bank is headquartered so that the purchasing bank is prevented from opening a *de novo* branch in Poulsbo. Therefore, if it is to establish itself in the city, Rainier National Bank must do so by acquisition of the selling bank.

Consummation of the proposed transaction will not have a significant effect on the competitive situation in Washington. The purchasing bank will remain the second largest bank in the State and its offices will merely be substituted in Poulsbo for the offices of the selling bank. Residents in the service area of the selling bank will benefit by the larger lending limit and the offering of additional services including computer, trust, and international services, that will be provided by the resulting bank.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and this application is, therefore, approved.

July 7, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Bank's Poulsbo offices are largely isolated from Applicant's Seattle area branches by Puget Sound, which lies between Seattle and Kitsap County. Applicant does, however, operate one office in Kitsap County, in Bremerton, about 18 miles south of Poulsbo. There are several alternatives in the intervening area. Thus, while the proposed transaction may eliminate some existing competition, it does not appear that concentration would be substantially increased in any relevant banking market. And in view of Bank's relatively small size and the nature of the community which it serves, it does not appear that the proposed acquisition would eliminate substantial potential competition.

Therefore, we conclude that the proposed transaction would not have a substantial competitive impact.

* * *

UNITED NATIONAL BANK, Plainfield, N.J., and Bridgewater National Bank, Bridgewater Township, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bridgewater National Bank, Bridgewater Township, N.J. (16028), with	$ 8,189,138	1	
was purchased Aug. 25, 1975, by United National Bank, Plainfield, N.J. (13174), which had	166,692,166	8	
After the purchase was effected, the receiving bank had	173,603,872		9

COMPTROLLER'S DECISION

On April 30, 1975, United National Bank, Plainfield, N.J., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of Bridgewater National Bank, Bridgewater Township, N.J.

United National Bank, the purchasing bank, was organized in 1902 and currently has assets of $176.4 million and IPC deposits of $144.8 million. The bank is headquartered in Union County and currently operates six branches, four of which are located in Plainfield and one each in nearby Fanwood and Warren. The bank also has an approved but unopened branch in Branchburg. Plainfield, suffering from the typical problems of urban centers including loss of industry and shopping trade in the downtown area, has experienced steady economic decline for two decades.

United National Bank is the only commercial bank headquartered in Plainfield and ranks fourth in deposits among the 10 banks in Union County. Direct competition is provided by the Plainfield branches of The National State Bank, Elizabeth, N.J., with deposits of $613.1 million, and The National Bank of New Jersey, New Brunswick, with deposits of $180.9 million, which is a member of Fidelity Union Bancorporation. United Counties Trust Company, Elizabeth, with deposits of $325.4 million; Franklin State Bank, Somerset, with deposits of $300 million; and The First National Bank of Central Jersey, Somerville, with deposits of $212.5 million, provide additional competition.

Bridgewater National Bank, the selling bank, was organized in 1972 and operates as a unit bank in Somerset County where it has experienced rapid population growth and industrial buildup in the past decade. It currently has assets of $8.1 million and IPC deposits of $5.8 million.

Bridgewater National Bank ranks 11th in deposits among 12 commercial banks headquartered in Somerset County and competes directly in Bridgewater Township with the $110 million Somerset Trust Company. Additional competition is provided by several of the same banks that compete with the purchasing bank, as well as by Somerset Hills and County National Bank, Basking Ridge, with deposits of $67.9 million, which is a member of First National State Bancorporation; State Bank of Raritan Valley, Hillsborough Township, with deposits of $33.8 million; and Manville National Bank, Manville, with deposits of $30 million.

The commercial focal point of the purchasing bank's service area is Plainfield and the area served includes Union County as well as parts of Middlesex and Somerset counties. The selling bank serves an adjacent but distinctly separate area of Somerset County with Somerville, the county seat, as the commercial center of the service area.

There is minimal competition between the purchasing and selling banks. The main offices of the two banks are 11 miles apart and a number of alternative banking facilities operate in the intervening distance. In addition, the banks are affiliated by common ownership and overlapping directorates and have never represented themselves as competitors. They operate in an atmosphere of cooperation and interchange in rendering depository and credit services.

Consummation of the proposed transaction will have no adverse competitive effects. The resulting bank will remain the fourth largest bank in Union County and United National Bank will be able to expand into the rapidly developing area of Somerset County where many of the businesses formerly located in Plainfield and its environs have relocated. Customers in the service area of the selling bank will benefit from the larger lending limit and additional services, including trust services, that the resulting bank will offer.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and this application is, therefore, approved.

July 22, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Two offices of Applicant are within 9 miles of Bank. Thus, there may be some existing competition between the banks eliminated by the merger. In view of the present affiliation of the banks, however, as well as the small size of Bank, the effect on competition would not be substantial.

* * *

MIDLANTIC NATIONAL BANK/MORRIS, Morristown, N.J., and Midlantic National Bank/Somerset, Bernardsville, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Midlantic National Bank/Somerset, Bernardsville, N.J. (16193), with	$ 9,940,727	1	
and Midlantic National Bank/Morris, Morristown, N.J. (15360), which had	22,514,125	6	
merged Aug. 31, 1975, under charter of the latter bank (15360) and title "Midlantic National Bank/West." The merged bank at date of merger had	32,454,851		7

COMPTROLLER'S DECISION

On May 8, 1975, the Midlantic National Bank/Morris, Morristown, N.J., and Midlantic National Bank/Somerset, Bernardsville, N.J., applied to the Comptroller of the Currency for permission to merge under the charter of the Midlantic National Bank/Morris and with the title "Midlantic National Bank/West."

Midlantic National Bank/Morris, the charter bank, was organized in 1964 as Madison National Bank, Madison, N.J. Its head office relocated to Morristown after having been acquired by Midlantic Banks, Inc., in 1972. In 1973, its present title was adopted. It now operates six offices in Morris County, N.J., with total deposits of $17.7 million.

In competition with 12 other banks in Morris County, Midlantic National Bank/Morris ranks ninth. Those competing banks include Heritage Bank, National Association - Iron, Morristown, with total deposits of $209 million, a member of Heritage Bancorporation; First National State Bank of Northwest Jersey, Succasunna, with total deposits of $94 million, a member of First National State Bancorporation; and The Dover Trust Company, Dover, with total deposits of $58 million and United Jersey Bank/Par-Troy, Parsippany, with total deposits of $13 million, both members of United Jersey Banks. Also providing competition in Morris County are offices of United Jersey Bank, Hackensack, and Fidelity Union Trust Company of Newark along with several other subsidiaries of New Jersey's major bank holding companies.

Midlantic National Bank/Somerset, also a member of Midlantic Banks, Inc., was established in 1973, as a *de novo* bank. Its only office is located in Bernardsville. Ranking 10th in size it competes with 12 other banks headquartered in Somerset County including Franklin State Bank, with total deposits of $300 million, and First National Bank of Central Jersey, with total deposits of $212 million. Also in competition in Somerset County are offices of United Counties Trust Company, Elizabeth, with total deposits of $325 million, and United National Bank, Plainfield, with total deposits of $155 million.

The bank resulting from this merger would have $24 million in deposits and would rank eighth in size among the 12 banks located in Morris County. Its future prospects appear favorable as the area to be serviced has attractive growth potential.

Competition between the two banks is insignificant and the merger will not have any adverse effects because both banks are member of Midlantic Banks, Inc. Their closest offices are separated by 8 miles with several alternative banking facilities in the intervening distance. By merging these two relatively small subsidiaries, the holding company would be able to restructure its operations and the resulting bank will achieve an operating efficiency beneficial to the communities served.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and this application is, therefore, approved.

July 9, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

In view of the common ownership of the two banks, we conclude that the proposed transaction would not have a substantial competitive impact.

* * *

HIGHLAND NATIONAL BANK OF NEWBURGH, Newburgh, N.Y., and The First National Bank and Trust Company of Ellenville, Ellenville, N.Y.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The First National Bank and Trust Company of Ellenville, Ellenville, N.Y. (45), with	$ 18,747,088	1	
and Highland National Bank of Newburgh, Newburgh, N.Y. (1106), which had	125,995,603	13	
merged Sept. 30, 1975, under charter and title of the latter bank (1106). The merged bank at date of merger had	144,742,691		14

COMPTROLLER'S DECISION

On June 9, 1975, The First National Bank and Trust Company of Ellenville, Ellenville, N.Y., and Highland National Bank of Newburgh, Newburgh, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Highland National Bank of Newburgh, the charter bank, was organized in 1834, and as the result of a recently approved merger with National Bank of Orange and Ulster Counties, Goshen, N.Y., now operates 12 branches with assets of $125.5 million and IPC deposits of $91.6 million. The bank is a member of United Bank Corporation of New York, Albany, N.Y., a multi-bank holding company which controls three commercial banks with total deposits of $1.2 billion. The charter bank is headquartered in Orange County in New York State's Third Banking District and its service area consists of the Greater Newburgh Area in the north-eastern portion of the county as well as a number of small communities in Orange and Ulster counties. The economy of the area is predominantly manufacturing and retail trade oriented.

The First National Bank and Trust Company of Ellenville, the merging bank, was organized in 1863 and operates as a unit bank with assets of $16.7 million and IPC deposits of $12.2 million. The bank is headquartered in Ulster County and its service area consists of the town of Warwasing which includes the village of Ellenville as well as surrounding towns in Ulster and Sullivan counties. The economy of the area is rural with expanding commercial activity primarily centered in the resort hotel and manufacturing industries.

The charter bank is the fifth largest of the Third Banking District's 40 commercial banks and ranks second among the nine banks headquartered in Orange County. Competition is provided in Orange County by 18 banks, 10 of which are controlled by large New York multi-bank holding companies, and in Ulster County by five banks, three of which have holding company affiliations. The bank competes directly in Newburgh with The County Trust Company, White Plains, with deposits of $1 billion, which is a member of The Bank of New York Company, Inc.; Empire National Bank, Middletown, with deposits of $433.8 million; and Marine Midland Bank of Southeastern New York, N.A., Poughkeepsie, with deposits of $301.4 million, which is a member of Marine Midland Banks, Inc.

The merging bank ranks last in size among the six commercial banks headquartered in Ulster County and is the 33rd largest bank in the Third Banking District. The bank competes with 10 commercial banks in Ulster County, five of which are controlled by multi-bank holding companies. Direct competition in Ellenville is provided by the $26 million-deposit Ellenville National Bank.

There is minimal competition between the charter and merging banks because they operate in distinct service areas separated by the Shawangunk Mountains which provide a natural geographical barrier. The closest offices of these two banks are more than 20 miles apart and an adequate number of alternative banking facilities operate in the intervening distance.

Consummation of the proposed merger will have little effect on competition in the Third Banking District or in Orange County because of the small size of the merging bank. In addition, United Bank Corporation of New York, the holding company that will control the resulting bank, will continue to rank as the smallest holding company operating in the area. The resulting bank will benefit from the broadening of its service area. Its larger lending limit will enable the resulting bank to better serve the needs of this rapidly expanding market and compete more effectively when statewide branching takes effect in 1976.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

August 28, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The town of Ellenville (population 4,500) is situated about 24 miles northwest of Applicant's nearest office with four competitive alternatives in the intervening area. The proposed transaction, therefore, would not appear to eliminate substantial existing competition between the parties or significantly increase concentration in any relevant banking market. Although the proposed merger may eliminate some potential for increased competition between the parties, the existence of other potential entrants into the areas served by each indicates that the overall effect of the transaction would not be significantly adverse.

* * *

FIRST NATIONAL BANK, Clinton, Iowa, and Union Savings Bank, Grand Mound, Iowa

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Union Savings Bank, Grand Mound, Iowa, with	$ 9,378,000	2	
was purchased Oct. 1, 1975, by First National Bank, Clinton, Iowa (2469), which had	54,959,996	1	
After the purchase was effected, the receiving bank had	65,081,000		3

COMPTROLLER'S DECISION

On December 12, 1974, the First National Bank, Clinton, Iowa, applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of Union Savings Bank, Grand Mound, Iowa.

First National Bank, Clinton, Iowa, the buying bank, with total deposits of $40.4 million, was organized in 1870 and is a member of Hawkeye Bancorporation, a multi-bank holding company controlling 14 banks in the State. First National Bank is the largest commercial bank in Clinton County. Its main office and a drive-in facility are located in Clinton which has a population of 34,719 and is the county seat of Clinton County.

Union Savings Bank, the selling bank, with total deposits of $7 million is located in Grand Mound, Iowa, a small town in Clinton County. It has a population of only 627 people. This bank ranks eighth in size among the competing banks and operates only one branch in Calamus, 6 miles west of its main office in Grand Mound. As a result of the sale, these two offices would be operated as branches of the buying bank.

Competition is provided by 11 other banks in the market area which includes Clinton County and the northern portion of Scott County. The three largest competitors are the Clinton National Bank, with total deposits of $33.6 million; the First National Bank, with total deposits of $40.4 million; and the Iowa State Savings Bank, with total deposits of $21.9 million—all of which are located in Clinton. It appears that 60 percent of the area's banking assets are concentrated in those three banks which corresponds with the concentration of population. Competition between Union Savings Bank and First National Bank is minimal. Their nearest offices are 25 miles apart with competitive alternatives in the intervening area.

A public hearing was held in connection with this proposal at the request of Iowa State Savings Bank, Clinton National Bank, Goose Lake Savings Bank, and First Central State Bank, DeWitt. The protestants' concern centered around purchase terms irrelevant to competitive considerations and unnecessary fears regarding the loss of a locally-controlled bank. Those objections were determined to be without merit. The ability of the resulting bank to provide for the needs of the community would outweight the opponents' objections.

Consummation of the proposed transaction will neither result in any adverse competitive effects nor in a greater concentration of banking assets in the State in view of the small 4 percent gain in deposits for Hawkeye Bancorporation. Furthermore, Clinton's economic base is significantly more diversified than the rural areas of Grand Mound, Camache, Calamus, and DeWitt and that will assure growth and future earnings prospects for the resulting bank. No evidence was presented by the competing banks that the transaction will adversely affect the quality of banking services offered by existing banks in the market area. On the contrary, this transaction will stimulate greater competition among area banking offices. The community will further benefit from the resulting bank's improved managerial resources, increased lending limits and the availability of trust, credit card, and computer services. Advantages such as these defeat any arguments that might be brought forth against this purchase.

Applying the statutory criteria, it is the conclusion of this Office that the subject transaction is in the public interest and, therefore, is approved.

July 29, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Applicant's main office and drive-in facility are located 17 miles from Bank's headquarters and 23 miles from Bank's Calamus branch. There are competitive alternatives in the intervening area. Thus, while the proposed transaction may eliminate some existing competition and slightly increase concentration in commercial banking in the Clinton County area, these competitive effects would not appear to be significantly adverse.

* * *

THE LITTLETON NATIONAL BANK, Littleton, N.H., and The Woodsville National Bank, Woodsville, N.H.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Woodsville National Bank, Woodsville, N.H. (5092), with	$ 5,586,416	1	———
and The Littleton National Bank, Littleton, N.H. (1885), which had	21,958,611	5	———
merged Oct. 1, 1975, under charter of the latter bank (1885) and title "Lafayette National Bank." The merged bank at date of merger had	27,582,395	———	6

COMPTROLLER'S DECISION

On January 23, 1975, The Littleton National Bank, Littleton, N.H., and The Woodsville National Bank, Woodsville, N.H., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title "Lafayette National Bank."

The Littleton National Bank, the charter bank, was organized in 1871 and presently operates four branches. It has total assets of $19.5 million and IPC deposits of $12.8 million. The primary service area of the charter bank encompasses Littleton and the immediately surrounding area. The economy of that area is based on the lumber industry, shoe manufacturing, and tourism.

Competition for the charter bank is provided by The Littleton Savings Bank, with deposits of $48.4 million, and Peoples National Bank of Littleton, with deposits of $4.2 million.

The National Bank of Woodsville, the merging bank, was organized in 1897 and presently operates as a unit bank with total assets of $4.3 million and IPC deposits of $3.2 million. It has received approval to open a branch at Piermont. The primary service area of the merging bank encompasses the town of Woodsville and the immediately surrounding area. The economy of that area is also based on the lumber industry, shoe manufacturing, and tourism.

Competition for the merging bank is provided by Woodsville Guaranty Savings Bank, Woodsville, N.H., with deposits of $12.3 million; Wells River Savings Bank, Wells River, Vt., with deposits of $11.3 million; and National Bank of Newbury at Wells River, Wells River, Vt., with deposits of $2.1 million.

There is only minimal competition between the charter and merging banks because their nearest two offices are separated by a large distance and an adequate number of alternative banking facilities operate in the intervening area. The closest offices of these two banks are approximately 9 miles apart and the small size of the merging bank prevents it from being a significant competitor of the charter bank.

Consummation of the proposed merger will stimulate competition in the service area of the merging bank because the resulting branch in Woodsville will offer new and improved services such as an increased lending limit, trust services, and NOW accounts. Furthermore, consummation of the proposed merger will eliminate the acute management succession problem at the merging bank and will result in an economy of operations for the resulting bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

May 12, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The main offices of the parties are separated by a distance of about 20 miles. The nearest offices (Bank's headquarters and Applicant's Lisbon office) are situated about 10 miles apart. Thus, it appears that the proposed merger may eliminate some existing competition and increase concentration in commercial banking in Grafton County.

* * *

MARINE NATIONAL EXCHANGE BANK OF MILWAUKEE, Milwaukee, Wisc., and American City Bank & Trust Company, National Association, Milwaukee, Wisc.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
American City Bank & Trust Company, National Association, Milwaukee, Wisc. (16056) with	**$158,313,198**	**1**	**———**
was purchased Oct. 21, 1975, by Marine National Exchange Bank of Milwaukee, Milwaukee, Wisc. (5458), which had	**435,292,127**	**2**	**———**
After the purchase was effected, the receiving bank had	**526,869,000**	**———**	**3**

COMPTROLLER'S DECISION

On October 21, 1975, application was made to the Comptroller of the Currency to grant prior written approval for Marine National Exchange Bank of Milwaukee, Milwaukee, Wisc. ("Assuming Bank"), to purchase certain of the assets, and to assume certain of the liabilities, of American City Bank & Trust Company, N.A., Milwaukee, Wisc. ("ACB").

Prior to October 21, 1975, ACB was a National bank containing deposits of approximately $119 million. At 5:00 p.m. (EDT) on October 21, 1975, the Comptroller of the Currency became satisfied that ACB was insolvent, and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. The instant application rests upon an agreement, incorporated herein by reference the same as if fully set forth, by which the FDIC, as receiver, has agreed to sell certain of the assets and liabilities of ACB to the Assuming Bank. For the reasons set forth below, the instant application of the Assuming Bank is hereby approved, and the Assuming Bank is hereby authorized immediately to consummate the purchase and assumption transaction.

ACB was initially organized as a Wisconsin State bank, and was later converted to a National bank and granted charter number 16056 on December 22, 1972. As of September 29, 1975, ACB was the fifth largest bank in Milwaukee, Wisc., with total assets of approximately $156 million. Its aggregate uninsured and otherwise unsecured deposits amounted to approximately $56 million. The bank has encountered a serious crisis of confidence since mid-1974, which was further exacerbated by the failure of ACB's parent, American Bankshares Corporation, to publish its annual report for the fiscal year ended December 31, 1974. Said report cannot now be published without containing an exhaustive discussion of subsequent events severely adverse to the viability of the parent as a financial entity. In April 1975, the State of Wisconsin Securities Commissioner suspended trading in the shares of the parent and such suspension remains in effect to date.

Beginning in February 1975, it has become steadily more apparent that ACB was in difficulty and approaching a crisis point. Losses in ACB's loan portfolio have steadily mounted. The bank has experienced a deposit run-off amounting to approximately $38.4 million coupled with an inability to raise funds in the money market. Moreover, sustained reliance by ACB on the purchase of Federal funds to maintain its liquidity and a corresponding loss of credibility to sellers of Federal funds resulting from adverse published reports have, since June 1974, foreclosed ACB from the Federal funds market.

Since June 1975, borrowing by ACB from the Federal Reserve Bank of Chicago, Ill., has exceeded $5 million daily, attaining an apex of approximately $21 million in July 1975. Since October 15, 1975, ACB has had outstanding borrowings from the Federal Reserve Bank in excess of $19.5 million, and that figure is increasing daily. Finally, the serious capital condition of the bank, as found at a special examination conducted on September 29, 1975, is reflected by a deficit adjusted capital funds figure of $3.86 million, net of $2.6 million in debentures, and a reserve for retirement of debentures amounting to $360 thousand.

Over the past several weeks, bank management engaged in numerous discussions with banks, holding companies, and individuals who might be qualified to effect a takeover of ACB, and, concommitantly, inject additional needed capital without FDIC assistance. However, within the last few days, it became apparent that a solution short of FDIC assistance could not be accomplished.

The FDIC indicated a willingness to provide assistance, and joint negotiations between the Comptroller of the Currency, the FDIC, and interested banks has generated the purchase and assumption agreement which the Comptroller is now being asked by the Assuming Bank to approve.

Under the Bank Merger Act, 12 U.S.C. 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would entail certain proscribed anti-competitive effects, unless he finds those anti-competitive effects clearly to be outweighed by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institution, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the uniform standards applicable to ordinary acquisition transactions, and need not consider reports on the competitive consequences of the transaction ordinarily solicited from the Department of Justice and from other banking agencies. He is authorized in such circumstances to act immediately, in his sole discretion, to approve an acquisition and to authorize the immediate consummation of the transaction.

Further, in accordance with the Emergency Branching Statute of the State of Wisconsin [General Banking Law, 221.04(1)(j)] and 12 U.S.C. 36(c), the Comptroller has determined that the geographical limits to the establishment of bank branches contained in subdivision (1) of the above statute do not apply to this emergency situation, and that the Assuming Bank may, therefore, establish a branch at 740 North Plankinton Avenue, Milwaukee, Wisc., the banking location formerly occupied by American City Bank & Trust Company, N.A.

In particular, the advanced financial deterioration of ACB, as is set forth above, fully justifies the finding of an emergency situation and the absence of any qualified, responsive entrant into take-over discussions held in response to this emergency necessitates offering this bank to a wider sector of potential takers. The intent of the Wisconsin legislature to provide extraordinary means for meeting financial catastrophes is, thus, completely effected.

Approval of the branch also is authorized by Section 221.14 of the Wisconsin General Banking Law and 12 U.S.C. 36(c).

The proposed acquisition will prevent an enormous financial disruption in the community, and will forestall potential losses to a large number of uninsured depositors. The Assuming Bank enjoys strong financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Milwaukee area. Thus, approval of this transaction will help to avert a loss of public confidence in the banking system and may improve the services offered to the banking public in Milwaukee.

The Comptroller, accordingly, finds that the proposed transaction will not result in a monopoly, be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any part of the United States, and that the anti-competitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to acquire certain liabilities and to purchase certain assets of ACB, as set forth in the agreement executed with the FDIC as receiver, is approved. That approval specifically includes the transfer to the Assuming Bank of ACB's trust business, as provided in §8 of the agreement. The Comptroller further finds that the failure of ACB requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community; and the Comptroller thus waives publication of notice, dispenses with the solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

October 21, 1975.

NOTE: Due to the emergency nature of the situation, an Attorney General's report was not requested.

* * *

FIRST NATIONAL BANK OF CANTON, Canton, Ohio, and The State Bank Company, Massillon, Ohio

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The State Bank Company, Massillon, Ohio, with	$ 22,663,726	3	
and First National Bank of Canton, Canton, Ohio (76), which had	214,629,867	12	
merged Oct. 31, 1975, under charter of the latter bank (76) and title "The Central Trust Company of Northeastern Ohio, N.A." The merged bank at date of merger had	237,293,593		15

COMPTROLLER'S DECISION

On July 18, 1975, First National Bank of Canton, Canton, Ohio, applied to the Comptroller of the Currency for permission to merge with The State Bank Company, Massillon, Ohio, under the charter of the former and with the title "The Central Trust Company of Northeastern Ohio, N.A."

First National Bank of Canton, the charter bank, was organized in 1863 and now operates 11 branch offices with assets of $216.2 million and IPC deposits of $174 million. The service area of this bank is essentially the central portion of Stark County which includes the city of Canton and its environs, with an estimated population of 300,000 persons.

The charter bank is the second largest of 12 banks in Stark County and is a subsidiary of Central Bancorporation, Inc., Cincinnati, Ohio, the State's ninth largest multibank holding company. Competition is provided First National Bank of Canton by offices of Harter Bank and Trust Company, Canton, with deposits of $250.5 million; Peoples-Merchants Trust Company, Canton, with deposits of $130.1 million; United National Bank and Trust Company, Canton, with deposits of $101.6 million; and Dime Bank, Canton, with deposits of $34.7 million.

The State Bank Company, the merging bank, was organized in 1903 and, with assets of $23.5 million and IPC deposits of $16.9 million, operates two branch offices. The merging bank serves an area described as the city of Massillon and its immediate environs, with an estimated population of 33,000. Massillon is situated 8 miles west of Canton.

The merging bank, the eighth largest of the 12 commercial banks headquartered in Stark County, competes primarily with First National Bank in Massillon with deposits of $51.4 million; and Navarre Deposit Bank Company, Navarre, with deposits of $10.1 million.

There is no significant competition between the charter and merging banks even though the closest offices are 2.5 miles apart because each bank is headquartered in a distinct and separate community and serves a different service area. Additionally, the small size of the merging bank, the limited range of banking services which it offers, and the large number of alternative banking facilities in Stark County prevents State Bank Company from being a significant competitor for the charter bank.

Consummation of the proposed merger will stimulate competition in the service area of the merging bank. The resulting branch in Massillon will offer new and improved services such as a significantly larger lending limit and complete trust services which will allow it to become a more viable competitor within its present service area. The banking public in Massillon will benefit from the proposed transaction because of the availability of the additional resources and management expertise of the parent company. The merger will also solve management succession problems at the merging bank. The resulting bank will remain the second largest in Stark County, and the relative size of the holding company will remain unchanged.

Applying the statutory criteria it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

September 30, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The head offices of the two banks are 8 miles apart and their closest branches are only 3 miles apart, with no other banking offices intervening. Although Canton Bank appears to draw the bulk of its business from Canton and eastward, and Massillon Bank from Massillon and to the west, the proximity of the two cities and the fact that other Stark County banks operate offices in both cities tend to indicate that the proposed merger would eliminate some existing competition.

Canton Bank is the second largest of 12 Stark County banks, holding 21.4 percent of total county deposits, while Massillon Bank is eighth largest, holding 2.4 percent. Thus, the proposed merger would increase Canton Bank's share to 23.8 percent and the share held by the four largest banks in the county from 76.4 percent to 78.8 percent. However, this increase in concentration may overstate somewhat the effect of this transaction on competition, since it does not appear that the parties are fully in competition throughout their service areas.

We conclude that the proposed transaction would have at least some adverse competitive effect.

* * *

ABERDEEN NATIONAL BANK, Aberdeen, S.Dak., and Spink County Bank, Redfield, S.Dak.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Spink County Bank, Redfield, S.Dak., with	$18,589,845	1	———
and Aberdeen National Bank, Aberdeen, S.Dak. (3326), which had	60,947,243	2	———
merged Nov. 8, 1975, under charter and title of the latter bank (3326). The merged bank at date of merger had	79,537,087	———	3

COMPTROLLER'S DECISION

On June 30, 1975, Spink County Bank, Redfield, S.Dak., and Aberdeen National Bank, Aberdeen, S.Dak., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Aberdeen National Bank, the charter bank, was organized in 1885, operates one branch office in Aberdeen, and has assets of $54.1 million and IPC deposits of $41.2 million. The bank is a member of First Bank Systems, Inc., Minneapolis, Minn., a multibank holding company that controls 88 banks with deposits of $7.2 billion in five states. The service area of the charter bank consists of the Greater Aberdeen Area which includes all of Brown County. The city of Aberdeen is the retail and wholesale center of north-central South Dakota and the economy of the area is primarily agricultural with small amounts of manufacturing.

The charter bank is the second largest of three commercial banks headquartered in Aberdeen and competes directly with First National Bank of Aberdeen, with deposits of $156.8 million, which is a member of Northwest Bancorporation; and Farmers & Merchants Bank & Trust Company, with deposits of $22.6 million, which is a member of Dacotan Bank Holding Company. There are six other banks located in Brown County but they control a relatively small amount of deposits and provide only slight additional competition.

Spink County Bank, the merging bank, was organized in 1945 and operates as a unit bank with assets of $17.3 million and IPC deposits of $15 million. The service area of this bank consists of the city of Redfield and nearby portions of Spink County. The economy of the area is agricultural with livestock raising and cash crops the primary activities. Direct competition in Redfield is provided by a branch of First National Bank of Aberdeen. There are four other banks located in Spink County that offer some additional competition but their influence is minimized by their small size and community orientation.

There is minimal competition between the charter and merging bank because they are separated by relatively large distances and an adequate number of alternative banking facilities operate in the intervening distance. The closest offices of the two banks are approximately 41 miles apart. The local character of the banks resulting from the importance of agriculture in the economy of their service areas serves to further dilute their competitive impact. The nearest subsidiary of First Bank Systems, Inc., the holding company that will control the resulting bank, is more than 40 miles east of Redfield so there is little competition between it and the merging bank.

Consummation of the proposed merger will stimulate competition in the service area of the merging bank and will have little impact in Aberdeen or the State of South Dakota because of the small size of the merging bank. The larger lending limit of the resulting bank will enable it to compete more effectively in Redfield especially in light of the trend toward larger and fewer farms. In addition, customers of the merging bank will benefit from expanded services, including trust services and installment loans, and provision will be made for succession of management. The charter bank, which is prevented from branching into Redfield by South Dakota law, will benefit both from the expansion of its service area and from the addition to its capital base of the capital of the conservatively managed merging bank.

Applying the statutory criteria, it is concluded, that the proposed merger is in the public interest and this application is, therefore, approved.

October 8, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The town of Redfield (population 2,900) is located approximately 40 miles south of Applicant's nearest office. Several other intervening banks are in the area and the application states that deposit and loan overlaps are minimal. Other FBS affiliates are located at equal or greater distances from Redfield. The proposed transaction, therefore, would not appear to eliminate substantial existing competition between the parties. Further, in view of legal barriers which prevent Applicant or its parent from entering Redfield other than by the subject merger, and the limited growth prospects of Brown County, it does not appear that substantial potential competition will be eliminated.

FBS, Applicant's parent company, is the second largest organization in the State with approximately 16.8 percent of statewide deposits. South Dakota's four leading banking organizations hold 46.4 percent of deposits. Consummation of this transaction will raise FBS's share only slightly.

* * *

PEOPLES NATIONAL BANK OF WASHINGTON, Seattle, Wash., and American National Bank of Edmonds, Edmonds, Wash.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
American National Bank of Edmonds, Edmonds, Wash. (15351), with	$ 6,110,724	3	———
was purchased Nov. 13, 1975, by Peoples National Bank of Washington, Seattle, Wash. (14394), which had	852,444,437	60	———
After the purchase was effected, the receiving bank had	891,127,000	———	63

COMPTROLLER'S DECISION

On July 14, 1975, Peoples National Bank of Washington, Seattle, Wash., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of American National Bank of Edmonds, Edmonds, Wash., under the charter and with the title of the former.

Peoples National Bank of Washington, the purchasing bank, was organized in 1889 as a State-chartered savings bank and converted to a National bank charter in 1937. As of December 31, 1974, the bank had assets of $793 million and IPC deposits of $527 million. The bank presently operates 60 banking offices, 48 of which are located in the western portion of the State, with the remaining 12 offices in central Washington. Central Washington, commonly referred to as the Columbia Basin, is the center of Washington's agricultural industry which is both the State's largest employer and its largest source of income. The remaining 48 branches primarily serve the Puget Sound region, the State's population center and the nucleus of its aerospace and manufacturing industries. Twenty of the bank's branches are located in Seattle, the State's principal city, and the commercial, industrial and financial center of the Pacific Northwest.

Peoples National Bank is presently the fourth largest commercial bank in the State. Primary competition derives from a number of commercial banks, the largest of which include Seattle-First National Bank, Seattle, with deposits of $3.4 billion; Rainier National Bank, Seattle, with deposits of $2.1 billion; Pacific National Bank, Seattle, with deposits of $800 million; and Old National Bank of Washington, Spokane, with deposits of $496 million. Competition is also provided by Washington Mutual Savings Bank, Seattle, a financial institution with deposits of $1.3 billion.

American National Bank of Edmonds, the selling bank, was organized in 1964 and, in December 1974, controlling interest in the bank (97 percent) was purchased by the President of Peoples National Bank. In addition to its principal office, American National Bank of Edmonds operates two branch offices both of which opened in 1975. As of December 31, 1974, the bank had total assets of $5.1 million and IPC deposits of $4.1 million. At present it is the 71st largest bank in the State. Its main office is located in Edmonds, a residential community about 15 miles north of Seattle, most of whose residents commute to jobs in other cities in the Puget Sound region.

The selling bank competes with branches of Rainier National Bank, Seattle, with deposits of $2.1 billion; Everett Trust and Savings Bank, Everett, with deposits of $114 million; and City Bank, Lynwood, with deposits of $2.8 million. The selling bank also competes with various mutual savings banks and savings and loan associations situated in its service area, the largest of which is Washington Mutual Savings Bank, Seattle, with deposits of $1.3 billion.

Competition between the two banks is minimal. Their head offices are 16 miles apart, and their closest offices 4.6 miles apart. The intervening distance between the offices of the purchasing and selling bank are densely populated urban areas in which each office serves a distinctly separate community or market area. Furthermore, seven commercial banks operating 26 branches in the same service area dilute the competitive impact of this transaction.

Consummation of the proposed merger will result in no adverse competitive effects. The resulting bank will remain the fourth largest banking institution in the State. Since an individual closely associated with the purchasing bank owns a controlling interest in the selling bank there is little or no likelihood of future competition between the two banks. Furthermore, State branch banking law restricts *de novo* branching outside a bank's home office county. The purchasing bank cannot, therefore, except under very limited circumstances, expand further into Snohomish County, home county of American National Bank, except by the acquisition of a bank with offices in that county.

The statutory criteria having been met, it is concluded that the proposed transaction will not lessen competition. This application is therefore approved.

October 14, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

American Bank operates its home office and two branches in Snohomish County; Peoples Bank also operates two branches in the county. One branch of Peoples Bank is 4.6 miles from the home office of American Bank in southern Snohomish County, while the other Peoples Bank branch is about 6 miles from an American Bank branch. Peoples Bank and American Bank hold approximately 5.9 percent and 1.0 percent, respectively, of Snohomish County commercial bank deposits.

Thus, we conclude that the proposed transaction would eliminate some existing competition between the parties. It does not, however, appear that concentration in commercial banking would be substantially increased in any relevant banking market.

* * *

GARDEN STATE NATIONAL BANK,
Paramus, N.J., and The Hardyston National Bank of Hamburg, Hamburg, N.J.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Hardyston National Bank of Hamburg, Hamburg, N.J. (8227), with	$ 31,776,514	4	———
was purchased Dec. 26, 1975, by Garden State National Bank, Paramus, N.J. (15570), which had	533,201,028	29	———
After the purchase was effected, the receiving bank had	588,986,000	———	33

COMPTROLLER'S DECISION

On September 16, 1975, Garden State National Bank, Paramus, N.J., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of The Hardyston National Bank of Hamburg, Hamburg, N.J., under the charter and with the title of Garden State National Bank.

Garden State National Bank, the purchasing bank, was chartered in 1889 and at present operates 28 banking offices: 14 in Bergen County, 13 in Hudson County, and one in Warren County. In addition, the bank has received permission to open two additional offices in Bergen County. On December 31, 1974, Garden State had total assets of $512 million and total IPC deposits of $397 million making it the 11th largest bank in New Jersey. Garden State is presently a subsidiary of Warner Communications Incorporated, New York, N.Y., a one-bank holding company that also controls other non-banking corporations.

The area served by the purchasing bank extends 52 miles north to south, from Mahwah in Bergen County to Bayonne in Hudson County and 62 miles east to west, from Cliffside Park in Bergen County to Hackettstown in Warren County. Bergen and Hudson counties are highly developed commercial, industrial, and residential areas which lie immediately across the Hudson River from New York City and have a population of more than 1.5 million persons. Hudson County has been in a state of economic decline for the past several years and Bergen County's rate of growth has decreased somewhat during the same period. Warren County, located in the western portion of New Jersey, has a population of approximately 77,000 people and has projected a rapid rate of growth.

Garden State National Bank competes directly with 31 commercial banks, the largest of which include United Jersey Bank, Hackensack, with total deposits of $1 billion; New Jersey Bank, National Association, Clifton, with deposits of $703 million; National Community Bank, Rutherford, with deposits of $641 million; and First Jersey National Bank, Jersey City, with deposits of $472 million. Competition is also provided by 18 savings banks, the largest of which is The Howard Savings Bank, Newark, with deposits of $1.3 billion. There is also competition from the multi-billion dollar banking institutions headquartered in New York City.

Hardyston National Bank of Hamburg, the selling bank, was chartered in 1906 and presently operates four offices and has received approval to open a fifth. All of these offices are located in Sussex County, a sparsely populated, semi-rural area that forms the northwesternmost corner of New Jersey. Sussex is, however, currently the second fastest growing county in the State and appears to be on the verge of a boom which is expected to expand all sectors of its economy.

At present, Hardyston National Bank has total assets of $30.6 million and total IPC deposits of $22.2 million, making it the smallest of eight banks conducting business in Sussex County. Hardyston National Bank competes directly with New Jersey Bank, National Association, Clifton, with total deposits of $703 million; National Community Bank, Rutherford, with deposits of $641 million; American National Bank and Trust Company, Montclair, with deposits of $377 million; Morris County Savings Bank, Morristown, with deposits of $355 million; Midlantic National Bank/Sussex & Merchants, Newton, with deposits of $63 million, part of the $1 billion Midlantic Banks, Inc.; The Newton Trust Company, Newton, with deposits of $42 million; and National Bank of Sussex County, Branchville, with deposits of $33 million.

The two banks operate in two widely separated geographic areas of the State of New Jersey. Their main offices are 32 miles apart, and their nearest offices are 17 miles apart. There is therefore little, if any, direct competition between them.

The proposed acquisition of Hardyston National Bank by Garden State National Bank will leave the positions of competitor banks in the Bergen and Hudson county market areas virtually unchanged, therefore, competition in those areas will not be adversely affected. Since there are seven other banks in the Sussex County market area which are all larger than the selling bank, consummation of the proposed transaction will not adversely affect competition in that area. On the contrary, competition in Sussex County should be further stimulated by the addition of a new, larger competitor, able to offer a wider range of services than Hardyston National Bank is currently offering or is capable of offering.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and should be approved.

November 25, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Applicant does not operate any offices in Sussex County, where Bank operates all of its offices. The closest offices of the two banks are about 17 miles apart. Thus, the merger would not eliminate any significant existing competition between the banks.

Applicant could be permitted to branch *de novo* into Sussex County, in competition with Bank, which holds about 12 percent of the total deposits held by all commercial banking offices in the county. Because of the existence of larger institutions both within and outside of Sussex County, however, the effect of the merger on potential competition would not be significantly adverse.

* * *

JENNINGS NATIONAL BANK,
Jennings, Kans., and First State Bank of Jennings, Jennings, Kans.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First State Bank of Jennings, Jennings, Kans., with	$3,086,000	1	———
was purchased Dec. 29, 1975, by Jennings National Bank, Jennings, Kans. (16540), which had	250,000	0	———
After the purchase was effected, the receiving bank had	3,053,000	———	1

Due to the emergency nature of the situation, no "Comptroller's Decision" or Attorney General's report was prepared.

* * *

FIRST PENNSYLVANIA BANK, N.A., Bala Cynwyd, Pa., and Virgin Islands National Bank, Charlotte Amalie, St. Thomas, V.I.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Virgin Islands National Bank, Charlotte Amalie, St. Thomas, V.I. (14335), with	$101,966,000	7	———
was purchased Dec. 31, 1975, by First Pennsylvania Bank, N.A., Bala Cynwyd, Pa. (1), which had	5,592,654	86	———
After the purchase was effected, the receiving bank had	5,863,439,000	———	93

COMPTROLLER'S DECISION

On November 3, 1975, First Pennsylvania Bank, N.A., Bala Cynwyd, Pa., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of Virgin Islands National Bank, Charlotte Amalie, St. Thomas, V.I.

The proposed acquisition represents a corporate reorganization. Virgin Islands National Bank has been a wholly-owned subsidiary of First Pennsylvania Bank, N.A. for 15 years. The reorganization will be accomplished through a transfer by way of a liquidating dividend of all of the assets of Virgin Islands National Bank to First Pennsylvania Bank, N.A. Ownership and operation of the resulting branch office will continue in First Pennsylvania Bank, N.A.

Applying the statutory criteria, it is concluded that the proposed merger is merely part of an internal corporate reorganization which will not adversely effect competition in either Pennsylvania or the Virgin Islands. This application is, therefore, approved.

December 1, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a substantial competitive impact.

* * *

NEW JERSEY NATIONAL BANK, Trenton, N.J., and New Jersey National Bank—Delaware Valley, Cherry Hill, N.J., and New Jersey National Bank of Princeton, Princeton, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
New Jersey National Bank of Princeton, Princeton, N.J. (16075), with	$ 13,015,498	1	———
and New Jersey Bank—Delaware Valley, Cherry Hill, N.J. (14975), with	28,759,151	2	———
and New Jersey National Bank, Trenton, N.J. (1327), which had	758,280,856	30	———
merged Dec. 31, 1975, under charter and title of the latter bank (1327). The merged banks at date of merger had	800,055,505	———	33

COMPTROLLER'S DECISION

On October 22, 1975, New Jersey National Bank of Princeton, Princeton, N.J., New Jersey National Bank-Delaware Valley, Cherry Hill, N.J., and New Jersey National Bank, Trenton, N.J., applied to the Comptroller of the Currency for permission to merge under the charter and title of the latter.

The proposed merger represents a corporate reorganization which would merely combine three existing subsidiary banks of New Jersey National Corporation into a single institution that would continue under the ownership of the holding company. The resulting bank will continue to operate all existing offices of the charter and merging banks.

Applying the statutory criteria, it is concluded that the proposed merger is merely part of an internal corporate reorganization which will have no effect on competition. This application is, therefore, approved.

December 1, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are all wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

* * *

UNION TRUST COMPANY OF THE DISTRICT OF COLUMBIA, Washington, D.C., and The First National Bank of Washington, Washington, D.C.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Union Trust Company of the District of Columbia, Washington, D.C., with	$269,491,000	11	———
and The First National Bank of Washington, Washington, D.C. (2038), which had	220,069,000	9	———
merged Dec. 31,1975, under charter of the latter bank (2038) and title "Union First National Bank of Washington." The merged bank at date of merger had	489,560,000	———	20

COMPTROLLER'S DECISION

On June 23, 1975, Union Trust Company of the District of Columbia, Washington, D.C., and The First National Bank of Washington, Washington, D.C., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title "Union First National Bank of Washington."

The First National Bank of Washington, the charter bank, was organized in 1872 and operates 10 branch offices in the District of Columbia. It has assets of $203.2 million and IPC deposits of $174.4 million. In February 1959 the charter bank became affiliated with Financial General Bancshares, Inc., Washington, D.C., a bank holding company that owns a majority interest in 16 banks which have aggregate deposits of $1.7 billion, and has a minority interest in 7 other banks.

Union Trust Company of the District of Columbia, the merging bank, was organized in 1899 and operates 8 branch offices in Washington. It has assets of $270.1 million and IPC deposits of $233.0 million. The merging bank has been affiliated with Financial General Bancshares, Inc. and its predecessor, the Morris Plan Corporation, since 1946.

Because of the residential and employment patterns of the area population, the service area of the charter and merging banks comprise the entire Washington, D.C. Standard Metropolitan Statistical Area. This includes the District of Columbia; the Maryland counties of Montgomery, Prince Georges, and Charles; the Virginia counties of Arlington, Fairfax, Loudoun, and Prince William; and the Virginia independent cities of Alexandria, Fairfax, and Falls Church. The economy of the metropolitan area is supported primarily by the large number of Federal employees, both civilian and military, who work in the nearby agencies and installations. Tourism is also an important factor.

The charter bank ranks sixth and the merging bank fifth among the 16 commercial banks in the District of Columbia. District competitors include Riggs National Bank, with deposits of $1.3 billion; American Security and Trust Company, with deposits of $973.3 million; The National Bank of Washington, with deposits of $432.5 million; and National Savings and Trust Company, with deposits of $301.4 million. The $794.2 million-deposit Suburban Trust Company, Hyattsville, Md.; the $327.7 million-deposit Citizens Bank and Trust Company of Maryland, Riverdale; the $385.5 million deposit First Virginia Bank, Falls Church, Va.; and the $345.4 million deposit National United Virginia Bank, Vienna, Va., provide additional competition.

There is only minimal competition between the charter and merging banks because they have been controlled by the same holding company for more than 16 years. The proposed merger is in fact a corporate reorganization and as a result of its consummation Financial General Bancshares will conduct its banking business in the District of Columbia through one subsidiary rather than two. The holding company will not increase the amount of deposits it controls in the Washington SMSA and will benefit primarily from cost savings and increased efficiency. The resulting bank will rank fourth in the District and fifth in the SMSA and its larger banking limit should stimulate competition with the larger banks. The continued operation of the two banks' 20 offices is contemplated and the merger should have little effect on their customers.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and the application is, therefore, approved.

September 25,1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

A substantial majority of the stock of both merging banks is owned by the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

* * *

UNITED VIRGINIA BANK/NATIONAL,
Vienna, Va., and United Virginia Bank/Peoples National, Manassas, Va.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
United Virginia Bank/Peoples National, Manassas, Va. (6748), with	$ 35,587,561	6	
and United Virginia Bank/National, Vienna, Va. (651), which had	398,858,548	33	
merged Dec. 31, 1975, under charter and title of the latter bank (651). The merged bank at date of merger had	434,446,110		39

COMPTROLLER'S DECISION

On September 9, 1975, United Virginia Bank/National, Vienna, Va., and United Virginia Bank/Peoples National, Manassas, Va., applied to the Comptroller of the Currency for permission to merge under the charter and title of United Virginia Bank/National.

United Virginia Bank/National, the charter bank, was organized in 1864 and now operates 31 branches with total assets of $382.9 million and IPC deposits of $333 million. In 1969 the charter bank was acquired by United Virginia Bankshares Corporation, a registered bank holding company.

United Virginia Bank/Peoples National, Manassas, Va., the merging bank, was organized in 1903 and was acquired by United Virginia Bankshares Corporation in 1971. It operates six banking offices with total assets of $38 million and IPC deposits of $29.7 million.

Both the charter and merging banks are wholly-owned subsidiaries of United Virginia Bankshares Corporation, Richmond, Va., a registered multi-bank holding company which operates 16 banks throughout the Commonwealth of Virginia. Since both the charter and merging banks are subsidiaries of United Virginia Bankshares Corporation, the proposed merger merely represents a reorganization of pre-existing, commonly owned assets which will have no effect on competition.

Applying the statutory criteria, it is concluded that the proposed merger will have no effect on the competitive banking structure in the relevant market. This application is, therefore, approved.

November 14, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are both wholly-owned subsidiaries of the same bank holding company. As such, their proposed merger is essentially a corporate reorganization and would have no effect on competition.

* * *

II. Mergers consummated, involving a single operating bank

THE COMMERCIAL NATIONAL BANK OF BRADY, Brady, Tex., and Commercial Bank National Association, Brady, Tex.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Commercial National Bank of Brady, Brady, Tex. (8573), with	$12,245,771	1	
and Commercial Bank National Association, Brady, Tex. (8573), which had	63,078	0	
merged Jan. 17, 1975, under charter of the latter bank (8573) and title "The Commercial National Bank of Brady." The merged bank at date of merger had	12,245,771		1

COMPTROLLER'S DECISION

On July 30, 1974, The Commercial National Bank of Brady, Brady, Tex., and Commercial Bank National Association (organizing), Brady, Tex., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

The Commercial National Bank of Brady, the existing bank, was organized in 1907 and presently operates as a unit bank with total assets of $11.5 million and IPC deposits of $9.5 million. The primary service area of the existing bank encompasses Brady and the immediately surrounding area in McCulloch County.

Competition for The Commercial National Bank of Brady is provided by The Brady National Bank, Brady, with deposits of $10.7 million, and Ranchlander National Bank, Melvin, with deposits of $1.9 million.

Commercial Bank National Association, the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to Central Texas Financial Corporation, Brownwood, Tex. The new bank will not be operating as a commercial bank prior to this merger.

Central Texas Financial Corporation, the bank holding company which will acquire the resulting bank, was organized in 1973 and presently controls a single banking subsidiary, First National Bank in Brownwood, Brownwood, with deposits of $37.6 million. Central Texas Financial Corporation intends to merge with U.S. Bancshares, Inc., Dallas, Tex. While the latter presently controls no banking subsidiaries, it intends to acquire Coleman Bank, Coleman, with deposits of $16.7 million, and three *de novo* banks. If all of the foregoing proposals are approved, Central Texas Financial Corporation, whose name will be changed to U.S. Bancshares, Inc., will rank as the 23rd largest bank holding company in Texas, controlling six banks with aggregate deposits of $65.4 million.

There is little, if any, competition between Central Texas Financial Corporation or its subsidiary and The Commercial National Bank of Brady because large distances separate their nearest offices. The Commercial National Bank of Brady is located 49 miles south of Brownwood where First National Bank in Brownwood, the only existing banking subsidiary of Central Texas Financial Corporation, maintains an office.

Consummation of the proposed merger will stimulate competition in McCulloch County because the resulting subsidiary in Brady will offer improved services such as trust department services, investment services, and an expanded loan program. Consummation of the proposed merger will also result in an economy of operations for the existing bank and ready accessibility to Central Texas Financial Corporation's managerial expertise.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

December 16, 1974.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The Commercial National Bank of Brady would become a subsidiary of Central Texas Financial Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Central Texas Financial Corporation, it would have no effect on competition.

* * *

THE BANK OF WARWOOD, NATIONAL ASSOCIATION,
Wheeling, W.Va., and Second Bank of Warwood, National Association, Wheeling, W.Va.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Warwood, National Association, Wheeling, W.Va. (16248), with	$ 17,947,092	1	———
and Second Bank of Warwood, National Association, Wheeling, W.Va. (16248), which had	116,717	0	———
merged Jan. 30, 1975, under charter of the latter bank (16248) and title "The Bank of Warwood, National Association." The merged bank at date of merger had	17,950,692	———	1

COMPTROLLER'S DECISION

On August 1, 1974, The Bank of Warwood, National Association, Wheeling, W.Va., and Second Bank of Warwood, National Association (organizing), Wheeling, W.Va., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

The Bank of Warwood, National Association, the existing bank, was organized in 1911 and presently operates as a unit bank. It has total assets of $18 million and IPC deposits of $12.5 million. The primary service area of the existing bank encompasses a suburban community in the northern section of Wheeling.

Second Bank of Warwood, National Association, the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to First West Virginia Bancorp, Inc., Wheeling, W.Va., which will become a bank holding company upon its acquisition of the resulting bank. Second Bank of Warwood, National Association will not be operating as a commercial bank prior to this merger.

First West Virginia Bancorp, Inc., will also acquire the successor by merger to Community Savings Bank, National Association, Wheeling, W.Va., at the time it acquires the resulting bank. There is little, if any, competition between the two banks to be acquired by First West Virginia Bancorp, Inc., because their nearest offices are separated by a distance of 5 miles and an adequate number of alternative banking facilities operate in the intervening area. Consequently, there can be no adverse effect on competition resulting from the consummation of the proposed merger. The resulting bank will conduct the same banking business at the same location and with the same name as presently used by the existing bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

December 31, 1974.

NOTE: No Attorney General's report was received.

* * *

COMMUNITY SAVINGS BANK, NATIONAL ASSOCIATION,
Wheeling, W.Va., and Second Community Savings Bank, National Association, Wheeling, W.Va.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Community Savings Bank, National Association, Wheeling, W.Va. (16332), with	$8,265,110	1	———
and Second Community Savings Bank, National Association, Wheeling, W.Va. (16332), which had	116,718	0	———
merged Jan. 30, 1975, under charter of the latter bank (16332) and title "Community Savings Bank, National Association." The merged bank at date of merger had	8,381,828	———	1

COMPTROLLER'S DECISION

On August 2, 1974, Community Savings Bank, National Association, Wheeling, W.Va., and Second Community Savings Bank, National Association (organizing), Wheeling, W.Va., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

Community Savings Bank, National Association, the existing bank, was organized in 1917 and presently operates as a unit bank. It has total assets of $7.6 million and IPC deposits of $4.6 million. The primary service area of the existing bank encompasses the downtown business district of Wheeling and the neighboring communities.

Second Community Savings Bank, National Association, the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to First West Virginia Bancorp, Inc., Wheeling, W.Va., which will become a bank holding company upon its acquisition of the resulting bank. Second Community Savings Bank, National Association, will not be operating as a commercial bank prior to this merger.

First West Virginia Bancorp, Inc., will also acquire the successor by merger to The Bank of Warwood, National Association, Wheeling, W.Va., at the time it acquires the resulting bank. There is little, if any competition between the two banks to be acquired by First West Virginia Bancorp, Inc., because their nearest offices are separated by a distance of 5 miles and adequate number of alternative banking facilities operate in the intervening area. Consequently, there can be no adverse effect on competition resulting from the consummation of the proposed merger. The resulting bank will conduct the same banking business at the same location and with the same name as presently used by the existing bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

December 31, 1974.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Community Savings Bank, N.A. would become a subsidiary of First West Virginia Bancorp, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First West Virginia Bancorp, Inc., it would have no effect on competition.

* * *

THE FIRST NATIONAL BANK OF SPRINGFIELD, Springfield, Ill., and Second National Bank of Springfield, Springfield, Ill.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The First National Bank of Springfield, Springfield, Ill. (205), with	$218,601,980	2	———
and Second National Bank of Springfield, Springfield, Ill. (205), which had	224,259	0	———
merged Feb. 14, 1975, under charter of the latter bank (205) and title "The First National Bank of Springfield." The merged bank at date of merger had	220,049,570	———	2

COMPTROLLER'S DECISION

On September 16, 1974, The First National Bank of Springfield, Springfield, Ill., and Second National Bank of Springfield (organizing), Springfield, Ill., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

The First National Bank of Springfield, the existing bank, was organized in 1865 and presently operates as a unit bank with total assets of $203 million and IPC deposits of $140 million.

Direct competition for The First National Bank of Springfield is provided by eight other banks located in Springfield, the largest of which are Springfield Marine Bank, with deposits of $215 million, and The Illinois National Bank of Springfield, with deposits of $139 million.

Second National Bank of Springfield, the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to Firstbank of Illinois Co., Springfield, Ill., which will become a one-bank holding company upon its acquisition of the resulting bank. Second National Bank of Springfield will not be operating as a commercial bank prior to this merger.

Because The First National Bank of Springfield is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same locations and with the same name as presently used by the existing bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

January 14, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The First National Bank of Springfield would become a subsidiary of Firstbank of Illinois Co., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Firstbank of Illinois Co., it would have no effect on competition.

* * *

SHOALS NATIONAL BANK OF FLORENCE
Florence, Ala., and Shoals Bank, N.A., Florence, Ala

Name of bank and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Shoals National Bank of Florence, Florence, Ala. (15427), with	$16,638,060	4	———
and Shoals Bank, N.A., Florence, Ala. (15427), which had	120,000	0	———
merged Feb. 21, 1975, under charter of the latter bank (15427) and title "Shoals National Bank of Florence." The merged bank at date of merger had	16,761,660	———	4

COMPTROLLER'S DECISION

On November 6, 1974, Shoals National Bank of Florence, Florence, Ala., and Shoals Bank, N.A. (organizing), Florence, Ala., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

Shoals National Bank of Florence, the existing bank, was organized in 1964 and now has total assets of $14 million and IPC deposit of $9.5 million. This bank operates three branches and has received approval to establish a fourth. The service area of Shoals National Bank of Florence is described as the city of Florence and its environs south to the Tennessee River which is considered to be a natural barrier.

Shoals National Bank of Florence is the third largest of seven commercial banks headquartered in Lauderdale County four of which are not within the immediate service area of Florence. However, direct competition is provided by First National Bank of Florence, with deposits of $86 million, and The Florence branch of Central Bank of Alabama, National Association, Decatur, with deposits of $364 million.

Shoals Bank, N.A. is being organized to provide a vehicle by which to transfer ownership of Shoals National Bank of Florence to Alabama Bancorporation. The new bank will not be operating as a commercial bank prior to this merger.

Alabama Bancorporation, Birmingham, Ala., is the largest of 15 bank holding companies operating in Alabama and controls 10 banks with aggregate deposits of $1.2 billion. The principal subsidiary of this holding company is First National Bank of Birmingham which has deposits of $892 million and operates 29 offices throughout Alabama. The other nine subsidiaries of Alabama Bancorporation, seven National and two State banks, are headquartered in Decatur, Mobile, Sulligent, Anniston, Montgomery, Huntsville, Fort Payne, Selma, and Robertsdale. Alabama Bancorporation also controls one non-bank subsidiary, Alabama Financial Corporation, which deals in second mortgage real estate loans and long-term capital equipment financing and leasing.

There is no significant competition between Alabama Bancorporation or its subsidiaries and Shoals National Bank of Florence because of the distance separating their closest two offices and the existence of alternative banking facilities operating in the intervening distance. The nearest office of a subsidiary of the holding company is First National Bank of Decatur which is located approximately 55 miles from the closest branch of Shoals National Bank of Florence.

Consummation of the proposed transaction will not adversely affect competition in the Florence area. On the contrary, consummation will stimulate competition by allowing the resulting subsidiary to offer an expanded range of banking services including specialized loan services, computer services, corporate financing, corporate trust and cash management and an expanded lending limit. Additionally, Shoals National Bank of Florence will strengthen its internal operation and staff through the expertise that will be available through Alabama Bancorporation and its lead bank. The relative size of Alabama Bancorporation with regard to the other bank holding companies operating in Alabama will not be altered by approval of the proposed transaction.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is therefore approved.

January 22, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Shoals National Bank of Florence would become a subsidiary of Alabama Bancorporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank of Alabama Bancorporation, it would have no effect on competition.

* * *

CITY NATIONAL BANK OF BIRMINGHAM,
Birmingham, Ala., and Southland National Bank of Birmingham, Birmingham, Ala.

Name of bank and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
City National Bank of Birmingham, Birmingham, Ala. (15473), with	$98,679,161	9	
and Southland National Bank of Birmingham, Birmingham, Ala. (15473), which had	247,200	0	
merged Feb. 28, 1975, under charter of the latter bank (15473) and title "City National Bank of Birmingham." The merged bank at date of merger had	99,760,971		9

COMPTROLLER'S DECISION

On October 3, 1974, Southland National Bank of Birmingham (organizing), Birmingham, Ala., and City National Bank of Birmingham, Birmingham, Ala., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title of the latter.

City National Bank of Birmingham, the existing bank, was organized in 1965 and presently operates eight branches. It has total assets of $85 million and IPC deposits of $63 million. The primary service area of the existing bank encompasses all of Jefferson County. The economy of this service area is supported by the iron and steel industry.

Southland National Bank of Birmingham, is being organized to provide a vehicle by which to transfer ownership of the existing bank to Southland Bancorporation, Mobile, Ala., which will become a bank holding company upon its acquisition of the resulting bank. Southland National Bank of Birmingham will not be operating as a commercial bank prior to this merger.

Southland Bancorporation will also acquire the successor by merger to The Merchants National Bank of Mobile, Mobile, Ala., at the time it acquires the resulting bank. There is no competition between the two banks to be acquired by Southland Bancorporation because their closest offices are separated by a distance of 273 miles.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

January 10, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The mergers are parts of plans through which the existing banks will become subsidiaries of Southland Bancorporation. Each of these mergers, however, will merely combine an existing bank with a nonoperating institution and without regard to the acquisition of the surviving bank by Southland Bancorporation, will have no effect on competition.

* * *

THE MERCHANTS NATIONAL BANK OF MOBILE,
Mobile, Ala., and Southland National Bank of Mobile, Mobile, Ala.

Name of bank and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
The Merchants National Bank of Mobile, Mobile, Ala. (13097), with	$372,096,298	11	
and Southland National Bank of Mobile, Mobile, Ala. (13097), which had	240,000	0	
merged Feb. 28, 1975, under charter of the latter bank (13097) and title "The Merchants National Bank of Mobile." The merged bank at date of merger had	372,096,298		11

COMPTROLLER'S DECISION

On October 3, 1974, Southland National Bank of Mobile (organizing), Mobile, Ala., and The Merchants National Bank of Mobile, Mobile, Ala., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title of the latter.

The Merchants National Bank of Mobile, the existing bank, was organized in 1901 and presently operates 10 branches. It has total assets of $347 million and IPC deposits of $259 million. The primary service area of the existing bank encompasses all of Mobile County. The economy of that service area is supported by maritime shipping and associated industries such as ship building and ship repairing, and the lumber, paper, chemical, and seafood industries.

Southland National Bank of Mobile is being organized to provide a vehicle by which to transfer ownership of the existing bank to Southland Bancorporation, Mobile, Ala., which will become a bank holding company upon its acquisition of the resulting bank. Southland National Bank of Mobile will not be operating as a commercial bank prior to this merger.

Southland Bancorporation will also acquire the successor by merger to City National Bank of Birmingham, Birmingham, Ala., at the time it acquires the resulting bank. There is no competition between the two banks to be acquired by Southland Bancorporation because their closest offices are separated by a distance of 273 miles.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

January 10, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

These mergers are parts of plans through which the existing banks will become subsidiaries of Southland Bancorporation. Each of these mergers, however, will merely combine an existing bank with a non-operating institution and without regard to the acquisition of the surviving bank by Southland Bancorporation, will have no effect on competition.

* * *

FIDELITY NATIONAL BANK OF BATON ROUGE, Baton Rouge, La., and FNB National Bank, Baton Rouge, La.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Fidelity National Bank of Baton Rouge, Baton Rouge, La. (14462), with	$251,575,127	11	———
and FNB National Bank, Baton Rouge, La. (14462), which had	244,650	0	———
merged Apr. 1, 1975, under charter of the latter bank (14462) and title "Fidelity National Bank of Baton Rouge." The merged bank at date of merger had	247,919,658	———	11

COMPTROLLER'S DECISION

On April 5, 1974, FNB National Bank (organizing), Baton Rouge, La., and Fidelity National Bank of Baton Rouge, Baton Rouge, La., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title of the latter.

Fidelity National Bank of Baton Rouge, the existing bank, was organized in 1937 and presently has total assets of $219 million and IPC deposits of $144 million. It operates eight branches and serves East Baton Rouge Parish.

Direct competition for the existing bank is provided by Louisiana National Bank of Baton Rouge, with deposits of $305 million; American Bank and Trust Company, Baton Rouge, with deposits of $283 million; City National Bank of Baton Rouge, with deposits of $153 million; Capital Bank and Trust Company, Baton Rouge, with deposits of $112 million; and Baton Rouge Bank and Trust Company, with deposits of $42 million.

FNB National Bank, the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to Fidelity National Financial Corporation, Baton Rouge, La., which will become a one-bank holding company upon its acquisition of the resulting bank. FNB National Bank will not be operating as a commercial bank prior to this merger.

Because Fidelity National Bank of Baton Rouge is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same locations and with the same name as presently used by the existing bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

February 11, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Fibelity National Bank of Baton Rouge would become a subsidiary of Fidelity National Financial Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Fidelity National Financial Corporation, it would have no effect on competition.

* * *

FIRST MISSISSIPPI NATIONAL BANK,
Hattiesburg, Miss., and Hattiesburg Bank, N.A., Hattiesburg, Miss.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First Mississippi National Bank, Hattiesburg, Miss. (5176), with	$202,155,316	27	
and Hattiesburg Bank, N.A., Hattiesburg, Miss. (5176), which had	120,000	0	
merged Apr. 8, 1975, under charter of the latter bank (5176) and title "First Mississippi National Bank." The merged bank at date of merger had	202,275,316		27

COMPTROLLER'S DECISION

On March 26, 1974, First Mississippi National Bank, Hattiesburg, Miss., and Hattiesburg Bank, N.A. (organizing), Hattiesburg, Miss., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

First Mississippi National Bank, the existing bank, was organized in 1899 and presently operates 16 branches with total assets of $163 million and IPC deposits of $107 million. The primary service area of the existing bank encompasses Hattiesburg, the immediately surrounding area, and southern Mississippi.

Competition for First Mississippi National Bank is provided by Citizens Bank of Hattiesburg, with deposits of $31.7 million, and Southern National Bank of Hattiesburg, with deposits of $22 million.

Hattiesburg Bank, N.A., the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to First Mississippi National Corporation, Hattiesburg, Miss., which will become a one-bank holding company upon its acquisition of the resulting bank. Hattiesburg Bank, N.A. will not be operating as a commercial bank prior to this merger.

Because First Mississippi National Bank is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same locations and with the same name as presently used by the existing bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore approved.

December 23, 1974.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First Mississippi National Bank would become a subsidiary of First Mississippi National Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a nonoperating institution; as such, and without regard to the acquisition of the surviving bank by First Mississippi National Corporation, it would have no effect on competition.

* * *

FIRST NATIONAL BANK OF MERCER COUNTY,
Greenville, Pa., and Mercer County Interim Bank, N.A., Greenville, Pa.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First National Bank of Mercer County, Greenville, Pa. (249), with	$120,022,757	12	
and Mercer County Interim Bank, N.A., Greenville, Pa. (249), which had	124,185	0	
merged Apr. 11, 1975, under charter of the latter bank (249) and title "First National Bank of Merce County." The merged bank at date of merger had	120,134,596		12

COMPTROLLER'S DECISION

On August 8, 1974, First National Bank of Mercer County, Greenville, Pa., and Mercer County Interim Bank, N.A. (organizing), Greenville, Pa., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

First National Bank of Mercer County, the existing bank, was organized in 1864 and presently operates 11 branches. It has total assets of $114 million and IPC deposits of $89 million.

Mercer County Interim Bank, N.A. is being organized to provide a vehicle by which to transfer ownership of the existing bank to F.N.B. Corporation, Greenville, Pa., which will become a one-bank holding company upon its acquisition of the resulting bank. F.N.B. Corporation will also acquire Citizens Budget Company, Youngstown, Ohio, which performs financially related services, at the time it acquires the resulting bank. Mercer County Interim Bank, N.A. will not be operating as a commercial bank prior to this merger.

Because First National Bank of Mercer County is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same locations and with the same name as presently used by the existing bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

March 12, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Mercer County would become a subsidiary of F.N.B. Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by F.N.B. Corporation, it would have no effect on competition.

* * *

COMMERCIAL NATIONAL BANK OF PEORIA, Peoria, Ill., and Commercial Bank of Peoria, National Association, Peoria, Ill.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Commercial National Bank of Peoria, Peoria, Ill. (3296), with	$315,843,623	2	———
and Commercial Bank of Peoria, National Association, Peoria, Ill. (3296), which had	250,000	0	———
merged May 8, 1975, under charter of the latter bank (3296) and title "Commercial National Bank of Peoria." The merged bank at date of merger had	318,454,538	———	2

COMPTROLLER'S DECISION

On January 2, 1970, the Commercial National Bank of Peoria, Peoria, Ill., and the Commercial Bank of Peoria, National Association (organizing), Peoria, Ill., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

Commercial National Bank of Peoria, the merging bank, is headquartered in Peoria and has one additional facility located in Peoria. This bank, with total resources of $213.4 million and IPC deposits of $140.1 million, was chartered originally in 1885.

Commercial Bank of Peoria, National Association, the charter bank, is being organized to provide a vehicle to transfer ownership of the merging bank to the Commercial National Corporation. The charter bank will not be operating as a commercial bank prior to the merger.

Because the merging bank is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same locations and with the same name as presently used by the merging bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and the application is, therefore, approved.

February 26, 1970.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a transaction which will result in Commercial National Bank of Peoria becoming a wholly-owned subsidiary of a one-bank holding company. Thus, this merger is merely part of a corporate reorganization and as such will have no effect on competition.

* * *

THE FALL RIVER NATIONAL BANK,
Fall River, Mass., and Fall River Bank, National Association, Fall River, Mass.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Fall River National Bank, Fall River, Mass. (590), with	$56,275,229	8	
and Fall River Bank, National Association, Fall River, Mass. (590), which had	250,000	0	
merged May 9, 1975, under charter of the latter bank (590) and title "The Fall River National Bank." The merged bank at date of merger had	56,282,429		8

COMPTROLLER'S DECISION

On February 20, 1975, The Fall River National Bank, Fall River, Mass., and Fall River Bank, National Association (organizing), Fall River, Mass., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

The Fall River National Bank, Fall River, Mass., the merging bank, was incorporated in 1825 and currently has assets of $56.4 million and IPC deposits of $41.5 million. The merging bank competes primarily with Fall River Trust Company, with deposits of $74.1 million, and B.M.C. Durfee Trust Company, Fall River, with deposits of $71.2 million.

Fall River Bank, National Association (organizing), Fall River, Mass., the charter bank, is being organized to provide a vehicle for the acquisition of the merging bank by New England Merchants Company, Inc., a bank holding company controlling New England Merchants National Bank, Boston, with deposits of $1 billion, and The Barnstable County National Bank of Hyannis, Hyannis, with deposits of $17 million.

Competition between the merging bank and the holding company's present subsidiaries is nonexistent. The closest offices are 46 miles apart, and direct competition is hampered by State branching laws, which limit the establishment of branches to the county in which a bank is headquartered.

Consummation of the proposed transaction will result in no adverse competitive effects. It is likely that the increased resources the holding company will make available to the resulting bank will stimulate economic growth in the bank's service area.

Applying the statutory criteria, it is concluded that the proposed transaction is in the public interest and is, therefore, approved.

April 9, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Fall River National Bank would become a subsidiary of New England Merchants Company, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a nonoperating institution; as such, and without regard to the acquisition of the surviving bank by New England Merchants Company, Inc., it would have no effect on competition.

* * *

CITIZENS NATIONAL BANK OF DALLAS,
Dallas, Tex., and New Citizens National Bank of Dallas, Dallas, Tex.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens National Bank of Dallas, Dallas, Tex. (15280), with	$92,498,776	1	
and New Citizens National Bank of Dallas, Dallas, Tex. (15280), which had	240,000	0	
merged June 2, 1975, under charter of the latter bank (15280) and title "Citizens National Bank of Dallas." The merged bank at date of merger had	92,738,776		1

COMPTROLLER'S DECISION

On October 17, 1974, Citizens National Bank of Dallas, Dallas, Tex., and New Citizens National Bank of Dallas (organizing), Dallas, Tex., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and title of the former.

Citizens National Bank of Dallas, the merging bank, was organized in 1964 and now has assets of $72 million and IPC deposits of $53 million.

New Citizens National Bank of Dallas, the charter bank, is being organized to provide a vehicle by which to transfer ownership of the merging bank to Cullen Bankers, Inc. The charter bank will not be operating as a commercial bank prior to this merger.

Cullen Bankers, Inc., Houston, Tex., seeks to become a multi-bank holding company at the time of its formation by the acquisition of Citizens National Bank of Dallas and Cullen Center Bank and Trust. Cullen Center Bank and Trust, Houston, Tex., was founded in 1969 and now has deposits of $214 million. Since those two proposed subsidiaries are over 250 miles apart there will be no adverse effect on competition.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

April 8, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Citizens National Bank of Dallas would become a subsidiary of Cullen Bankers, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Cullen Bankers, Inc., it would have no effect on competition.

* * *

THE NATIONAL BANK OF FORT SAM HOUSTON AT SAN ANTONIO, San Antonio, Tex., and Rogers Street Bank, National Association, San Antonio, Tex.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The National Bank of Fort Sam Houston at San Antonio, San Antonio, Tex. (13578), with	$130,268,194	1	———
and Rogers Street Bank, National Association, San Antonio, Tex. (13578), which had	240,000	0	———
merged June 11, 1975, under charter of the latter bank (13578) and title "The National Bank of Fort Sam Houston." The merged bank at date of merger had	127,468,841	———	1

COMPTROLLER'S DECISION

On December 19, 1974, The National Bank of Fort Sam Houston at San Antonio, San Antonio, Tex., and Rogers Street Bank, N.A. (organizing), San Antonio, Tex., applied to the Comptroller of the Currency for permission to merge under the title of the former and with the charter of the latter.

The National Bank of Fort Sam Houston at San Antonio, San Antonio, Tex., the merging bank, was organized in 1920 and currently has assets of $122.2 million and IPC deposits of $97.7 million. The merging bank is the fourth largest of 41 banks in the San Antonio area.

Rogers Street Bank, N.A. (organizing), the charter bank, is being organized as a vehicle by which to transfer ownership of the merging bank to Fort Sam Houston Bankshares, Incorporated, San Antonio, Tex. The charter bank will not be operating as a commercial bank prior to the consummation of the transaction. Fort Sam Houston Bankshares, Inc., currently has no subsidiaries and will become a one-bank holding company upon its acquisition of the resulting bank.

Inasmuch as only one operating bank is involved in the proposed transaction there will be no effect on competition in San Antonio.

Applying the statutory criteria, it is the conclusion of this office that the subject transaction is in the public interest and this application is, therefore, approved.

May 12, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The National Bank of Fort Sam Houston at San Antonio would become a subsidiary of Fort Sam Houston Bankshares, Incorporated, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Fort Sam Houston Bankshares, Incorporated, it would have no effect on competition.

* * *

MERCANTILE NATIONAL BANK AT DALLAS,
Dallas, Tex., and Mercantile Bank, National Association, Dallas, Tex.

Name of bank and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Mercantile National Bank at Dallas, Dallas, Tex. (13743), with	$1,080,254,133	1	———
and Mercantile Bank, National Association, Dallas, Tex. (13743), which had	240,000	0	———
merged July 31, 1975, under charter of the latter bank (13743) and title "Mercantile National Bank at Dallas." The merged bank at date of merger had	1,080,494,133	———	1

COMPTROLLER'S DECISION

On July 12, 1974, Mercantile Bank, National Association (organizing), Dallas, Tex., and Mercantile National Bank at Dallas, Dallas, Tex., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title of the latter.

Mercantile National Bank at Dallas, the existing bank, was organized in 1916 and presently operates as a unit bank with total assets of $913 million and IPC deposits of $543 million.

Mercantile Bank, National Association, is being organized to provide a vehicle by which to transfer ownership of the existing bank to Mercantile National Corporation, Dallas, Tex., which will become a one-bank holding company upon its acquisition of the resulting bank. Mercantile Bank, National Association will not be operating as a commercial bank prior to this merger.

Because Mercantile National Bank at Dallas is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same location and with the same name as presently used by the existing bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

June 6, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Mercantile National Bank at Dallas would become a subsidiary of Mercantile National Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Mercantile National Corporation, it would have no effect on competition.

* * *

GUARANTY NATIONAL BANK,
Tulsa, Okla., and Mingo Valley National Bank, Tulsa, Okla.

Name of bank and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Guaranty National Bank, Tulsa, Okla. (15415), with	$38,587,575	1	———
and Mingo Valley National Bank, Tulsa, Okla. (15415), which had	234,995	0	———
merged Sept. 5, 1975, under charter of the latter bank (15415) and title "Guaranty National Bank." The merged bank at date of merger had	39,057,946	———	1

COMPTROLLER'S DECISION

On January 13, 1975, Guaranty National Bank, Tulsa, Okla., and Mingo Valley National Bank (organizing), Tulsa, Okla., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

Guaranty National Bank, the existing bank, was organized in 1964 and currently has assets of $35.9 million and IPC deposits of $26.7 million. The bank is the 12th largest of 32 banks in the Tulsa County area and its major competitors include The First National Bank and Trust Company of Tulsa, with deposits of $659.7 million; National Bank of Tulsa, with deposits of $540.2 million; The F & M Bank and Trust Company, with deposits of $151.6 million; Fourth National Bank of Tulsa, with deposits of $156.4 million; and Utica National Bank & Trust Company, with deposits of $108.7 million. Security Bank, Tulsa, with deposits of $3.3 million, was organized in 1974 and is affiliated with the existing bank by virtue of common directors.

Mingo Valley National Bank, the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to Guaranty Bancorporation, Tulsa, Okla., which will become a one-bank holding company upon its acquisition of the resulting bank. Mingo Valley National Bank will not be operating as a commercial bank prior to this merger.

Because Guaranty National Bank is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the merger. The resulting bank will conduct the same banking business at the same location and with the same name as presently used by the existing bank. No significant changes will occur in management and as part of the overall merger and acquisition the total capital of the resulting bank will be increased by $600,000.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

August 4, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Guaranty National Bank would become a subsidiary of Guaranty Bancorporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Guaranty Bancorporation, it would have no effect on competition.

* * *

EUCLID NATIONAL BANK, Euclid, Ohio, and Euclid Bank, N.A., Euclid, Ohio

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Euclid National Bank, Euclid, Ohio (15573), with	$131,240,538	8	
and Euclid Bank, N.A., Euclid, Ohio (15573), which had	247,500	0	
merged Sept. 30, 1975, under charter of the latter bank (15573) and title "Euclid National Bank." The merged bank at date of merger had	131,488,038		8

COMPTROLLER'S DECISION

On July 10, 1975, Euclid National Bank, Euclid, Ohio, and Euclid Bank, N.A. (organizing), Euclid, Ohio, applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

Euclid National Bank, the existing bank, was organized in 1966 and now has assets of $139 million and IPC deposits of $108 million. The existing bank is the sixth largest of 13 banks in its service area. Competitors include Central National Bank of Cleveland, with deposits of $1.4 billion; The Cleveland Trust Company, with deposits of $2.9 billion; The Midwest Bank and Trust Company, with deposits of $48 million; National City Bank, with deposits of $1.8 billion; and Union Commerce Bank, with deposits of $1 billion. The economy of the service area is dependent on diversified manufacturing industries and is complemented by a variety of businesses needed by consumers and businessmen.

Euclid Bank, N.A. (organizing), the new bank, is being organized to provide a vehicle by which to transfer ownership of Euclid National Bank to Winters National Corporation. The new bank will not be operating as a commercial bank prior to this merger.

Winters National Corporation, Dayton, Ohio, the bank holding company which will acquire the resulting bank, now owns as its only banking subsidiary Winters National Bank and Trust Company, Dayton, Ohio, with deposits of $584.9 million.

There is no competition between Winters National Corporation or its subsidiary and Euclid National Bank because large distances separate their offices and an adequate number of banking alternatives operate in the intervening area. The holding company's only banking subsidiary is located 180 miles from the proposed subsidiary.

Consummation of the proposed transaction will stimulate competition in the Euclid area because the resulting subsidiary will be able to offer new and improved services such as equipment purchasing and leasing services, international banking, trust services and mortgage loans. The resulting subsidiary will also be able to handle larger loan requests because of the convenient availability of participations with the subsidiary of the parent holding company.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is therefore approved.

August 26, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Euclid National Bank would become a subsidiary of Winters National Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Winters National Corporation, it would have no effect on competition.

* * *

CASA LINDA NATIONAL BANK OF DALLAS, Dallas, Tex., and Casa Linda Commerce Bank National Association, Dallas, Tex.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Casa Linda National Bank of Dallas, Dallas, Tex. (14976), with	$14,968,618	1	———
and Casa Linda Commerce Bank National Association, Dallas, Tex. (14976), which had	240,000	0	———
merged Oct. 1, 1975, under charter and title of the latter bank (14976). The merged bank at date of merger had	14,620,000	———	1

COMPTROLLER'S DECISION

On October 15, 1974, Casa Linda National Bank of Dallas, Dallas, Tex., and Casa Linda Commerce Bank National Association (organizing), Dallas, Tex., applied to the Comptroller of the Currency for permission to merge under the charter and title of the latter.

Casa Linda National Bank of Dallas, Dallas, Tex., the existing bank, was organized in 1962 and presently has assets of $12.6 million and IPC deposits of $10.5 million. The service area of the bank is bounded by Northwest Highway on the north, by Shiloh Road on the east, by Ferquson Road on the south and by White Rock Lake on the west.

The existing bank is the fourth largest of five banks in its service area. The only smaller bank is Buckner State Bank with deposits of $9.6 million. Other competitors include First Citizens Bank, with deposits of $35.6 million, and East Dallas Bank, with deposits of $23 million.

Casa Linda Commerce Bank National Association, the new bank, is being organized to provide a vehicle by which to transfer ownership of Casa Linda National Bank of Dallas to Texas Commerce Bancshares, Inc. The new bank will not be operating as a commercial bank prior to this merger.

Texas Commerce Bancshares, Inc., the holding company which will acquire the resulting bank, is the third largest holding company in the State of Texas, with aggregate deposits of $3.7 billion. Existing subsidiaries of the applicant in the Dallas area are Irving Bank and Trust Company, with deposits of $67.3 million, and Arlington Bank and Trust, with deposits of $91.8 million. The holding company has 24 approved banking subsidiaries with applications pending for eight additional banks (including one unopened, *de novo* bank).

Consummation of the proposed merger will stimulate competition in the service area of the resulting bank because that bank will offer new and expanded services including computer services and the expertise of specialized banking departments and their personnel. That will make the resulting bank in Dallas a more viable competitor within its service area.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

August 27, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

These mergers are parts of plans through which the existing banks will become wholly-owned subsidiaries of Texas Commerce Bancshares, Inc. Each of these mergers, however, will merely combine an existing bank with a non-operating institution and without regard to the acquisition of the surviving banks by Texas Commerce Bancshares, Inc., will have no effect on competition.

* * *

FIDELITY BANK, NATIONAL ASSOCIATION,
Dallas, Tex., and Fidelity Commerce Bank National Association, Dallas, Tex.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Fidelity Bank, National Association, Dallas, Tex. (15951), with	$5,369,822	1	———
and Fidelity Commerce Bank National Association, Dallas, Tex. (15951), which had	200,000	0	———
merged Oct. 1, 1975, under charter and title of the latter bank (15951). The merged bank at date of merger had	5,503,522	———	1

COMPTROLLER'S DECISION

On December 9, 1974, Fidelity Bank, National Association, Dallas, Tex., and Fidelity Commerce Bank National Association (organizing), Dallas, Tex., applied to the Comptroller of the Currency for permission to merge under the charter and title of the latter.

Fidelity Bank, National Association, the existing bank, was organized in 1972 and currently has assets of $3.7 million and IPC deposits of $2.2 million. The service area of the bank is bounded by Belt Line Road on the north, by Richardson Road on the east, by Forest Lane on the south and by Preston Road on the west.

The existing bank is the smallest in its service area. The banks in the area that provide direct competition are Valley View Bank, with deposits of $20.3 million; North Dallas Bank and Trust Co., with deposits of $63.9 million; First Bank and Trust of Richardson, with deposits of $35.8 million; and First National Bank of Richardson, with deposits of $13.3 million.

Texas Commerce Bancshares, Inc., the holding company which will acquire the resulting bank, is the third largest bank holding company in the State of Texas with aggregate deposits of $3.7 billion. Existing subsidiaries of the applicant in the Dallas area are Irving Bank and Trust Company, with deposits of $67.3 million, and Arlington Bank and Trust, with deposits of $91.8 million. The holding company has 24 approved banking subsidiaries with applications pending for eight additional banks including one unopened, *de novo* bank.

Consummation of the proposed merger will stimulate competition in the service area of the resulting bank because that bank will offer new and expanded services including computer services and the expertise of specialized banking departments and their personnel. That will make the resulting bank in Dallas a more viable competitor within its service area.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

August 27, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

These mergers are parts of plans through which the existing banks will become wholly-owned subsidiaries of Texas Commerce Bancshares, Inc. Each of these mergers, however, will merely combine an existing bank with a non-operating institution and without regard to the acquisition of the surviving banks by Texas Commerce Bancshares, Inc., will have no effect on competition.

* * *

NATIONAL BANK AND TRUST COMPANY OF GLOUCESTER COUNTY,
Woodbury, N.J., and Gloucester County National Bank, Woodbury, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
National Bank and Trust Company of Gloucester County, Woodbury, N.J. (1199), with	$150,827,659	14	
and Gloucester County National Bank, Woodbury, N.J. (1199), which had	120,000	0	
merged Oct. 1, 1975, under charter of the latter bank (1199) and title "National Bank and Trust Company of Gloucester County." The merged bank at date of merger had	150,947,659		14

COMPTROLLER'S DECISION

On February 11, 1975, National Bank and Trust Company of Gloucester County, Woodbury, N.J., and Gloucester County National Bank (organizing), Woodbury, N.J., applied to the Comptroller of the Currency for permission to merge, under the charter of the latter and with the title of the former.

National Bank and Trust Company of Gloucester County, Woodbury, N.J., the merging bank, was organized in 1855 and currently has assets of $137.1 million and IPC deposits of $104.6 million. The merging bank is the largest of the seven banks headquartered in Gloucester County.

Gloucester County National Bank (organizing), Woodbury, N.J., the charter bank, is being organized to provide a vehicle by which to transfer ownership of the merging bank to Community Bancshares Corporation, Woodbury, N.J., which will then become a one-bank holding company. The charter bank will not be operating as a commercial bank prior to the merger.

Because the merging bank is the only operating bank involved in the proposed transaction and subsequent acquisition by the holding company, there is no adverse effect on competition.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

August, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which National Bank and Trust Company of Gloucester County would become a subsidiary of Community Bancshares Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Community Bancshares Corporation, it would have no effect on competition.

* * *

NORTHWEST NATIONAL BANK OF DALLAS,
Dallas, Tex., and Northwest Commerce Bank National Association, Dallas, Tex.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Northwest National Bank of Dallas, Dallas, Tex. (14855), with	$20,264,170	1	
and Northwest Commerce Bank National Association, Dallas, Tex. (14855), which had	240,000	0	
merged Oct. 1, 1975, under charter and title of the latter bank (14855). The merged bank at date of merger had	20,947,000		1

COMPTROLLER'S DECISION

On October 15, 1974, Northwest National Bank of Dallas, Dallas, Tex., and Northwest Commerce Bank National Association (organizing), Dallas, Tex., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Northwest National Bank of Dallas, the existing bank, was organized in 1959 and currently has assets of $19.6 million and IPC deposits of $17 million.The service area of the bank is bounded by Royal Lane on the north, by Bluebonnet on the east, by Mockingbird Lane on the south and by Denton Drive on the west.

The existing bank is the third largest of four banks in its service area. The only smaller bank is Love Field National Bank, with deposits of $5.8 million, which opened in 1973. The Northwest National Bank of Dallas competes primarily with Inwood National Bank, which has deposits of $20.8 million. The largest bank in the area is Exchange Bank and Trust with deposits of $135 million.

Northwest Commerce Bank National Association, the new bank, is being organized to provide a vehicle by which to transfer ownership of Northwest National Bank of Dallas to Texas Commerce Bancshares, Inc. The new bank will not be operating as a commercial bank prior to this merger.

Texas Commerce Bancshares, Inc., the holding company which will acquire the resulting bank, is the third largest bank holding company in the State of Texas with aggregate deposits of $3.7 billion. Existing subsidiaries of the applicant in the Dallas area are Irving Bank and Trust Company, with deposits of $67.3 million, and Arlington Bank and Trust, with deposits of $91.8 million. The holding company has 24 approved banking subsidiaries with applications pending for eight additional banks including one unopened, *de novo* bank.

Consummation of the proposed merger will stimulate competition in the service area of the resulting bank because that bank will offer new and expanded service including computer services and the expertise of specialized banking departments and their personnel. This will make the resulting bank in Dallas a more viable competitor within its service area.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

August 20, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

These mergers are parts of plans through which the existing banks will become wholly-owned subsidiaries of Texas Commerce Bancshares, Inc. Each of these mergers, however, will merely combine an existing bank with a non-operating institution and without regard to the acquisition of the surviving banks by Texas Commerce Bancshares, Inc., will have no effect on competition.

* * *

ROYAL NATIONAL BANK OF DALLAS, Dallas, Tex., and Royal Commerce Bank National Association, Dallas, Tex.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Royal National Bank of Dallas, Dallas, Tex. (15141), with	$10,563,481	1	
and Royal Commerce Bank National Association, Dallas, Tex. (15141), which had	240,000	0	
merged Oct. 1, 1975, under charter and title of the latter bank (15141). The merged bank at date of merger had	10,829,631		1

COMPTROLLER'S DECISION

On December 6, 1974, Royal National Bank of Dallas, Dallas, Tex., and Royal Commerce Bank National Association (organizing), Dallas Tex., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

Royal National Bank of Dallas, the existing bank, was organized in 1963 and currently has assets of $9.4 million and IPC deposits of $7.6 million. The bank is one of five affiliated banks in Dallas involved in similar proposed mergers and acquisitions by Texas Commerce Bancshares, Inc., and all five are controlled by the same stockholder. The existing bank serves suburban north Dallas and the economy of the area is primarily residential and small commercial.

The deposits of Royal National Bank of Dallas represent a relatively insignificant portion of the total deposits in the Dallas Metropolitan Area. It competes with the large banks headquartered in the city. Direct competition on a more local level is provided by Preston State Bank, Dallas, with deposits of $133.7 million; North Dallas Bank & Trust Company, Dallas, with deposits of $63.9 million; and Valley View Bank, Dallas, with deposits of $20.3 million.

Royal Commerce Bank National Association, the new bank, is being organized to provide a vehicle by which to transfer ownership of Royal National Bank of Dallas to Texas Commerce Bancshares. Inc. The new bank will not be operating as a commercial bank prior to this merger.

Texas Commerce Bancshares, Inc., Houston, Tex., is the third largest of 22 bank holding companies in the State. It was organized in 1970 and currently controls 24 commercial banks with aggregate deposits of $3 billion. Applications are pending for the acquisition of eight additional banks. The principal subsidiary of the holding company is Texas Commerce Bank, N.A., Houston, with deposits of $2.1 billion. While the remaining subsidiaries are located in Houston and other major cities throughout the State, it is noteworthy that the holding company does not have an entry in the Dallas banking market.

There is minimal competition between the existing bank and the subsidiaries of the holding company. The holding company's closest subsidiary is Irving Bank & Trust Company, Irving, which is located 13.7 miles southwest of the existing bank. There are an adequate number of alternative banking facilities in the intervening distance. Although there is some overlap among the service areas of the existing bank and the other four affiliated banks that Texas Commerce Bancshares, Inc., is also applying to acquire, there is no meaningful competition among them as the banks are already under common ownership, advertise jointly and have never represented themselves to be competitors.

Consummation of the proposed merger will stimulate competition in the service area of the existing bank and will have only a slight effect on the degree of banking concentration in Texas. The Dallas banking market is dominated by holding company affiliated banks and by forming a similar relationship the existing bank will be better able to compete in the rapidly growing financial center. Competition will also be increased by establishing Texas Commerce Bancshares, Inc., in Dallas and by removing the existing bank from the indirect influence of the Republic National Bank of Dallas, Dallas, which holds a minority interest in the bank. The existing bank will benefit from the diversification of its loan portfolio away from the present heavy concentration in retail automobile loans. Area residents and businesses will also benefit because the resulting subsidiary will offer trust and marketing services which are not offered by the existing bank and the availability of convenient participation sources will enable the resulting subsidiary to better serve commercial borrowers in the area.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

August 19, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

These mergers are parts of plans through which the existing banks will become wholly-owned subsidiaries of Texas Commerce Bancshares, Inc. Each of these mergers, however, will merely combine an existing bank with a non-operating institution and without regard to the acquisition of the surviving banks by Texas Commerce Bancshares, Inc., will have no effect on competition.

* * *

THE VILLAGE BANK (NATIONAL ASSOCIATION), Dallas, Tex., and Village Commerce Bank National Association, Dallas, Tex.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Village Bank (National Association), Dallas, Tex. (15880), with	$5,235,417	1	———
and Village Commerce Bank National Association, Dallas, Tex. (15880), which had	200,000	0	———
merged Oct. 1, 1975, under charter and title of the latter bank (15880). The merged bank at date of merger had	5,554,194	———	1

COMPTROLLER'S DECISION

On December 9, 1974, The Village Bank (National Association), Dallas, Tex., and Village Commerce Bank National Association (organizing), Dallas, Tex., applied to the Comptroller of the Currency to merge under the charter and title of the latter.

The Village Bank (National Association), the existing bank, was organized in 1971 and currently has assets of $5.7 million and IPC deposits of $4 million. The service area of the bank is bounded by Park Lane on the north, by Abrams Road on the east, by Mockingbird Lane on the south and by Central Expressway on the west.

The existing bank is the smallest in its service area. Direct competition is provided by Northpark National Bank, with deposits of $36.2 million, and North Central Bank, with deposits of $17.7 million. Hillcrest State Bank is near the service area but is not considered a direct competitor.

Village Commerce Bank National Association, the new bank, is being organized to provide a vehicle by which to transfer total ownership of The Village Bank (National Association), to Texas Commerce Bancshares, Inc. The new bank will not be operating as a commercial bank prior to this merger.

Texas Commerce Bancshares, Inc., the holding company which will acquire the resulting bank, is the third largest bank holding company in the State of Texas with aggregate deposits of $3.7 billion. Existing subsidiaries of the applicant in the Dallas area are Irving Bank and Trust Company, with deposits of $67.3 million, and Arlington Bank and Trust, with deposits of $91.8 million. The holding company has 24 approved banking subsidiaries with applications pending for eight additional banks including one unopened, *de novo* bank.

Consummation of the merger will stimulate competition in the service area of the resulting bank because that bank will offer new and expanded services including computer services and the expertise of specialized banking departments and their personnel. This will make the resulting bank in Dallas a more viable competitor within its service area.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

August 27, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

These mergers are parts of plans through which the existing banks will become wholly-owned subsidiaries of Texas Commerce Bancshares, Inc. Each of these mergers, however, will merely combine an existing bank with a non-operating institution and without regard to the acquisition of the surviving banks by Texas Commerce Bancshares, Inc., will have no effect on competition.

* * *

FIRST NATIONAL BANK OF CAPE COD, Orleans, Mass., and Second National Bank of Cape Cod, Orleans, Mass.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First National Bank of Cape Cod, Orleans, Mass. (736), with	$38,513,526	8	———
and Second National Bank of Cape Cod, Orleans, Mass. (736), which had	500,000	0	———
merged Oct. 3, 1975, under charter of the latter bank (736) and title "First National Bank of Cape Cod." The merged bank at date of merger had	38,865,812	———	8

COMPTROLLER'S DECISION

On May 19, 1975, First National Bank of Cape Cod, Orleans, Mass., and Second National Bank of Cape Cod (organizing), Orleans, Mass., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

First National Bank of Cape Cod, the existing bank, was organized in 1854 and has assets of $35 million and IPC deposits of $22.7 million. The existing bank, with seven branch offices, is the only commercial bank headquartered in Orleans. The primary service area of this bank is Barnstable County, which has an estimated population of 96,656 persons, and is largely dependent upon the tourist industry. Competition is provided by branch offices of Bass River Savings Bank, South Yarmouth, with deposits of $193.5 million; Cape Cod Bank and Trust Company, Hyannis, with deposits of $64.5 million; and Cape Cod Five Cents Savings Bank, Harwich Port, with deposits of $60 million.

Second National Bank of Cape Cod, the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to Worcester Bancorp, Inc., a multi-bank holding company. Second National Bank of Cape Cod will not be operating as a commercial bank prior to this merger.

Worcester Bancorp, Inc., the holding company which will acquire the resulting bank, owns as its principal subsidiary Worcester County National Bank, Worcester, which has total deposits of $434 million. That is the largest of four commercial banks headquartered in Worcester. Other banking subsidiaries of the holding company are First National Bank of Amherst and Peoples National Bank of Marlborough.

There is little, if any, competition between subsidiaries of Worcester Bancorp and First National Bank of Cape Cod because of the distance between the banks and the large number of banking alternatives in the intervening distance. The closest office of the existing bank is more than 50 miles from any office of a subsidiary of the holding company. Consummation of the proposed transaction will make the resulting bank a stronger competitor within its existing service area. With the support of the holding company, both technical and managerial, the resulting bank will be able to provide a broader range of services to the residential and business communities which it serves.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

August 26, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Cape Cod would become a subsidiary of Worcester Bancorp, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Worcester Bancorp, Inc., it would have no effect on competition.

* * *

WESTERN NATIONAL BANK OF CASPER, Casper, Wyo., and Western National Bank at Casper, Casper, Wyo.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
Western National Bank of Casper, Casper, Wyo. (15300), with	$12,923,023	1	———
and Western National Bank at Casper, Casper, Wyo. (15300), which had	150,000	0	———
merged Oct. 10, 1975, under charter of the latter bank (15300) and title "Western National Bank of Casper." The merged bank at date of merger had	13,774,000	———	1

COMPTROLLER'S DECISION

On January 16, 1975, Western National Bank of Casper, Casper, Wyo., and Western National Bank at Casper (organizing), Casper, Wyo., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

Western National Bank of Casper, Casper, Wyo., the merging bank, was organized in 1964 and now has assets of $11.5 million and IPC deposits of $9.4 million. The merging bank is the smallest of the five banks headquartered in Casper.

Western National Bank at Casper, Casper, Wyo., the charter bank, is being organized to provide a vehicle by which to transfer ownership of the merging bank to First Western Corporation, Casper, Wyo., which will become a one-bank holding company. The charter bank will not be operating as a commercial bank prior to the merger.

Because the merging bank is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same location and with the same name as presently used by the merging bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and the application is, therefore, approved.

September 10, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Western National Bank of Casper would become a subsidiary of First Western Corporation,a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First Western Corporation, it would have no effect on competition.

* * *

FIRST SECURITY NATIONAL BANK AND TRUST COMPANY OF LEXINGTON, Lexington, Ky., and FSNB National Bank and Trust Company, Lexington, Ky.

Name of bank and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
First Security National Bank and Trust Company of Lexington, Lexington, Ky. (906), with	$384,988,081	9	———
and FSNB National Bank and Trust Company, Lexington, Ky. (906), which had	254,139	0	———
merged Oct. 14, 1975, under charter of the latter bank (906) and title "First Security National Bank and Trust Company of Lexington." The merged bank at date of merger had	384,988,081	———	9

COMPTROLLER'S DECISION

On April 2, 1975, First Security National Bank and Trust Company of Lexington, Lexington, Ky., and FSNB National Bank and Trust Company (organizing), Lexington Ky., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

First Security National Bank and Trust of Lexington, the merging bank, is headquartered in Lexington, Ky. The bank, with total assets of $386.2 million and IPC deposits of $250.9 million, was chartered in 1865.

FSNB National Bank and Trust Company, the charter bank, is being organized to provide a vehicle by which to transfer ownership of the merging bank to First Security Corporation of Kentucky which will become a one-bank holding company upon acquisition of the resulting bank. The charter bank will not be operating as a commercial bank prior to this merger.

Because the merging bank is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same locations and with the same name as presently used by the merging bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is therefore approved.

August 28, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First Security National Bank and Trust Company of Lexington would become a subsidiary of First Security Corporation of Kentucky, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First Security Corporation of Kentucky, it would have no effect on competition.

* * *

UTICA NATIONAL BANK AND TRUST COMPANY, Tulsa, Okla., and U.N. National Bank, Tulsa, Okla.

Name of bank and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Utica National Bank and Trust Company, Tulsa, Okla. (14682), with	$121,340,336	1	———
and U.N. National Bank, Tulsa, Okla. (14682), which had	250,000	0	———
merged Oct. 14, 1975, under charter of the latter bank (14682) and title "Utica National Bank and Trust Company." The merged bank at date of merger had	124,353,568	———	1

COMPTROLLER'S DECISION

On August 22, 1975, U.N. National Bank (organizing), Tulsa, Okla., and Utica National Bank and Trust Company, Tulsa, Okla., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title of the latter.

Utica National Bank and Trust Company, the merging bank, was organized in 1953 and now has assets of $124 million and IPC deposits of $98.2 million. The bank is the fifth largest of 22 commercial banks headquartered in Tulsa and competes with First National Bank and Trust Company of Tulsa, with deposits of $659.7 million; National Bank of Tulsa, with deposits of $540 million; Fourth National Bank of Tulsa, with deposits of $156.4 million; and The F&M Bank and Trust Company, with deposits of $151.6 million.

U.N. National Bank, the charter bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to Utica Bankshares Corporation, Tulsa, Okla., which will become a one-bank holding company upon its acquisition of the resulting bank. U.N. National Bank will not be operating as a commercial bank prior to this merger.

Because Utica National Bank and Trust Company is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same location and with the same name as presently used by the merging bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

September 13, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Utica National Bank and Trust Company would become a subsidiary of Utica Bankshares Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a nonoperating institution; as such, and without regard to the acquisition of the surviving bank by Utica Bankshares Corporation, it would have no effect on competition.

* * *

THE FIRST-WICHITA NATIONAL BANK OF WICHITA FALLS,
Wichita Falls, Tex., and The New First-Wichita National Bank of Wichita Falls, Wichita Falls, Tex.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The First-Wichita National Bank of Wichita Falls, Wichita Falls, Tex. (3200), with	$223,156,510	1	———
and The New First-Wichita National Bank of Wichita Falls, Wichita Falls, Tex. (3200), which had	240,000	0	———
merged Oct. 31, 1975, under charter of the latter bank (3200) and title "The First-Wichita National Bank of Wichita Falls." The merged bank at date of merger had	223,156,510	———	1

COMPTROLLER'S DECISION

On June 16, 1975, The First-Wichita National Bank of Wichita Falls, Wichita Falls, Tex., and The New First-Wichita National Bank of Wichita Falls, Wichita Falls, Tex., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

The First-Wichita National Bank of Wichita Falls, the existing bank, was organized in 1884 and now has assets of $224 million and IPC deposits of $161 million. The service area of the bank includes Wichita County and portions of the western and the panhandle counties of Oklahoma. The estimated population of Wichita Falls is 100,000. Its economy is centered primarily around farming, ranching, livestock raising and related industries.

Competition for The First-Wichita National Bank of Wichita Falls is provided by City National Bank in Wichita Falls, with deposits of $147 million; Texas Bank & Trust in Wichita Falls, with deposits of $14 million; and Parker Square State Bank, with deposits of $26 million.

The New First-Wichita National Bank of Wichita Falls, the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to First-Wichita Bancshares, Wichita Falls, Tex., which will become a bank holding company upon approval of this application. The new bank will not be operating as a commercial bank prior to this merger.

First-Wichita Bancshares, Inc, the bank holding company which will acquire the resulting bank, was organized in February of 1975. It has also applied to acquire 52.5 percent of the stock of Southwest National Bank of Wichita Falls, Wichita Falls, Tex. Southwest National Bank of Wichita Falls and the existing bank are strongly affiliated through common ownership and, although the service areas of the banks overlap, there is no meaningful competition between them. Due to the common ownership of both banks and the fact that The First-Wichita National Bank of Wichita Falls was instrumental in the organization of Southwest National Bank of Wichita Falls, there will be no adverse competitive effects from a consummation of the proposed transaction. The resulting subsidiary will continue to offer the same services as now offered by the existing bank and an adequate number of competitors will continue to provide effective competition.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

September 18, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The First-Wichita National Bank of Wichita Falls would become a subsidiary of First-Wichita Bancshares, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First-Wichita Bancshares, Inc., it would have no effect on competition.

* * *

FIRST NATIONAL BANK OF SOUTHWESTERN MICHIGAN, Niles, Mich., and SWM National Bank, Niles, Mich.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First National Bank of Southwestern Michigan, Niles, Mich. (13753), with	$134,486,036	12	
and SWM National Bank, Niles, Mich. (13753), which had	130,000	0	
merged Nov. 10, 1975, under charter of the latter bank (13753) and title "First National Bank of Southwestern Michigan." The merged bank at date of merger had	135,265,000		12

COMPTROLLER'S DECISION

On August 21, 1975, SWM National Bank (organizing), Niles, Mich., and First National Bank of Southwestern Michigan, Niles, Mich., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title of the latter.

First National Bank of Southwestern Michigan, the existing bank, was organized in 1933 and, with 12 branches in the Berrien and Cass County area, currently has assets of $131.9 million and IPC deposits of $89.5 million. The existing bank's competitors in Berrien County include Farmers and Merchants National Bank, Benton Harbor, with deposits of $83.8 million; Inter-City Bank, Benton Harbor, with deposits of $91.8 million; The Niles National Bank and Trust, with deposits of $6.3 million, a member of American National Holding Company; and Commercial National Bank, Cassopolis, with deposits of $48 million. The existing bank has one location in Cass County where competition is provided by Community State Bank of Dowagiac with deposits of $12.9 million.

SWM National Bank, the new bank, is being organized to provide a vehicle by which to transfer ownership of the existing bank to Western Michigan Corporation, Niles, Mich., which will become a one-bank holding company upon its acquisition of the resulting bank. SWM National Bank will not be operating as a commercial bank prior to this merger.

Because First National Bank of Southwestern Michigan is the only operating bank involved in the proposed transaction, there can be no adverse effect on competition resulting from consummation of the proposed merger. The resulting bank will conduct the same banking business at the same locations and with the same name as presently used by the existing bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

October 10, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Southwestern Michigan would become a subsidiary of Western Michigan Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Western Michigan Corporation, it would have no effect on competition.

* * *

THE NORTHEASTERN OHIO NATIONAL BANK,
Ashtabula, Ohio, and NEO Bank, N.A., Ashtabula, Ohio

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
The Northeastern Ohio National Bank, Ashtabula, Ohio (5075), with	$82,555,715	9	———
and NEO Bank, N.A., Ashtabula, Ohio (5075), which had	7,012,500	0	———
merged Nov. 25, 1975, under charter of the latter bank (5075) and title "The Northeastern Ohio National Bank." The merged bank at date of merger had	89,197,015	———	9

COMPTROLLER'S DECISION

On August 18, 1975, The Northeastern Ohio National Bank, Ashtabula, Ohio, and NEO Bank, N.A. (organizing), Ashtabula, Ohio, applied to the Comptroller of the Currency for permission to merge under the charter of the latter and title of the former.

The Northeastern Ohio National Bank, the existing bank, was established in 1972 and currently has assets of $79.7 million and IPC deposits of $62.9 million. The existing bank, with nine offices, serves all of Ashtabula County which is geographically the largest county in Ohio but is sparsely populated with an estimated population of 99,500 persons.

Competition for the existing bank is provided by The Farmers National Bank and Trust Company of Ashtabula, with deposits of $89.2 million, an affiliate of Society Corporation, a multi-bank holding company with aggregate deposits of $1.5 billion; The Commercial Bank, Ashtabula, with deposits of $16 million; and The Andover Bank, Andover, with deposits of $11.8 million.

NEO Bank, N.A., the new bank, is being organized to provide a vehicle by which to transfer ownership of The Northeastern Ohio National Bank to CleveTrust Corporation. The new bank will not be in operation as a commercial bank prior to this merger.

CleveTrust Corporation is the largest of 14 registered bank holding companies in the State, with aggregate deposits of $3.2 billion. It currently controls The Cleveland Trust Company, the principal subsidiary; First Lorain Trust Company, Lorain; and Lakeshore Trust Company, Painesville.

There is minimal competition between the existing bank and the holding company subsidiaries, all of which are located outside Ashtabula County. The nearest subsidiary of CleveTrust Corporation is situated 17.6 miles from the existing bank and an adequate number of competitors operate in the intervening area.

Consummation of the proposed merger will stimulate competition in Ashtabula County because the resulting bank will be in a better postion to compete with The Farmers National Bank and Trust Company of Ashtabula which is a member of a large statewide holding company. The resulting bank will benefit from an established management training program and a diversification of its loan portfolio away from the present concentration on installment loans. Area residents and businesses will also benefit because the resulting subsidiary will offer expanded trust and international services, equipment leasing, accounts receivable financing and convenient participation sources which are not now available from The Northeastern Ohio National Bank.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

October 16, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The Northeastern Ohio National Bank would become a subsidiary of CleveTrust Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by CleveTrust Corporation, it would have no effect on competition.

* * *

THE TEXARKANA NATIONAL BANK,
Texarkana, Tex., and Texarkana Bank, National Association, Texarkana, Tex.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Texarkana National Bank, Texarkana, Tex. (3785), with	$98,163,532	1	
and Texarkana Bank, National Association, Texarkana, Tex. (3785), which had	112,977	0	
merged Nov. 26, 1975, under charter of the latter bank (3785) and title "The Texarkana National Bank." The merged bank at date of merger had	98,167,132		1

COMPTROLLER'S DECISION

On March 19, 1975, The Texarkana National Bank, Texarkana, Tex., and Texarkana Bank, National Association (organizing), Texarkana, Tex., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

The proposed merger is part of a plan through which The Texarkana National Bank will become a wholly-owned subsidiary of Texarkana National Bancshares, Inc., a bank holding company.

Applying the statutory criteria, it is concluded that the instant merger will merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Texarkana National Bancshares, Inc., it will have no effect on competition. This application is, therefore, approved.

October 24, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The Texarkana National Bank would become a subsidiary of Texarkana National Bancshares, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Texarkana National Bancshares, Inc., it would have no effect on competition.

* * *

THE PEOPLES NATIONAL BANK OF ROCKY MOUNT,
Rocky Mount, Va., and Peoples Bank, N.A. Rocky Mount, Va.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Peoples National Bank of Rocky Mount, Rocky Mount, Va. (8984), with	$39,431,674	2	
and Peoples Bank, N.A., Rocky Mount, Va., (8984), which had	60,000	0	
merged Dec. 23, 1975, under charter of the latter bank (8984) and title "The Peoples National Bank of Rocky Mount." The merged bank at date of merger had	39,274,457		2

COMPTROLLER'S DECISION

On March 25, 1974, The Peoples National Bank of Rocky Mount, Rocky Mount, Va., and Peoples Bank, N.A. (organizing), Rocky Mount, Va., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

The Peoples National Bank of Rocky Mount, the existing bank, was organized in 1907 and presently operates one branch. It has total assets of $36.2 million and IPC deposits of $30.9 million. The primary service area of the existing bank encompasses Rocky Mount and the immediately surrounding area in central Franklin County. Although there exists minor commercial and industrial activity in Rocky Mount, the service area of the bank is essentially rural in nature with an economy dependent on livestock products and tobacco.

Competition for the existing bank is provided by Bankers Trust Company, Rocky Mount, with deposits of $216 million; Farmers and Merchants Bank, Boones Mill, with deposits of $7.8 million and The First National Bank of Ferrium, with deposits of $6.6 million. In addition, two applications for new banks in Rocky Mount are currently pending.

Peoples Bank, N.A., the new bank, is being organized to provide a vehicle by which to transfer ownership of The Peoples National Bank of Rocky Mount to First Virginia Bankshares Corporation, Falls Church, Va. The new bank will not be operating as a commercial bank prior to this merger.

First Virginia Bankshares Corporation, the holding company which will acquire the resulting bank, is the sixth largest bank holding company in Virginia and presently controls 21 banks with aggregate deposits of $827 million. Its lead bank is First Virginia Bank, Falls Church, with deposits of $371 million.

There is little, if any, competition between the subsidiaries of First Virginia Bankshares Corporation and The Peoples National Bank of Rocky Mount because large distances separate their closest two offices and an adequate number of alternative banking facilities operate in the intervening area. The nearest subsidiary of the holding company is First Virginia Bank of Roanoke Valley, 23 miles north of Rocky Mount.

Consummation of the proposed merger will stimulate competition in Franklin County because the resulting subsidiary in Rocky Mount will be able to offer new and improved services such as overdraft checking, BankAmericard, a trust department, mortgage banking, and FHA and VA loans. In addition, First Virginia Bankshares Corporation's management training program and computer processing services will be made available to the resulting bank. Furthermore, the acquisition of The Peoples National Bank of Rocky Mount by First Virginia Bankshares Corporation will not significantly change its size in relation to the other bank holding companies in the State.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

September 26, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which The Peoples National Bank of Rocky Mount would become a subsidiary of First Virginia Bankshares Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First Virginia Bankshares Corporation, it would have no effect on competition.

* * *

FIRST NATIONAL BANK OF EAST LANSING, East Lansing, Mich., and E. L. National Bank, East Lansing, Mich.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First National Bank of East Lansing, East Lansing, Mich. (14740), with	$21,816,049	3	———
and E. L. National Bank, East Lansing, Mich. (14740), which had	240,000	0	———
merged Dec. 29, 1975, under charter of the latter bank (14740) and title "First National Bank of East Lansing." The merged bank at date of merger had	21,311,000	———	3

COMPTROLLER'S DECISION

On October 28, 1973, First National Bank of East Lansing, East Lansing, Mich., and E. L. National Bank (organizing), East Lansing, Mich., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

First National Bank of East Lansing, the existing bank, was organized in 1955 and now operates three offices in East Lansing with total deposits of $16.5 million. Competition for this bank is provided by East Lansing State Bank, with deposits of $60 million.

E. L. National Bank, the new bank, is being organized to provide a vehicle by which to transfer ownership of First National Bank of East Lansing to Michigan National Corporation, Bloomfield Hills, Mich. The new bank will not be operating as a commercial bank prior to this merger.

Michigan National Corporation, the bank holding company which will acquire the resulting bank, is headquartered in Bloomfield Hills and controls four subsidiary banks with aggregate deposits of $2.5 billion. The principal subsidiary of this holding company is Michigan National Bank of Detroit, with deposits of $823 million. The remaining subsidiaries of the holding company are located in the cities of Livonia, Southfield, and Troy.

The existing bank is, at the present time, indirectly controlled by Michigan National Corporation which owns a significant amount of the outstanding stock of First National Bank of East Lansing. This transaction is, therefore, merely part of an internal corporate reorganization which will solidify the operational relationship between First National Bank of East Lansing and Michigan National Corporation without altering the competitive banking structure in Michigan.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

September 23, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

These mergers are parts of plans through which the existing banks will become subsidiaries of Michigan National Corporation. Each of these mergers, however, will merely combine an existing bank with a non-operating institution and without regard to the acquisition of the surviving banks by Michigan National Corporation, will have no effect on competition.

* * *

THE FIRST NATIONAL BANK OF WYOMING, Wyoming, Mich., and W. National Bank, Wyoming, Mich.

Name of bank and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
First National Bank of Wyoming, Wyoming, Mich. (15286), with	$26,768,934	4	———
and W. National Bank, Wyoming, Mich. (15286), which had	240,000	0	———
merged Dec. 29, 1975, under charter of the latter bank (15286) and title "First National Bank of Wyoming." The merged bank at date of merger had	26,068,000	———	4

COMPTROLLER'S DECISION

On November 22, 1973, First National Bank of Wyoming, Wyoming, Mich., and W. National Bank (organizing), Wyoming, Mich., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

First National Bank of Wyoming, the existing bank, was organized in 1960 and now operates three branch offices with total deposits of $16 million. Competition is provided by branches of Union Bank and Trust Company, National Association, and Old Kent Bank and Trust Company.

W. National Bank, the new bank, is being organized to provide a vehicle by which to transfer ownership of First National Bank of Wyoming to Michigan National Corporation, Bloomfield Hills, Mich. The new bank will not be operating as a commercial bank prior to this merger.

Michigan National Corporation, the bank holding company which will acquire the resulting bank, is headquartered in Bloomfield Hills and controls four subsidiary banks with aggregate deposits of $2.5 billion. The principal subsidiary of this holding company is Michigan National Bank of Detroit, with deposits of $823 million. The remaining subsidiaries of this holding company are located in the cities of Livonia, Southfield and Troy.

The existing bank is, at the present time, indirectly controlled by Michigan National Corporation which owns a significant amount of the outstanding stock of First National Bank of Wyoming. This transaction is, therefore, merely part of an internal corporate reorganization which will solidify the operational relationship between First National Bank of Wyoming and Michigan National Corporation without altering the competitive banking structure in Michigan.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

September 23, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Wyoming would become a subsidiary of Michigan National Corporation, a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Michigan National Corporation, it would have no effect on competition.

* * *

FIRST NATIONAL BANK OF BELLEVILLE, Belleville, Ill., and Public Square National Bank, Belleville, Ill.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Belleville, Belleville, Ill. (2154), with	$144,589,742	2	
and Public Square National Bank, Belleville, Ill. (2154), which had	120,000	0	
merged Dec. 31, 1975, under charter of the latter bank (2154) and title "First National Bank of Belleville." The merged bank at date of merger had	142,906,000		2

COMPTROLLER'S DECISION

On November 10, 1975, First National Bank of Belleville, Belleville, Ill., and Public Square National Bank (organizing), Belleville, Ill., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

The proposed merger is part of a corporate reorganization through which First National Bank of Belleville will become a wholly-owned subsidiary of FOB, Corp., Belleville, Ill., a bank holding company.

Applying the statutory criteria, it is concluded that the instant merger will merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by FOB, Corp., it will have no effect on competition. This application is, therefore, approved.

December 1, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which First National Bank of Belleville would become a subsidiary of FOB, Corp., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by FOB, Corp., it would have no effect on competition.

* * *

NASSAU BAY NATIONAL BANK OF CLEAR LAKE, Nassau Bay, Tex., and Nassau Bank, National Association, Nassau Bay, Tex.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Nassau Bay National Bank of Clear Lake, Nassau Bay, Tex. (15188), with	$35,633,675	1	
and Nassau Bank, National Association, Nassau Bay, Tex. (15188), which had	125,000	0	
merged Dec. 31, 1975, under charter of the latter bank (15188) and title "Nassau Bay National Bank of Clear Lake." The merged bank at date of merger had	37,409,000		1

COMPTROLLER'S DECISION

On October 24, 1975, Nassau Bay National Bank of Clear Lake, Nassau Bay, Tex., and Nassau Bank, National Association (organizing), Nassau Bay, Tex., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

Nassau Bank, National Association, Nassau Bay, Tex., the new bank, is being organized to provide a vehicle by which to transfer ownership of Nassau Bay National Bank to First International Bancshares, Inc., Dallas, Tex., a multi-bank holding company. The new bank will not be operating as a commercial bank prior to this merger. Therefore, the instant merger will have no effect on competition.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and should be approved.

November 26, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which Nassau Bay National Bank of Clear Lake would become a subsidiary of First International Bancshares, Inc., a bank holding company. The instant merger, however, would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First International Bancshares, Inc., it would have no effect on competition.

* * *

III. Additional Approvals

A. Approved but abandoned, no litigation

COMMUNITY BANK AND TRUST, N.A., Fairmont, W.Va., and Community National Bank, Fairmont, W.Va.

Name of bank and type of transaction

Community Bank and Trust, N.A., Fairmont, W.Va. (15760) and Community National Bank, Fairmont, W.Va. (15760) applied for permission to merge Oct. 16, 1974, under charter of the latter bank (15760) and title "Community Bank & Trust National Association." The application was approved Feb. 28, 1975, but was abandoned by the banks July 18, 1975.

COMPTROLLER'S DECISION

On October 15, 1974, Community National Bank (organizing), Fairmont, W.Va., and Community Bank and Trust, N.A., Fairmont, W.Va., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title of the latter.

Community Bank and Trust, N.A., the existing bank, was organized in 1918 and presently operates as a unit bank with total assets of $42.7 million and IPC deposits of $33.1 million. The service area of the existing bank encompasses the city of Fairmont. The economy of this service area is supported by a wide array of commercial activity and light industry.

Community National Bank is being organized to provide a vehicle by which to transfer ownership of the existing bank to Intermountain Bankshares Company, Charleston, W.Va., which will become a bank holding company upon its acquisition of the resulting bank. Community National Bank will not be operating as a commercial bank prior to this merger.

Intermountain Bankshares Company will also acquire the successor by merger to Kanawha Banking and Trust Company, National Association, Charleston, W.Va., at the time it acquires the resulting bank. There is no competition between the two banks to be acquired by Intermountain Bankshares Company because their nearest offices are separated by a distance of 175 miles.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

February 28,1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

These mergers are parts of plans through which the existing banks will become subsidiaries of Intermountain Bankshares Company. Each of these mergers, however, will merely combine an existing bank with a non-operating institution and without regard to the acquisition of the surviving banks by Intermountain Bankshares Company, will have no effect on competition.

* * *

KANAWHA BANKING AND TRUST COMPANY, NATIONAL ASSOCIATION, Charleston, W.Va., and Kanawha National Bank, Charleston, W.Va.

Name of bank and type of transaction

Kanawha Banking and Trust Company, National Association, Charleston, W.Va. (15882) and Kanawha National Bank, Charleston, W.Va. (15882) applied for permission to merge Oct. 16, 1974, under charter of the latter bank (15882) and title "Kanawha Banking and Trust Company, National Association." The application was approved Feb. 28, 1975, but was abandoned by the banks July 18, 1975.

COMPTROLLER'S DECISION

On October 15, 1974, Kanawha Banking and Trust Company, National Association, Charleston, W.Va., and Kanawha National Bank (organizing), Charleston, W.Va., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the former.

Kanawha Banking and Trust Company, National Association, the existing bank, was organized in 1901 and presently operates as a unit bank with total assets of $140 million and IPC deposits of $91 million. The service area of the existing bank encompasses Charleston and the surrounding area of Kanawha County. The economy of that service area is supported by chemical manufacturing, coal mining, and a number of other light industrial activities.

Kanawha National Bank is being organized to provide a vehicle by which to transfer ownership of the existing bank to Intermountain Bankshares Company, Charleston, W.Va., which will become a bank holding company upon its acquisition of the resulting bank. Kanawha National Bank will not be operating as a commercial bank prior to this merger.

Intermountain Bankshares Company will also acquire the successor by merger to Community Bank and Trust, National Association, Fairmont, W.Va., at the time it acquires the resulting bank. There is no competition between the two banks to be acquired by Intermountain Bankshares Company because their nearest offices are separated by a distance of 175 miles.

Applying the statutory criteria, it is concluded that the proposed merger is in the public interest and this application is, therefore, approved.

February 28, 1975.

SUMMARY OF REPORT BY ATTORNEY GENERAL

These mergers are parts of plans through which the existing banks will become subsidiaries of Intermountain Bankshares Company. Each of these mergers, however, will merely combine an existing bank with a non-operating institution and without regard to the acquistion of the surviving banks by Intermountain Bankshares Company, will have no effect on competition.

* * *

APPENDIX B
Statistical Tables

Statistical Tables

Table B–1

Comptrollers of the Currency, 1863 to the present

No.	Name	Date of appointment	Date of resignation	State
1	McCulloch, Hugh	May 9, 1863	Mar. 8, 1865	Indiana.
2	Clarke, Freeman	Mar. 21, 1865	July 24, 1866	New York.
3	Hulburd, Hiland R	Feb. 1, 1867	Apr. 3, 1872	Ohio.
4	Knox, John Jay	Apr. 25, 1872	Apr. 30, 1884	Minnesota.
5	Cannon, Henry W	May 12, 1884	Mar. 1, 1886	Minnesota.
6	Trenholm, William L	Apr. 20, 1886	Apr. 30, 1889	South Carolina.
7	Lacey, Edward S	May 1, 1889	June 30, 1892	Michigan.
8	Hepburn, A. Barton	Aug. 2, 1892	Apr. 25, 1893	New York.
9	Eckels, James H	Apr. 26, 1893	Dec. 31, 1897	Illinois.
10	Dawes, Charles G	Jan. 1, 1898	Sept. 30, 1901	Illinois.
11	Ridgely, William Barret	Oct. 1, 1901	Mar. 28, 1908	Illinois.
12	Murray, Lawrence O	Apr. 27, 1908	Apr. 27, 1913	New York.
13	Williams, John Skelton	Feb. 2, 1914	Mar. 2, 1921	Virginia.
14	Crissinger, D. R	Mar. 17, 1921	Apr. 30, 1923	Ohio.
15	Dawes, Henry M	May 1, 1923	Dec. 17, 1924	Illinois.
16	McIntosh, Joseph W	Dec. 20, 1924	Nov. 20, 1928	Illinois.
17	Pole, John W	Nov. 21, 1928	Sept. 20, 1932	Ohio.
18	O'Connor, J. F. T	May 11, 1933	Apr. 16, 1938	California.
19	Delano, Preston	Oct. 24, 1938	Feb. 15, 1953	Massachusetts.
20	Gidney, Ray M	Apr. 16, 1953	Nov. 15, 1961	Ohio.
21	Saxon, James J	Nov. 16, 1961	Nov. 15, 1966	Illinois.
22	Camp, William B	Nov. 16, 1966	Mar. 23, 1973	Texas.
23	Smith, James E	July 5, 1973	....	South Dakota.

Table B–2

Deputy Comptrollers of the Currency

No.	Name	Dates of tenure		State
1	Howard, Samuel T	May 9, 1863	Aug. 1, 1865	New York.
2	Hulburd, Hiland R	Aug. 1, 1865	Jan. 31, 1867	Ohio.
3	Knox, John Jay	Mar. 12, 1867	Apr. 24, 1872	Minnesota.
4	Langworthy, John S	Aug. 8, 1872	Jan. 3, 1886	New York.
5	Snyder, V. P	Jan. 5, 1886	Jan. 3, 1887	New York.
6	Abrahams, J. D	Jan. 27, 1887	May 25, 1890	Virginia.
7	Nixon, R. M	Aug. 11, 1890	Mar. 16, 1893	Indiana.
8	Tucker, Oliver P	Apr. 7, 1893	Mar. 11, 1896	Kentucky.
9	Coffin, George M	Mar. 12, 1896	Aug. 31, 1898	South Carolina.
10	Murray, Lawrence O	Sept. 1, 1898	June 27, 1899	New York.
11	Kane, Thomas P	June 29, 1899	Mar. 2, 1923	Dist. of Columbia.
12	Fowler, Willis J	July 1, 1908	Feb. 14, 1927	Indiana.
13	McIntosh, Joseph W	May 21, 1923	Dec. 19, 1924	Illinois.
14	Collins, Charles W	July 1, 1923	June 30, 1927	Illinois.
15	Stearns, E. W	Jan. 6, 1925	Nov. 30, 1928	Virginia.
16	Awalt, F. G	July 1, 1927	Feb. 15, 1936	Maryland.
17	Gough, E. H	July 6, 1927	Oct. 16, 1941	Indiana.
18	Proctor, John L	Dec. 1, 1928	Jan. 23, 1933	Washington.
19	Lyons, Gibbs	Jan. 24, 1933	Jan. 15, 1938	Georgia.
20	Prentiss, Jr., William	Feb. 24, 1936	Jan. 15, 1938	California.
21	Diggs, Marshall R	Jan. 16, 1938	Sept. 30, 1938	Texas.
22	Oppegard, G. J	Jan. 16, 1938	Sept. 30, 1938	California.
23	Upham, C. B	Oct. 1, 1938	Dec. 31, 1948	Iowa.
24	Mulroney, A. J	May 1, 1939	Aug. 31, 1941	Iowa.
25	McCandless, R. B	July 7, 1941	Mar. 1, 1951	Iowa.
26	Sedlacek, L. H	Sept. 1, 1941	Sept. 30, 1944	Nebraska.
27	Robertson, J. L	Oct. 1, 1944	Feb. 17, 1952	Nebraska.
28	Hudspeth, J. W	Jan. 1, 1949	Aug. 31, 1950	Texas.
29	Jennings, L. A	Sept. 1, 1950	May 16, 1960	New York.
30	Taylor, W. M	Mar. 1, 1951	Apr. 1, 1962	Virginia.
31	Garwood, G. W	Feb. 18, 1952	Dec. 31, 1962	Colorado.
32	Fleming, Chapman C	Sept. 15, 1959	Aug. 31, 1962	Ohio.
33	Haggard, Hollis S	May 16, 1960	Aug. 3, 1962	Missouri.
34	Camp, William B	Apr. 2, 1962	Nov. 15, 1966	Texas.
35	Redman, Clarence B	Aug. 4, 1962	Oct. 26, 1963	Connecticut.
36	Watson, Justin T	Sept. 3, 1962	July 18, 1975	Ohio.
37	Miller, Dean E	Dec. 23, 1962		Iowa.
38	DeShazo, Thomas G	Jan. 1, 1963		Virginia.
39	Egertson, R. Coleman	July 13, 1964	June 30, 1966	Iowa.
40	Blanchard, Richard J	Sept. 1, 1964	Sept. 26, 1975	Massachusetts.
41	Park, Radcliffe	Sept. 1, 1964	June 1, 1967	Wisconsin.
42	Faulstich, Albert J	July 19, 1965	Oct. 26, 1974	Louisiana.
43	Motter, David C	July 1, 1966		Ohio.
44	Gwin, John D	Feb. 21, 1967	Dec. 31, 1974	Mississippi.
45	Howland, Jr., W. A	July 5, 1973		Georgia.
46	Mullin, Robert A	July 5, 1973		Kansas.
47	Ream, Joseph M.	Feb. 2, 1975		Pennsylvania.
48	Bloom, Robert	Aug. 31, 1975		New York.
49	Chotard, Richard D	Aug. 31, 1975		Missouri.
50	Hall, Charles B	Aug. 31, 1975		Pennsylvania.
51	Jones, David H	Aug. 31, 1975		Texas.
52	Murphy, C. Westbrook	Aug. 31, 1975		Maryland.
53	Selby, H. Joe	Aug. 31, 1975		Texas.

Table B–3

Regional Administrators of National banks

Region	Name	Headquarters	States
1	Charles H. Paterson	Boston, Mass	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
2	Charles M. Van Horn	New York, N.Y	New Jersey, New York, Puerto Rico, Virgin Islands.
3	R. Coleman Egertson	Philadelphia, Pa	Pennsylvania, Delaware.
4	Larry T. Gerzema	Cleveland, Ohio	Indiana, Kentucky, Ohio.
5	Clifton A. Poole	Richmond, Va	District of Columbia, Maryland, North Carolina, Virginia, West Virginia.
6	Donald L. Tarleton	Atlanta, Ga	Florida, Georgia, South Carolina.
7	Billy C. Wood	Chicago, Ill	Illinois, Michigan.
8	John W. Schaffer, Jr	Memphis, Tenn	Alabama, Arkansas, Louisiana, Mississippi, Tennessee.
9	Donald B. Smith	Minneapolis, Minn	Minnesota, North Dakota, South Dakota, Wisconsin.
10	John R. Burt	Kansas City, Mo	Iowa, Kansas, Missouri, Nebraska.
11	Michael Doman	Dallas, Tex	Oklahoma, Texas.
12	Kent D. Glover	Denver, Colo	Arizona, Colorado, New Mexico, Utah, Wyoming.
13	M. B. Adams	Portland, Oreg	Alaska, Idaho, Montana, Oregon, Washington.
14	John G. Hensel	San Francisco, Calif	California, Guam, Hawaii, Nevada.

Table B-4

Changes in the structure of the National Banking System, by States, 1863-1975

	Organized and opened for business 1863-1975	Consolidated and merged under 12 U.S.C. 215		Insolvencies	Liquidated	12 U.S.C. 214		In operation Dec. 31, 1975
		Consolidated	Merged			Converted to State banks	Merged or consolidated with State banks	
United States	16,545	729	851	2,830	6,770	254	368	4,743*
Alabama	234	4	26	45	64	0	0	95
Alaska	9	0	0	0	2	0	1	6
Arizona	33	1	0	6	21	1	1	3
Arkansas	173	1	3	39	55	0	0	75
California	622	21	55	68	397	4	20	57
Colorado	288	5	4	58	86	3	0	132
Connecticut	141	11	9	7	69	5	16	24
Delaware	32	0	0	1	18	0	8	5
District of Columbia	42	8	0	7	13	0	0	14
Florida	384	2	2	43	42	0	0	295
Georgia	216	8	4	43	88	9	0	64
Hawaii	8	1	0	0	4	1	0	2
Idaho	113	0	2	35	65	2	3	6
Illinois	1,005	20	17	227	299	19	2	421
Indiana	455	14	8	98	205	6	4	120
Iowa	569	4	2	206	243	12	2	100
Kansas	465	6	4	77	198	9	0	171
Kentucky	251	11	3	37	110	8	2	80
Louisiana	129	4	3	16	53	0	0	53
Maine	131	8	10	13	79	0	1	20
Maryland	161	3	18	17	69	1	11	42
Massachusetts	400	45	27	28	208	1	14	77
Michigan	402	11	31	77	157	1	5	120
Minnesota	523	8	0	116	193	5	0	201
Mississippi	107	6	5	16	36	4	1	39
Missouri	350	13	12	58	149	4	1	113
Montana	212	4	1	76	76	0	0	55
Nebraska	416	2	3	83	199	9	0	120
Nevada	18	1	0	4	8	0	1	4
New Hampshire	91	4	13	5	23	2	0	44
New Jersey	503	57	87	61	156	1	28	113
New Mexico	100	1	1	25	37	0	0	36
New York	1,063	127	116	132	442	13	83	150
North Carolina	168	8	23	44	58	0	9	26
North Dakota	264	3	0	100	118	0	0	43
Ohio	750	33	42	112	336	2	6	219
Oklahoma	792	12	11	85	454	36	0	194
Oregon	154	2	4	31	103	0	7	7
Pennsylvania	1,304	112	119	211	496	15	107	244
Rhode Island	70	3	2	2	58	0	0	5
South Carolina	140	8	14	44	49	2	4	19
South Dakota	225	14	3	93	81	2	0	32
Tennessee	238	9	14	36	94	8	2	75
Texas	1,475	45	68	142	574	57	5	584
Utah	52	4	2	6	23	3	2	12
Vermont	85	3	8	17	29	3	9	16
Virginia	310	23	61	28	74	4	12	108
Washington	251	19	10	51	146	0	1	24
West Virginia	222	11	2	38	68	0	0	103
Wisconsin	311	9	1	54	117	2	0	128
Wyoming	84	0	1	12	26	0	0	45
Virgin Islands	2	0	0	0	1	0	0	1
Puerto Rico	2	0	0	0	1	0	0	1

* Does not include Virgin Islands National Bank which operated for a full day December 31, but was absorbed at the close of business by First Pennsylvania Bank, N.A. All other tables show banks operating on December 31.

Table B–5

Charters, liquidations, and changes in issued capital stock of National banks, calendar 1975

	Number of banks	Capital Stock		Capital notes debentures
		Common	Preferred	
Increases:				
Banks newly chartered:				
Primary organization	113*	$41,973,475		
Conversion of State banks	13	26,364,320		$990,000
Capital stock:				
Preferred: 5 cases by new issue			$1,932,075	
Common:				
434 cases by statutory sale		251,797,458		4,335,000
458 cases by statutory stock dividends		190,170,436		
1 case by statutory consolidation		300,000		1,880,000
2 cases by statutory merger		260,000		
8 cases by conversion of preferred stock		172,635		
43 cases by conversion of capital notes		729,939		
Capital notes and debentures: 172 cases by new issue				117,084,965
Total increases	126	$511,768,263	$1,932,075	$124,289,965
Decreases:				
Banks ceasing operations:				
Voluntary liquidations:				
Succeeded by National banks	8	$7,843,633		$3,250,000
Succeeded by State banks	5	33,408,860		17,625,000
Statutory consolidations	2			
Statutory mergers	50†			
Converted into State banks	11	6,056,790		1,000,000
Merged or consolidated into State banks	10	5,989,580		446,000
Insolvent	1	458,340		
Capital stock:				
Preferred: 20 Retired			$990,965	
Common:				
9 cases by statutory reduction		5,472,761		
6 cases by statutory merger		2,157,750		
Capital notes and debentures:				
54 retirements				7,189,737
43 converted to common stock				2,380,250
Total decreases	87	$61,387,714	$990,965	$31,890,987
Net change	+39	$450,380,549	$941,110	$92,398,978
Charters in force Dec. 31, 1974, and issued capital	4,708	8,335,008,554	13,392,700	2,492,437,866
Charters in force Dec. 31, 1975, and issued capital	4,747	$8,785,389,103	$14,333,810	$2,584,836,844

* Includes 37 reorganized banks with capital stock of $6,031,008 and 2 Banks formed under Section 11 of the Federal Deposit Insurance Act—Deposit Insurance National Bank, Kansas City, Mo., and Deposit Insurance National Bank, Charlotte Amalie, V.I.

† Includes 37 reorganized banks.

NOTE: Premium on sale of common stock	$210,842,151	(413 cases)
Premium on sale of convertible notes	1,650,312	(43 cases)
Total	$212,492,463	(456 cases)

Table B–6

Applications for National bank charters, approved and rejected, by States, calendar 1975*

	Approved	Rejected
ALABAMA		
Childersburg	—	Aug. 6
Eutaw	—	Apr. 28
First National Bank of Hamilton, Hamilton	July 14	—
First Selby National Bank, Pelham	May 7	—
Scottsboro	—	Oct. 16
Central Bank of Tuscaloosa, National Association, Tuscaloosa	Jan. 4	—
ARKANSAS		
Harrison	—	Jan. 4
CALIFORNIA		
Anaheim National Bank, Anaheim	Sept. 13	—
Fidelity National Bank, Concord	Mar. 8	—
National Bank of Long Beach, Long Beach	Apr. 22	—
Los Angeles	—	Jan. 4
Vista National Bank, Vista	Oct. 16	—
COLORADO		
First National Bank in Craig, Craig	Mar. 10	—
Pueblo	—	Jan. 3
DISTRICT OF COLUMBIA		
Diplomat National Bank, Washington	May 3	—
FLORIDA		
Barnett Bank of Gainesville, National Association, Unincorporated Area of Alachua County	Sept. 27	—
Barnett Bank of Orange Park, National Association, Unincorporated Area of Clay County	Sept. 13	—
Coral Gables	—	Sept. 13
Coral Gables	—	Sept. 13
Unincorporated Area of Dade County	—	May 21
Unincorporated Area of Dade County	—	Oct. 16
DeLand	—	Aug. 6
Hialeah	—	Aug. 7
Tampa National Bank, Unincorporated Area of Hillsborough County	Sept. 13	—
Unincorporated Area of Hillsborough County	—	Sept. 27
Second National Bank of Key Biscayne, Key Biscayne	May 3	—
Key Biscayne	—	May 3
First Commercial National Bank, Lakeland	Aug. 6	—
Lakeland	—	Aug. 6
Cypress National Bank, Lauderdale Lakes	Mar. 8	—
First National Bank of Marathon, Marathon	Dec. 10	—
Miami	—	June 21
Miami Beach	—	Sept. 16
North Palm Beach	—	Mar. 13
Ocala	—	Aug. 6
Unincorporated Area of Orange County	—	Sept. 27
First National Bank at North Orlando, Orlando	Aug. 7	—
Unincorporated Area of Pinellas County	—	Sept. 27
Quincy	—	Aug. 15
Singer Island National Bank, Riviera Beach	Jan. 29	—
Southeast National Bank of Sarasota, Sarasota	Nov. 12	—
Unincorporated Area of Sarasota County	—	Sept. 9
Sebring	—	Mar. 8
Tamarac	—	Sept. 27
Thonontosassa	—	Nov. 14
ILLINOIS		
Arlington Heights	—	Sept. 9
Airport National Bank, Bethalto	Jan. 4	—
Champaign	—	Nov. 14
Champaign	—	Nov. 14
Champaign	—	Nov. 14
Champaign	—	Nov. 18
Columbia National Bank, Columbia	June 21	—
Madison National Bank of Niles, Niles	May 3	—
Oak Lawn National Bank, Oak Lawn	May 21	—
The National Bank of Park Ridge, Park Ridge	May 2	—
Village of Rantoul	—	Nov. 14
Rockford	—	Mar. 13
First National Bank of Wheeling, Wheeling	Sept. 13	—
INDIANA		
First National Bank of Paoli, Paoli	June 21	—
KANSAS		
Jennings National Bank, Jennings	Dec. 29	—
Oak Park National Bank, Overland Park	July 14	—
KENTUCKY		
First National Bank of Lewis County, Vanceburg	Nov. 14	—
LOUISIANA		
First National Bank of Eunice, Eunice	May 21	—
St. Francisville	—	May 21
MASSACHUSETTS		
Hatfield	—	Dec. 10
MICHIGAN		
Second National Bank of Bay City, Bay City	Sept. 9	—
Michigan National Bank-Farmington, Farmington Hills	Oct. 16	—
National Bank of Port Huron, Port Huron	Oct. 16	—
Michigan National Bank-Grand Traverse, Traverse	Mar. 10	—
National Bank of Troy, Troy	Mar. 8	—
First Michigan Bank of Walker, N.A., Walker	Jan. 4	—
MINNESOTA		
First National Bank of Burnsville, Burnsville	May 3	—
American National Bank of Brainerd, Brainerd	Apr. 22	—
First National Bank of Eden Prairie, Eden Prairie	May 3	—
Maplewood	—	Sept. 27
MISSISSIPPI		
Jackson	—	June 21
MISSOURI		
Commerce Bank of Grandview, National Association, Grandview	Jan. 22	—
Mark Twain National Bank, Ladue	May 3	—
Christian County National Bank, Ozark	June 21	—
Mehlville National Bank, Unincorporated Area of St. Louis County	Sept. 9	—
MONTANA		
Glacier National Bank, Colombia Falls	May 5	—
NEW JERSEY		
Franklin Township	—	Apr. 22
NEW MEXICO		
Bank of Las Cruces National Association, Las Cruces	July 15	—
NEW YORK		
New York	—	Sept. 9
New York	—	Oct. 16
OHIO		
National City Bank of Lake County, Mentor	Mar. 13	—
OKLAHOMA		
Skiatood	—	May 21
Western National Bank of Tulsa, Tulsa	Dec. 10	—
TENNESSEE		
Knoxville	—	Aug. 6
TEXAS		
Alief Township	—	Nov. 14
Anahuac National Bank, Anahuac	June 21	—
Western National Bank, Austin	Sept. 9	—
Republic National Bank of Austin, Austin	Nov. 14	—
Commerce National Bank of Conroe, Conroe	Jan. 4	—
Red Bird National Bank, Dallas	June 17	—
Dallas	—	July 14
Prestonwood National Bank, Dallas	July 14	—
Citizens National Bank, Denton	Dec. 10	—
Chamizal National Bank, El Paso	May 21	—
Sugar Creek National Bank, Unincorporated Area of Fort Bend County	Jan. 4	—
Friendswood	—	Dec. 10
Unincorporated Area of Harris County	—	July 14

See note at end of table.

Table B–6—Continued

Applications for National bank charters, approved and rejected, by States, calendar 1975*

	Approved	Rejected
TEXAS—Continued		
Helotes	——	May 21
Hempstead	——	Oct. 16
Houston	——	Mar. 26
Houston	——	Mar. 26
Houston	——	Oct. 15
Unincorporated Area near Houston	——	Nov. 14
Las Colinas National Bank of Irving, Irving	Sept. 27	——
First National Bank in Kaufman, Kaufman	Jan. 4	——
Mansfield	——	May 21
First National Bank of Pearland, Pearland	Aug. 7	——
Canyon Creek National Bank, Richardson	Jan. 4	——
Rockdale	——	Mar. 8
San Antonio	——	Sept. 13
San Antonio	——	Sept. 24
University National Bank, San Antonio	Sept. 27	——
Hays County National Bank, San Marcos	Oct. 16	——
Sinton	——	May 21
Central National Bank of Woodway-Hewitt, Waco	Aug. 7	——
First National Bank of West University Place, West University Place	June 30	——
American National Bank, Wichita Falls	Dec. 10	——
VIRGINIA		
Patrick Henry National Bank, Bassett	July 14	——
Dominion National Bank of Fredericksburg, Fredericksburg	June 17	
Mechanicsville	——	Sept. 27
WISCONSIN		
Regency National Exchange Bank, Brookfield	Oct. 3	——
Medford National Bank, Medford	Mar. 8	——
New Holstein	——	Mar. 8
Village of Elm Grove	——	Oct. 16
WYOMING		
Fossil Butte National Bank, Kemmerer	Jan. 4	——
COMMONWEALTH OF PUERTO RICO		
San Juan	——	Mar. 6

* Does not include applications for conversion, pursuant to corporate reorganization, or for Federal Deposit Insurance banks. In 1975, two banks were chartered by the FDIC under Section 11 of the Federal Deposit Insurance Act. See Table B–8 footnotes for further information.

Table B–7

Applications for National bank charters, by States, pursuant to corporate reorganizations, calendar 1975

	Approved	Rejected
ALABAMA		
Southland National Bank of Fairhope, Fairhope	Sept. 13	——
Colbert County National Bank, Muscle Shoals	May 14	——
CALIFORNIA		
F. N. National Bank, San Jose	Oct. 28	——
DISTRICT OF COLUMBIA		
American Security and Trust Company, National Association, Washington	May 29	——
GEORGIA		
Georgia National Bank, Atlanta	Oct. 14	——
ILLINOIS		
Public Square National Bank, Belleville	Mar. 17	——
Second National Bank of Decatur, Illinois, Decatur	Dec. 18	——
Union National Bank, East St. Louis	Mar. 25	——
MASSACHUSETTS		
The Blackstone Valley Bank, National Association, Northbridge	Aug. 20	——
MICHIGAN		
NBL National Bank, Ludington	Oct. 7	
National Community Bank, Pontiac	Sept. 10	——
OHIO		
NEO Bank, N.A., Ashtabula	Apr. 9	——
Euclid Bank, N.A., Euclid	May 18	——
TENNESSEE		
Sparta Interim Bank, N.A., Sparta	Jan. 21	——
TEXAS		
New San Felipe National Bank, Houston	Dec. 16	——
New Braunfels Commerce Bank National Association, New Braunfels	June 12	——
The New First-Wichita National Bank of Wichita Falls, Wichita Falls	Mar. 20	——

Table B–8

Newly organized National banks, by States, calendar 1975

Charter No.	Title and location of bank	Total capital accounts
	Total, United States: 74 banks	$93,489,505
	ALABAMA	
16489	Southern National Bank, Birmingham	4,000,000
16517	Central Bank of Tuscaloosa, National Association, Tuscaloosa	1,500,000
	Total: 2 banks	5,500,000
	ALASKA	
16514	Security National Bank, Anchorage	2,000,000
	ARKANSAS	
16462	Northwest National Bank, Fayetteville	1,500,000
	CALIFORNIA	
16453	South Coast National Bank, Costa Mesa	1,600,000
16518	Capistrano National Bank, San Juan Capistrano	1,500,000
16464	El Capitan National Bank, Sonora	1,000,000
	Total: 3 banks	4,100,000
	COLORADO	
16478	Aurora Mountain Bank, National Association, Aurora	500,000
16465	Gunbarrel National Bank, Unincorporated area of Boulder County	500,000
16471	Castle Rock National Bank, Castle Rock	500,000
16501	First National Bank in Craig, Craig	500,000
16475	United Bank of Monaco National Association, Denver	500,000
	Total: 5 banks	2,500,000
	DISTRICT OF COLUMBIA	
16529	Diplomat National Bank, Washington	2,435,525
	FLORIDA	
16456	Citizens First National Bank of Crystal River, Crystal River	1,300,000
16447	City National Bank of South Dade, Unincorporated area of Dade County	1,275,000
16442	Pan American Bank of Kendale Lakes, National Association, Unincorporated area of Dade County	1,000,000
16480	Southeast National Bank of Tamiami, Unincorporated area of Dade County	1,000,000
16532	First National Bank of Destin, Destin	600,000
16438	Ellis National Bank of West Hillsborough, Unincorporated area of Hillsboro County	750,000
16441	Marine National Bank of West Jacksonville, Jacksonville	1,000,000
16455	Jupiter-Tequesta National Bank, Jupiter	1,000,000
16424	Barnett Bank of West Lake Worth, National Association, Unincorporated area of Palm Beach County	1,000,000
16430	North Florida National Bank, Tallahassee	1,700,000
16459	Ellis National Bank of Davis Islands, Tampa	750,000
	Total: 11 banks	11,375,000
	GEORGIA	
16487	The First National Bank of Chatsworth, Chatsworth	1,000,000
16472	First National Bank of Douglasville, Douglasville	1,000,000
	Total: 2 banks	2,000,000
	ILLINOIS	
16431	Buffalo Grove National Bank, Buffalo Grove	1,800,000
16448	First National Bank of Mt. Zion, Mt. Zion	600,000
	Total: 2 banks	2,400,000
	KANSAS	
16540	Jennings National Bank, Jennings	250,000
16527	Oak Park National Bank, Overland Park	1,250,000
	Total: 2 banks	1,500,000
	LOUISIANA	
16473	First National Bank of St. Charles Parish, Boutte	800,000
	MARYLAND	
16466	Century National Bank, Bethesda	2,000,000
16502	Lincoln National Bank, Gaithersburg	2,000,000
	Total: 2 banks	4,000,000

Table B-8—Continued

Newly organized National banks, by States, calendar 1975

Charter No.	Title and location of bank	Total capital accounts
	MICHIGAN	
16542	Second National Bank of Bay City, Bay City	$1,500,000
16477	First National Bank of Gaylord, Gaylord	750,000
16507	Michigan National Bank, Traverse City	1,500,000
16505	First Michigan Bank of Walker, N.A., Walker	1,000,200
	Total: 4 banks	4,750,200
	MISSISSIPPI	
16425	Metropolitan National Bank, Biloxi	2,000,000
	MISSOURI	
16432	First National Bank of Arnold, Arnold	1,000,000
16427	Mercantile National Bank of Clay County, Kansas City	1,300,000
	Total: 2 banks	2,300,000
	NEW MEXICO	
16486	Plaza Del Sol National Bank, Albuquerque	1,250,000
16452	Southwest National Bank, Albuquerque	1,500,000
	Total: 2 banks	2,750,000
	NEW YORK	
16479	Capital National Bank of New York, New York	2,000,000
	OKLAHOMA	
16457	Citizens National Bank of Lawton, Lawton	750,000
16439	Union National Bank, Tulsa	1,500,000
	Total: 2 banks	2,250,000
	PENNSYLVANIA	
16533	Yough Valley National Bank, Connellsville	1,000,000
16443	New World National Bank, Pittsburgh	800,000
	Total: 2 banks	1,800,000
	SOUTH CAROLINA	
16474	Republic National Bank, Columbia	3,000,000
16449	Hilton Head National Bank, Hilton Head Island	1,200,000
	Total: 2 banks	4,200,000
	TEXAS	
16468	Central National Bank, Arlington	1,000,000
16521	Commerce National Bank of Conroe, Conroe	1,300,000
16446	United National Bank, Dallas	5,000,000
16506	First International bank in El Paso, National Association, El Paso	1,000,000
16422	Summit National Bank, Fort Worth	2,000,000
16469	National Bank of Grand Prairie, Grand Prairie	1,000,000
16493	Colonial National Bank, Unincorporated area of Harris County	1,000,000
16508	Gulf Southern National Bank, Houston	1,000,000
16494	National Standard Bank, Houston	2,500,000
16440	Security National Bank, Houston	1,500,000
16484	First National Bank in Kaufman, Kaufman	750,000
16481	New Braunfels National Bank, New Braunfels	1,200,000
16490	Continental National Bank, San Antonio	1,588,780
16491	National Security Bank, Tyler	1,000,000
16488	Ellis National Bank, Waxahachie	750,000
	Total: 15 banks	22,588,780
	UTAH	
16511	First Security Bank of Murray, National Association, Murray	500,000
	VIRGINIA	
16528	Dominion National Bank of Fredericksburg, Fredericksburg	1,000,000
	WASHINGTON	
16476	Ben Franklin National Bank, Pasco	1,100,000
16423	Jefferson National Bank, Port Townsend	900,000
	Total: 2 banks	2,000,000

Table B-8—Continued

Newly organized National banks, by States, calendar 1975

Charter No.	Title and location of bank	Total capital accounts
	WEST VIRGINIA	
16444	Mountain National Bank, Shady Spring	$1,000,000
16524	Gulf National Bank, Sophia	1,000,000
	Total: 2 banks	2,000,000
	WISCONSIN	
16460	Ozaukee National Bank, Cedarburg	1,000,000
16516	Medford National Bank, Medford	1,000,000
	Total: 2 banks	2,000,000
	WYOMING	
16543	Fossil Butte National Bank, Kemmerer	750,000
16454	Bank of Wyoming, National Association—Rock Springs, Rock Springs	500,000
	Total: 2 banks	1,250,000

Banks formed by FDIC Under Section 11 of the Federal Deposit Insurance Act:
Deposit Insurance National Bank of Kansas City, Kansas City, Missouri.
Deposit Insurance National Bank of the Virgin Islands, Charlotte Amalie, Virgin Islands

Table B-9

National bank charters issued and mergers consummated pursuant to corporate reorganizations, by States, calendar 1975*

Effective date of merger	Operating bank New bank Resulting bank	Total capital accounts	Total assets
	ALABAMA		
	Shoals National Bank of Florence, Florence Shoals Bank, N.A., Florence Charter issued February 20, 1975		
Feb. 21	Shoals National Bank of Florence, Florence	$1,261,260	$16,761,660
	City National Bank of Birmingham, Birmingham Southland National Bank of Birmingham, Birmingham Charter issued February 25, 1975		
Feb. 28	City National Bank of Birmingham, Birmingham	6,336,604	99,760,971
	The Merchants National Bank of Mobile, Mobile Southland National Bank of Mobile, Mobile Charter issued February 25, 1975		
Feb. 28	The Merchants National Bank of Mobile, Mobile	23,201,482	372,096,298
	ILLINOIS		
	The First National Bank of Springfield, Springfield Second National Bank of Springfield, Springfield Charter issued February 14, 1975		
Feb. 14	The First National Bank of Springfield, Springfield	18,357,732	220,049,570
	Commercial National Bank of Peoria, Peoria Commercial Bank of Peoria, National Association, Peoria Charter issued May 5, 1975		
May 8	Commercial National Bank of Peoria, Peoria	25,165,177	318,454,538
	First National Bank of Belleville, Belleville Public Square National Bank, Belleville Charter issued December 29, 1975		
Dec. 31	First National Bank of Belleville, Belleville	10,346,000	142,906,000
	KENTUCKY		
	First Security National Bank and Trust Company of Lexington, Lexington FSNB National Bank and Trust Company, Lexington Charter issued October 9, 1975		
Oct. 14	First Security National Bank and Trust Company of Lexington, Lexington	24,662,287	384,988,081
	LOUISIANA		
	Fidelity National Bank of Baton Rouge, Baton Rouge FNB National Bank, Baton Rouge Charter issued March 27, 1975		
Apr. 1	Fidelity National Bank of Baton Rouge, Baton Rouge	17,805,510	247,919,658

See footnote at end of table.

Table B–9—Continued

National bank charters issued and mergers consummated pursuant to corporate reorganizations, by States, calendar 1975*

Effective date of merger	Operating bank New bank Resulting bank	Total capital accounts	Total assets
	MASSACHUSETTS		
	The Fall River National Bank, Fall River Fall River Bank, National Association, Fall River Charter issued May 8, 1975		
May 9	The Fall River National Bank, Fall River	$3,880,162	$56,282,429
	First National Bank of Cape Cod, Orleans Second National Bank of Cape Cod, Orleans Charter issued October 1, 1975		
Oct. 3	First National Bank of Cape Cod, Orleans	2,497,312	38,865,812
	MICHIGAN		
	First National Bank of Southwestern Michigan, Niles SWM National Bank, Niles Charter issued November 10, 1975		
Nov. 10	First National Bank of Southwestern Michigan, Niles	8,334,000	135,265,000
	First National Bank of East Lansing, East Lansing E. L. National Bank, East Lansing Charter issued December 24, 1975		
Dec. 29	First National Bank of East Lansing, East Lansing	1,765,000	21,311,000
	First National Bank of Wyoming, Wyoming W. National Bank, Wyoming Charter issued December 24, 1975		
Dec. 29	First National Bank of Wyoming, Wyoming	2,157,000	26,068,000
	MISSISSIPPI		
	First Mississippi National Bank, Hattiesburg Hattiesburg Bank, N.A., Hattiesburg Charter issued April 3, 1975		
Apr. 8	First Mississippi National Bank, Hattiesburg	14,135,687	202,275,316
	NEW JERSEY		
	National Bank and Trust Company of Gloucester County, Woodbury Gloucester County National Bank, Woodbury Charter issued September 23, 1975		
Oct. 1	National Bank and Trust Company of Gloucester County, Woodbury	11,936,878	150,947,659
	OHIO		
	Euclid National Bank, Euclid Euclid Bank, N.A., Euclid Charter issued September 23, 1975		
Sept. 30	Euclid National Bank, Euclid	8,240,037	131,488,038
	The Northeastern Ohio National Bank, Ashtabula NEO Bank, N.A., Ashtabula Charter issued November 21, 1975		
Nov. 25	The Northeastern Ohio National Bank, Ashtabula	5,789,681	89,197,015
	OKLAHOMA		
	Guaranty National Bank, Tulsa Mingo Valley National Bank, Tulsa Charter issued September 4, 1975		
Sept. 5	Guaranty National Bank, Tulsa	2,668,781	39,057,946
	Utica National Bank & Trust Company, Tulsa U.N. National Bank, Tulsa Charter issued October 10, 1975		
Oct. 14	Utica National Bank & Trust Company, Tulsa	14,499,994	124,353,568
	PENNSYLVANIA		
	First National Bank of Mercer County, Greenville Mercer County Interim Bank, N.A., Greenville Charter issued April 9, 1975		
Apr. 11	First National Bank of Mercer County, Greenville	8,594,141	120,134,596
	TEXAS		
	The Commercial National Bank of Brady, Brady Commercial Bank National Association, Brady Charter issued January 13, 1975		
Jan. 17	The Commercial National Bank of Brady, Brady	1,066,364	12,245,771
	Citizens National Bank of Dallas, Dallas New Citizens National Bank of Dallas, Dallas Charter issued May 29, 1975		
June 2	Citizens National Bank of Dallas, Dallas	5,550,095	92,738,776

See footnote at end of table.

Table B-9—Continued

National bank charters issued and mergers consumated pursuant to corporate reorganizations, by States, calendar 1975*

Effective date of merger	*Operating bank* *New bank* *Resulting bank*	*Total capital accounts*	*Total assets*
	TEXAS—continued		
	The National Bank of Fort Sam Houston at San Antonio, San Antonio		
	Rogers Street Bank, National Association, San Antonio		
	Charter issued June 5, 1975		
June 11	The National Bank of Fort Sam Houston, San Antonio	$12,144,335	$127,468,841
	Mercantile National Bank at Dallas, Dallas		
	Mercantile Bank, National Association, Dallas		
	Charter issued July 25, 1975		
July 31	Mercantile National Bank at Dallas, Dallas	96,407,278	1,080,494,133
	Casa Linda National Bank of Dallas, Dallas		
	Casa Linda Commerce Bank National Association, Dallas		
	Charter issued September 22, 1975		
Oct. 1	Casa Linda Commerce Bank National Association, Dallas	1,126,000	14,620,000
	Fidelity Bank, National Association, Dallas		
	Fidelity Commerce Bank National Association, Dallas		
	Charter issued September 22, 1975		
Oct. 1	Fidelity Commerce Bank National Association, Dallas	760,746	5,503,522
	Northwest National Bank of Dallas, Dallas		
	Northwest Commerce Bank National Association, Dallas		
	Charter issued September 22, 1975		
Oct. 1	Northwest Commerce Bank National Association, Dallas	1,585,192	20,947,000
	Royal National Bank of Dallas, Dallas		
	Royal Commerce Bank National Association, Dallas		
	Charter issued September 22, 1975		
Oct. 1	Royal Commerce Bank National Association, Dallas	974,225	10,829,630
	The Village Bank (National Association), Dallas		
	Village Commerce Bank National Association, Dallas		
	Charter issued September 22, 1975		
Oct. 1	Village Commerce Bank National Association, Dallas	849,659	5,554,194
	The First-Wichita National Bank of Wichita Falls, Wichita Falls		
	The New First-Wichita National Bank of Wichita Falls, Wichita Falls		
	Charter issued October 28, 1975		
Oct. 31	The First-Wichita National Bank of Wichita Falls, Wichita Falls	17,912,786	223,156,510
	The Texarkana National Bank, Texarkana		
	Texarkana Bank, National Association, Texarkana		
	Charter issued November 24, 1975		
Nov. 26	The Texarkana National Bank, Texarkana	6,860,329	98,167,132
	Nassau Bay National Bank of Clear Lake, Nassau Bay		
	Nassau Bank, National Association, Nassau Bay		
	Charter issued December 29, 1975		
Dec. 31	Nassau Bay National Bank of Clear Lake, Nassau Bay	2,957,000	37,409,000
	VIRGINIA		
	The Peoples National Bank of Rocky Mount, Rocky Mount		
	Peoples Bank, N.A., Rocky Mount		
	Charter issued December 22, 1975		
Dec. 23	The Peoples National Bank of Rocky Mount, Rocky Mount	3,050,225	39,431,679
	WEST VIRGINIA		
	Community Savings Bank, National Association, Wheeling		
	Second Community Savings Bank, National Association, Wheeling		
	Charter issued January 28, 1975		
Jan. 30	Community Savings Bank, National Association, Wheeling	1,023,982	8,381,828
	The Bank of Warwood, National Association, Wheeling		
	Second Bank of Warwood, National Association, Wheeling		
	Charter issued January 28, 1975		
Jan. 30	The Bank of Warwood, National Association, Wheeling	1,405,562	17,950,692
	WYOMING		
	Western National Bank of Casper, Casper		
	Western National Bank at Casper, Casper		
	Charter issued Oct. 9, 1975		
Oct. 10	Western National Bank of Casper, Wyoming	894,000	13,774,000

* Includes only charter issuances related to mergers consummated during 1975. For a full listing of all charters issued pursuant to corporate reorganizations during the year, see Table B–11.

Table B–10

State-chartered banks converted to National banks, by States, calendar 1975

Charter No.	Title and location of bank	Effective date of charter	Outstanding capital stock	Surplus, undivided profits and reserves	Total assets
	Total: 13 banks		$26,364,320	$89,105,893	$1,418,290,475
	COLORADO				
16541	Columbine National Bank, Denver Conversion of Columbine State Bank	Dec. 30	$275,000	$628,291	$14,643,477
	FLORIDA				
16530	City National Bank of North Miami, North Miami Conversion of City Bank of North Miami	Dec. 12	700,000	778,728	8,655,036
16520	First American National Bank of Hernando County, Spring Hill Conversion of First American Bank of Hernando County	Oct. 30	400,000	471,379	12,396,294
16437	Barnett Bank of Tampa, National Association, Tampa Conversion of Barnett Bank of Tampa	Feb. 26	720,000	1,156,497	26,603,196
	IOWA				
16483	Cresco National Bank, Cresco Conversion of Cresco State Bank	July 25	150,000	667,000	11,251,598
	MISSISSIPPI				
16500	Consumer National Bank, Jackson Conversion of White Systems Savings & Loan of Jackson, Inc.	Sept. 23	200,000	257,189	2,400,564
	MISSOURI				
16510	Mark Twain O'Fallon Bank, National Association, Unincorporated Area of St. Charles County Conversion of Mark Twain O'Fallon Bank	Oct. 6	666,670	357,816	7,219,601
	OHIO				
16416	The Central Trust Company, National Association, Cincinnati Conversion of The Central Trust Company	Dec. 20, 1974	12,152,650	54,777,613	804,854,174
16419	The Huron County Banking Company, National Association, Norwalk Conversion of The Huron County Banking Company	Dec. 23, 1974	1,200,000	2,864,471	62,690,797
	SOUTH DAKOTA				
16470	United National Bank, Castlewood Conversion of Citizens State Bank	June 9	50,000	248,824	5,023,447
	VIRGINIA				
16485	Bank of Virginia, Vinton Conversion of Bank of Virginia—Roanoke Valley	July 31	2,700,000	3,178,016	83,696,154
	WASHINGTON				
16523	Northwest National Bank, Unincorporated Area of Clark County, Vancouver Conversion of Northwest Bank	Nov. 18	400,000	495,113	18,778,387
	WEST VIRGINIA				
16433	Kanawha Valley Bank, National Association, Charleston Conversion of Kanawha Valley Bank	Feb. 7	6,750,000	23,224,956	360,077,750

Table B–11

National bank charters issued pursuant to corporate reorganizations, by States, calendar 1975

Charter No.	Title and location of bank	Date of issuance
	Total: 37 banks	
	ALABAMA	
15473	Southland National Bank of Birmingham, Birmingham	Feb. 25
15427	Shoals Bank, N.A., Florence	Feb. 20
13097	Southland National Bank of Mobile, Mobile	Feb. 25
	Total: 3 banks	
	ILLINOIS	
2154	Public Square National Bank, Belleville	Dec. 29
3296	Commercial Bank of Peoria, National Association	May 5
205	Second National Bank of Springfield, Springfield	Feb. 14
	Total: 3 banks	
	KENTUCKY	
906	FSNB National Bank and Trust Company, Lexington	Oct. 9
	LOUISIANA	
14462	FNB National Bank	Mar. 27
	MASSACHUSETTS	
590	Fall River Bank, National Association, Fall River	May 8
736	Second National Bank of Cape Cod, Orleans	Oct. 1
	Total: 2 banks	
	MICHIGAN	
14740	E.L. National Bank, East Lansing	Dec. 24
13753	SWM National Bank, Niles	Nov. 10
15286	W. National Bank, Wyoming	Dec. 24
	Total: 3 banks	
	MISSISSIPPI	
5176	Hattiesburg Bank, N.A., Hattiesburg	Apr. 3
	NEW JERSEY	
1199	Gloucester County National Bank, Woodbury	Sept. 23
	OHIO	
5075	NEO Bank, N.A., Ashtabula	Nov. 21
15573	Euclid Bank, N.A., Euclid	Sept. 23
	Total: 2 banks	
	OKLAHOMA	
15415	Mingo Valley National Bank, Tulsa	Sept. 4
14682	U.N. National Bank, Tulsa	Oct. 10
	Total: 2 banks	
	PENNSYLVANIA	
249	Mercer County Interim Bank, N.A., Greenville	Apr. 9
	TEXAS	
8573	Commercial Bank National Association, Brady	Jan. 13
14976	Casa Linda Commerce Bank National Association, Dallas	Sept. 22
15951	Fidelity Commerce Bank National Association, Dallas	Sept. 22
13743	Mercantile Bank, National Association, Dallas	Jul. 25
15280	New Citizens National Bank of Dallas, Dallas	May 29
14855	Northwest Commerce Bank National Association, Dallas	Sept. 22
15141	Royal Commerce Bank National Association, Dallas	Sept. 22
15880	Village Commerce Bank National Association, Dallas	Sept. 22
14962	Circle National Bank of Fort Worth, Fort Worth	Dec. 24
15188	Nassau Bank, National Association, Nassau Bay	Dec. 29
13578	Rogers Street Bank, National Association, San Antonio	June 5
3785	Texarkana Bank, National Association, Texarkana	Nov. 24
3200	The New First-Wichita National Bank of Wichita Falls, Wichita Falls	Oct. 28
	Total: 13 banks	
	VIRGINIA	
8934	Peoples Bank, N.A., Rocky Mount	Dec. 22
	WEST VIRGINIA	
16248	Second Bank of Warwood, National Association, Wheeling	Jan. 28
16332	Second Community Savings Bank, National Association, Wheeling	Jan. 28
	Total: 2 banks	
	WYOMING	
15300	Western National Bank of Casper, Casper	Oct. 9

Table B–12

National banks reported in voluntary liquidation, by States, calendar 1975

Title and location of bank	Dates of liquidation	Total capital accounts of liquidated banks
Total: 14 National banks	....	$150,146,421
CALIFORNIA		
Southern California First National Bank (3050), San Diego, absorbed by The Bank of Tokyo of California, San Francisco	Sept. 30	$ 34,369,770
GEORGIA		
The First National Bank of Tucker (15531), Tucker, absorbed by The National Bank of Georgia (15541), Atlanta	Mar. 24	1,619,300
The Citizens and Southern Park National Bank (15632), DeKalb County, absorbed by The Citizens and Southern Emory Bank, DeKalb County	Nov. 1	1,221,031
MISSOURI		
Swope Parkway National Bank of Kansas City (15657), Kansas City, absorbed by The Deposit Insurance National Bank, Kansas City	Jan. 3	0
NEW JERSEY		
Bridgewater National Bank (16028), Bridgewater Township, absorbed by United National Bank (13174), Plainfield	Aug. 25	1,501,178
The Hardyston National Bank of Hamburg (8227), Hamburg, absorbed by Garden State National Bank (15570), Paramus	Dec. 26	2,540,148
The First National Bank, Piscataway (15839), Piscataway Township, absorbed by Commercial Trust Company of New Jersey, Jersey City	Dec. 26	1,919,000
NEW YORK		
Security National Bank (6587), Hempstead, absorbed by Chemical Bank, New York	Jan. 18	90,344,173
PENNSYLVANIA		
The Second National Bank of Connellsville (4481), Connellsville, absorbed by Pittsburgh National Bank (252), Jeannette	Aug. 8	3,657,000
SOUTH CAROLINA		
First State National Bank (15229), Jackson, absorbed by First-Citizens Bank and Trust Company of South Carolina, Columbia	Sept. 3	472,051
VIRGIN ISLANDS		
Virgin Islands National Bank (14335), Charlotte Amalie, absorbed by First Pennsylvania Bank N.A. (1), Bala Cynwyd	Dec. 31	8,497,000
WASHINGTON		
American National Bank of Edmonds (15351), Edmonds, absorbed by Peoples National Bank of Washington (14394), Seattle	Nov. 13	491,518
The First National Bank of Poulsbo (11285), Poulsbo, absorbed by Rainier National Bank (4375), Seattle	Aug. 22	1,658,627
WISCONSIN		
American City Bank & Trust Company, National Association (16056), Milwaukee, absorbed by Marine National Exchange Bank of Milwaukee (5458), Milwaukee	Oct. 21	1,855,625

Table B-13

National banks merged or consolidated with State banks, by States, calendar 1975

Title and location of bank	Effective date	Total capital accounts of National banks
Total: 10 banks	....	$26,355,496
MISSISSIPPI		
Coahoma National Bank (15663), Clarksdale, merged into Grenada Bank, Grenada, under title of "Grenada Bank"	Oct. 2	$ 3,355,156
NEW JERSEY		
The Second National Bank of Orange (4724), Orange, merged into United Jersey Bank, Hackensack, under title of "United Jersey Bank"	July 31	2,960,934
NEW YORK		
Chemical Bank of Suffolk, National Association (14763), Smithtown, merged into Chemical Bank, under title of "Chemical Bank"	Nov. 10	4,592,040
OREGON		
Great Western National Bank (15491), Portland, merged into First State Bank of Oregon, Milwaukie, under title of "First State Bank of Oregon"	Aug. 21	3,034,808
PENNSYLVANIA		
The First National Bank of Coudersport (4948), Coudersport, merged into Commonwealth Bank and Trust Company, Muncy, under title of "Commonwealth Bank and Trust Company"	Sept. 30	930,957
The First National Bank of Dushore (4505), Dushore, merged into Northern Central Bank and Trust Company, under title of "Northern Central Bank"	June 30	1,331,421
The First National Bank of Philipsburg (4832), Philipsburg, merged into Mid-State Bank, and Trust Company, Altoona, under title of "Mid-State Bank and Trust Company"	June 30	5,332,003
The First Bank of Newfoundland (12911), Newfoundland, merged into Northeastern Bank of Pennsylvania, Scranton, under title of "Northeastern Bank of Pennsylvania"	Mar. 31	791,085
TEXAS		
First National Bank of Alice (14810), Alice, merged into The Bank of South Texas, Alice, under title of "The Bank of South Texas"	Oct. 14	1,357,224
VIRGINIA		
The Farmers National Bank of Salem (1824), Salem, merged into First Virginia Bank of Roanoke Valley, Roanoke County, under title of "First Virginia Bank of Roanoke Valley"	Oct. 31	2,669,868

Table B-14

National banks converted into State banks, by States, calendar 1975

Charter No.	Title and location of bank	Effective date	Total capital accounts of National banks
	Total: 11 banks	....	$23,302,712
	ILLINOIS		
4941	The Lewistown National Bank, Lewistown, converted into The Lewistown Bank	June 2	$970,093
	INDIANA		
14047	The Union National Bank of New Albany, New Albany, converted into Union Bank and Trust of New Albany	Feb. 28	3,546,921
	KANSAS		
8396	The First National Bank of Barnard, Barnard, converted into The Barnard State Bank	June 26	236,292
11887	The Randall National Bank, Randall, converted into The Randall Bank	Dec. 1	287,076
	MINNESOTA		
7092	The First National Bank of New Prague, New Prague, converted into Fidelity State Bank of New Prague	Jan. 2	453,190
	MISSISSIPPI		
13551	First National Bank in Meridian, Meridian, converted into First United Bank of Mississippi	May 19	3,008,640

Table B–14—Continued

National banks converted into State banks, by States, calendar 1975

Charter No.	Title and location of bank	Effective date	Total capital accounts of National banks
	NEBRASKA		
14282	The Wymore National Bank, Wymore, converted into The Wymore State Bank	May 1	$407,058
	NEW HAMPSHIRE		
4041	Colebrook National Bank, Colebrook, converted into The First Colebrook Bank	Jan. 1	424,326
	OKLAHOMA		
9567	The Union National Bank of Bartlesville, Bartlesville, converted into Union Bank and Trust, Bartlesville	Feb. 20	4,894,558
	PENNSYLVANIA		
328	Citizens & Northern Bank & Trust Company, Ralston, converted into Citizens & Northern Bank	May 15	6,582,898
	WISCONSIN		
157	The First National Bank of Fort Atkinson, Fort Atkinson, converted into First American Bank & Trust Company	Dec. 1	2,491,660

Table B–15

Purchases of State banks by National banks, by States, calendar 1975

Title and location of bank	Effective date	Total capital accounts of State banks
Total: 5 banks		$2,867,219
IOWA		
First National Bank (2469), Clinton, purchased Union Savings Bank, Grand Mound	Oct. 1	0
Valley National Bank (16324), Des Moines, purchased* Highland Park State Bank, Des Moines	Feb. 28	$1,354,000
KANSAS		
Jennings National Bank (16540), Jennings, purchased First State Bank of Jennings, Jennings	Dec. 29	250,000
MASSACHUSETTS		
Holyoke National Bank† (1939), Holyoke, purchased Chicopee Bank & Trust Company, Chicopee	May 9	867,877
OHIO		
National City Bank (786), Cleveland, purchased* Northern Ohio Bank, Cleveland	Feb. 18	395,342

* Branches purchased.
† Title change, effective July 8, 1975, to "Old Colony Bank of Hampden County, N.A., Holyoke."

Table B–16

Consolidations of National banks, or National and State banks, by States, calendar 1975*

Effective date	Consolidating banks Resulting bank	Outstanding capital stock	Surplus	Undivided profits and reserves	Total assets
	Total: 3 consolidations				
	INDIANA				
	First-Farmers National Bank (11671), Converse	$100,000	$250,000	$830,864	$21,166,095
	State Bank of Amboy, Amboy	100,000	200,000	372,540	8,022,107
June 30	First-Farmers National Bank (11671), Converse	160,000	490,000	1,203,403	29,188,202
	MASSACHUSETTS				
	Shawmut County Bank, N.A. (4771), Cambridge	3,356,640	6,343,360	1,290,985	151,074,786
	Shawmut Winchester Bank, N.A. (11103), Winchester	200,000	600,000	642,065	13,133,567
June 26	Shawmut County Bank, N.A. (4771), Cambridge	3,856,640	6,943,360	1,633,050	164,208,353
	NEW JERSEY				
	Heritage Bank, National Association-Iron (1113), Morristown	3,938,730	3,938,730	4,170,156	219,254,754
	First Charter National Bank (288), Monroe Township	2,552,450	4,817,550	2,048,363	155,228,747
June 2	Heritage Bank-North, National Association (1113), Morristown	6,491,180	8,756,280	6,218,519	374,483,501

Table B–17

Mergers of National banks, or National and State banks, by States, calendar 1975*

Effective date	Merging banks / Resulting bank	Outstanding capital stock	Surplus	Undivided profits and reserves	Total assets
	Total: 22 merger actions				
	ALASKA				
	The First Bank of Cordova, Cordova	$200,000	$300,000	$208,561	$8,815,758
	National Bank of Alaska, Anchorage (14651)	12,000,000	11,000,000	5,257,083	463,152,655
June 2	National Bank of Alaska, Anchorage (14651)	12,340,000	11,300,000	5,325,644	470,980,897
	ARIZONA				
	Southern Arizona Bank and Trust Company, Tucson	5,280,000	7,200,000	7,028,936	360,977,686
	First National Bank of Arizona, Phoenix (3728)	14,612,000	37,495,094	23,009,943	1,848,797,552
May 14	First National Bank of Arizona, Phoenix (3728)	20,892,000	44,695,094	30,215,487	2,163,101,889
	CALIFORNIA				
	Mother Lode Bank, Placerville	933,003	2,271,481	1,385,313	94,779,437
	Security Pacific National Bank, Los Angeles (2491)	274,519,800	275,480,200	151,490,591	12,580,641,304
June 29	Security Pacific National Bank, Los Angeles (2491)	274,519,800	275,480,200	151,490,591	12,672,530,721
	DISTRICT OF COLUMBIA				
	Union Trust Company of the District of Columbia. Washington	5,000,000	10,000,000	7,799,000	269,491,000
	The First National Bank of Washington, Washington (2038)	4,242,000	5,000,000	5,257,000	220,069,000
Dec. 31	Union First National Bank of Washington, Washington (2038)	11,373,000	15,000,000	10,925,000	489,560,000
	INDIANA				
	Citizens Bank of Hebron, Hebron	200,000	250,000	832,617	11,575,475
	First National Bank, Valparaiso (14874)	1,100,000	1,100,000	3,004,978	62,878,612
Feb. 28	First National Bank, Valparaiso (14874)	1,100,000	1,100,000	3,034,739	73,245,097
	MICHIGAN				
	Springport State Savings Bank, Springport	100,000	100,000	236,150	4,216,046
	City Bank and Trust Company, National Association, Jackson (15367)	4,000,000	6,000,000	7,657,709	211,188,080
Feb. 28	City Bank and Trust Company, National Association, Jackson (15367)	4,100,000	6,000,000	7,993,859	215,404,126
	NEW HAMPSHIRE				
	The Citizen's National Bank of Newport, Newport (3404)	100,000	200,000	267,320	5,460,354
	The First National Bank of Newport, Newport (888)	100,000	200,000	299,725	4,807,172
Aug. 1	First Citizens National Bank, Newport (888)	200,000	600,000	367,045	10,267,525
	The Woodsville National Bank, Woodsville (5092)	100,000	200,000	72,629	5,586,416
	The Littleton National Bank, Littleton (1885)	300,000	577,000	672,759	21,958,611
Oct. 1	Lafayette National Bank, Littleton (1885)	410,000	767,000	913,143	27,582,395
	NEW JERSEY				
	Elmwood State Bank, Elmwood Park	500,000	600,000	53,186	15,648,699
	Bankers National Bank, Bogota (11543)	937,500	1,350,000	99,968	40,543,569
May 5	Bankers National Bank, Bogota (11543)	1,437,500	1,950,000	153,153	56,192,268
	The Cape May County National Bank, Ocean City (14145)	1,155,000	3,250,000	1,358,439	65,160,279
	First National Bank of South Jersey, Egg Harbor Township (1326)	10,182,310	10,182,310	6,900,899	441,314,031
May 31	First National Bank of South Jersey, Egg Harbor Township (1326)	10,182,310	10,182,310	6,900,899	507,235,874
	Midlantic National Bank/Somerset, Bernardsville (16193)	400,000	400,000	227,481	9,940,727
	Midlantic National Bank/Morris, Morristown (15360)	800,000	665,000	0	22,514,125
Aug. 31	Midlantic National Bank/West, Morristown (15360)	1,200,000	1,065,000	120,398	32,454,851
	New Jersey National Bank of Princeton, Princeton (16075)	400,000	400,000	251,737	13,015,498
	New Jersey National Bank-Delaware Valley, Cherry Hill (14975)	511,260	1,011,210	1,060,631	28,759,151
	New Jersey National Bank, Trenton (1327)	9,198,155	12,593,725	28,270,273	758,280,856
Dec. 31	New Jersey National Bank, Trenton (1327)	10,036,665	14,077,685	29,582,641	800,055,505
	NEW YORK				
	First National Bank in Gouverneur, Gouverneur (13911)	100,000	900,000	286,556	12,155,648
	The National Bank of Northern New York, Watertown (2657)	2,514,530	2,514,530	6,673,478	141,447,280
Jan. 31	The National Bank of Northern New York, Watertown (2657)	2,864,530	2,864,530	7,260,034	153,602,928
	Bankers Trust of Rockland County, Spring Valley	1,875,000	2,475,000	4,142,475	85,612,536
	Bankers Trust Hudson Valley, National Association, Poughkeepsie (15641)	1,650,000	3,350,000	5,589,815	112,173,534

See footnote at end of table.

Table B–17—Continued

Mergers of National banks, or National and State banks, by States, calendar 1975*

Effective date	Merging banks / Resulting banks	Outstanding capital stock	Surplus	Undivided profits and reserves	Total assets
	NEW YORK—continued				
Apr. 30	Bankers Trust Company of Hudson Valley, National Association (15641)	$7,500,000	$5,000,000	$6,582,290	$197,786,070
	The National Bank of Orange and Ulster Counties, Goshen (1399)	550,000	550,000	1,578,294	39,391,214
	Highland National Bank of Newburgh, Newburgh (1106)	1,300,000	2,270,000	2,656,189	87,862,283
June 30	Highland National Bank of Newburgh, Newburgh (1106)	1,300,000	3,370,000	4,234,483	127,253,497
	The First National Bank and Trust Company of Ellenville (45)	180,000	320,000	967,944	18,747,088
	Highland National Bank of Newburgh, Newburgh (1106)	1,300,000	3,370,000	4,344,603	125,995,603
Sept. 30	Highland National Bank of Newburgh, Newburgh (1106)	1,300,000	3,870,000	5,312,547	144,742,691
	OHIO				
	The State Bank Company, Massillon	500,000	1,000,000	579,267	22,663,726
	First National Bank of Canton, Canton (76)	3,161,540	10,838,460	3,755,481	214,629,867
Oct. 31	The Central Trust Company of Northeastern Ohio, N.A., Canton (76)	3,661,540	10,338,460	2,634,748	237,293,593
	PENNSYLVANIA				
	The Richland National Bank, Richland (8344)	187,500	912,500	407,947	18,047,628
	National Central Bank, Lancaster (694)	15,498,670	34,501,330	15,812,960	910,793,409
Feb. 7	National Central Bank, Lancaster (694)	15,686,170	35,413,830	16,220,907	928,841,037
	SOUTH DAKOTA				
	Spink County Bank, Redfield	100,000	500,000	782,237	18,589,845
	Aberdeen National Bank, Aberdeen (3326)	1,500,000	1,500,000	1,088,129	60,947,243
Nov. 8	Aberdeen National Bank, Aberdeen (3326)	1,600,000	2,000,000	1,870,366	79,537,087
	VERMONT				
	The Island Pond National Bank, Island Pond (4275)	100,000	187,500	194,689	5,306,069
	The National Bank of Derby Line, Derby Line (1368)	332,000	647,000	580,401	18,925,729
July 1	Community National Bank, Derby Line (1368)	332,000	647,000	553,754	23,497,033
	VIRGINIA				
	The Fidelity National Bank, Buchanan (9375)	100,000	272,000	40,030	5,721,494
	Fidelity National Bank, Roanoke County, (16192)	600,000	600,000	231,577	6,997,000
Apr. 30	Fidelity National Bank, Roanoke County, (16192)	600,000	600,000	232,120	12,143,483
	United Virginia Bank/Peoples National, Manassas (6748)	1,100,000	1,220,000	653,362	35,587,561
	United Virginia Bank/National, Vienna (651)	13,000,000	13,000,000	4,884,692	398,858,548
Dec. 31	United Virginia Bank/National, Vienna (651)	14,100,000	14,220,000	5,538,054	434,446,110

* Excludes mergers involving only one operating bank, effected pursuant to corporate reorganizations.

Table B–18

*Mergers resulting in National banks, by assets of acquiring and acquired banks, 1960–1975**

Assets of acquiring banks†	Acquired banks 1960–1975	Assets of acquired bank— Under $10 million	$10 to 24.9 million	$25 to 49.9 million	$50 to 99.9 million	$100 million and over
Under $10 million	96	96	0	0	0	0
$10 to 24.9 million	148	130	18	0	0	0
$25 to 49.9 million	166	109	45	12	0	0
$50 to 99.9 million	186	111	46	26	3	0
$100 million and over	589	235	208	77	29	40
Total	1,185‡	681	317	115	32	40

* Includes all forms of acquisitions involving two or more banks from May 13, 1960 through December 31, 1975.
† In each transaction, the bank with the larger total assets was considered to be the acquiring bank.
‡ Comprises 1,140 transactions, 26 involving three banks, eight involving four banks, and one involving five banks.

Table B–19

Principal assets, liabilities, and capital accounts of National banks, by deposit size, year-end 1974 and 1975

(Dollar amounts in millions)

	Number of banks	Total assets	Cash and cash items	Loans*	Securities* Total	Securities* U.S. Treasury securities	Fixed assets	Deposits Total	Deposits Demand	Deposits Time and savings	Capital stock	Capital notes and debentures	Surplus, undivided profits, and reserves
1975 *Deposit size*													
Less than $1.0	11	$21	$2	$4	$8	$7	$2	$8	$4	$4	$8	$0	$6
$1.0 to 1.9	48	104	15	42	25	18	7	76	43	33	11	0	15
$2.0 to 4.9	306	1,354	178	596	423	217	38	1,137	512	625	63	1	118
$5.0 to 9.9	692	5,913	686	2,836	1,868	745	116	5,208	2,093	3,114	135	5	401
$10.0 to 24.9	1,655	31,075	3,514	15,306	9,998	3,490	578	27,508	10,226	17,282	522	57	1,850
$25.0 to 49.9	968	38,369	4,368	19,553	11,779	3,833	757	33,725	12,287	21,438	657	100	2,125
$50.0 to 99.9	534	41,886	5,088	21,580	12,332	3,956	899	36,554	13,509	23,045	711	138	2,212
$100.0 to 499.9	406	98,120	13,970	49,525	26,042	8,339	2,101	83,072	34,559	48,512	1,679	388	4,881
$500.0 and over	124	336,585	50,229	183,103	62,930	24,206	5,835	260,426	110,728	149,698	5,038	1,603	16,275
Total	4,744	553,427	78,050	292,545	125,405	44,811	10,333	447,714	183,961	263,751	8,824	2,292	27,883
1974 *Deposit size*													
Less than $1.0	20	$35	$5	$6	$8	$7	$3	$13	$8	$5	$11	$0	$10
$1.0 to 1.9	54	120	18	42	27	16	6	84	49	35	15	0	19
$2.0 to 4.9	360	1,575	212	693	448	201	39	1,344	625	719	61	1	133
$5.0 to 9.9	743	6,387	776	3,052	1,922	689	115	5,640	2,403	3,238	138	7	426
$10.0 to 24.9	1,666	30,980	3,563	15,626	9,248	2,784	550	27,466	10,793	16,673	525	53	1,829
$25.0 to 49.9	888	35,590	4,158	18,584	10,022	2,622	678	31,177	12,066	19,111	641	85	1,944
$50.0 to 99.9	490	38,858	4,981	20,619	10,383	2,550	785	33,767	13,162	20,605	669	126	1,996
$100.0 to 499.9	369	91,221	13,758	48,426	21,045	5,164	1,827	76,712	33,171	43,541	1,584	369	4,449
$500.0 and over	118	329,656	49,086	190,803	53,898	13,408	5,048	255,022	108,114	146,907	4,706	1,618	14,419
Total	4,708	534,422	76,557	297,851	107,001	27,441	9,051	431,225	180,391	250,834	8,350	2,259	25,225

* Loans and securities figures are shown gross, that is, reserves are not deducted from the respective assets.
NOTE: Data may not add to totals because of rounding.

Table B–20

Dates of reports of condition of National banks, 1914–1975

[For dates of previous calls see *Annual Report* for 1920, vol. 2, Table No. 42, p. 150]

Year	*January*	*February*	*March*	*April*	*May*	*June*	*July*	*August*	*Sept.*	*October*	*November*	*Dec.*
1914	13		4			30			12	31		31
1915			4		1	23			2		10	31
1916			7		1	30			12		17	27
1917			5		1	20			11		20	31
1918			4		10	29		31			1	31
1919			4		12	30			12		17	31
1920		28			4	30			8		15	29
1921		21		28		30			6			31
1922			10		5	30			15			29
1923				3		30			14			31
1924			31			30				10		31
1925				6		30			28			31
1926				12		30						31
1927			23			30				10		31
1928		28				30				3		31
1929			27			29				4		31
1930			27			30			24			31
1931			25			30			29			31
1932						30			30			31
1933						30				25		30
1934			5			30				17		31
1935			4			29					1	31
1936			4			30						31
1937			31			30						31
1938			7			30			28			31
1939			29			30				2		30
1940			26			29						31
1941				4		30			24			31
1942				4		30						31
1943						30				18		31
1944				13		30						30
1945			20			30						31
1946						29			30			31
1947						30				6		31
1948				12		30						31
1949				11		30					1	31
1950				24		30				4		30
1951				9		30				10		31
1952			31			30			5			31
1953				20		30			30			31
1954				15		30				7		31
1955				11		30				5		31
1956				10		30			26			31
1957			14			6				11		31
1958			4			23			24			31
1959			12			10				6		31
1960			15			15				3		31
1961				12		30			27			30
1962			26			30			28			28
1963			18			29			30			20
1964				15		30				1		31
1965				26		30				13		31
1966				5		30			20			31
1967				25		30				4		30
1968				18		29				30		31
1969				30		30				21		31
1970				30		30				28		31
1971				20		30			30			31
1972				18		30				10		31
1973				28		30				17		31
1974				24		30				15		31
1975				16		30			30			31

See notes on next page.

NOTES

Act of Feb. 25, 1863, provided for reports of condition on the 1st of each quarter before commencement of business.

Act of June 3, 1864—1st Monday of January, April, July, and October, before commencement of business, on form prescribed by Comptroller (in addition to reports on 1st Tuesday of each month showing condition at commencement of business in respect to certain items; i.e., loans, specie, deposits, and circulation).

Act of Mar. 3, 1869, not less than 5 reports per year, on form prescribed by Comptroller, at close of business on any past date by him specified.

Act of Dec. 28, 1922, minimum number of calls reduced from 5 to 3 per year.

Act of Feb. 25, 1927, authorized a vice president or an assistant cashier designated by the board of directors to verify reports of condition in absence of president and cashier.

Act of June 16, 1933, requires each National bank to furnish and publish not less than 3 reports each year of affiliates other than member banks, as of dates identical with those for which the Comptroller shall during such year require reports of condition of the bank. The report of each affiliate shall contain such information as in the judgment of the Comptroller shall be necessary to disclose fully the relations between the affiliate and the bank and to enable the Comptroller to inform himself as to the effect of such relations upon the affairs of the bank.

Sec. 21 (a) of the Banking Act of 1933 provided, in part, that after June 16, 1934, it would be unlawful for any private bank not under State supervision to continue the transaction of business unless it submitted to periodic examination by the Comptroller of the Currency or the Federal Reserve bank of the district, and made and published periodic reports of condition the same as required of National banks under sec. 5211, U.S.R.S. Sec. 21(a) of the Banking Act of 1933, however, was amended by sec. 303 of the Banking Act of 1935, approved Aug. 23, 1935, under the provisions of which private banks are no longer required to submit to examination by the Comptroller or Federal Reserve bank, nor are they required to make to the Comptroller and to publish periodic reports of condition. (Five calls for reports of condition of private banks were made by the Comptroller, the first one for June 30, 1934, and the last one for June 29, 1935.)

Sec. 7(a)(3) of the Federal Deposit Insurance Act (Title 12, U.S.C., sec. 1817(a)) of July 14, 1960, provides, in part that, effective Jan. 1, 1961, each insured National bank shall make to the Comptroller of the Currency 4 reports of condition annually upon dates to be selected by the Comptroller, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Directors of the Federal Deposit Insurance Corporation, or a majority thereof. Two dates shall be selected within the semiannual period of January to June, inclusive, and 2 within the semiannual period of July to December, inclusive. Sec. 161 of Title 12 also provides that the Comptroller of the Currency may call for additional reports of condition, in such form and containing such information as he may prescribe, on dates to be fixed by him, and may call for special reports from any particular association whenever in his judgment the same are necessary for use in the performance of his supervisory duties.

Table B–21

Total and principal assets of National banks, by States, June 30, 1975

(Dollar amounts in millions)

	Number of banks	Total assets	Cash assets*	Securities, gross†			Loans, gross	Federal funds sold§	Direct lease financing
				U.S. Government obligations‡	State and local	Other			
United States	4,732	$536,987	$75,715	$54,838	$55,796	$3,717	$288,396	$23,943	$2,714
Alabama	93	6,520	809	680	1,023	113	3,342	268	22
Alaska	5	1,059	185	83	160	4	524	57	4
Arizona	3	5,221	583	512	468	17	3,080	248	4
Arkansas	75	3,646	519	394	474	12	1,791	312	5
California	57	77,896	10,858	9,226	4,652	383	42,394	3,623	1,080
Colorado	130	6,039	981	512	680	18	3,211	374	20
Connecticut	24	3,950	835	277	352	40	2,116	97	15
Delaware	5	58	5	10	3	—	36	2	—
District of Columbia	13	2,759	392	267	317	20	1,485	184	20
Florida	292	16,459	2,558	2,248	2,407	145	7,660	699	17
Georgia	63	7,840	1,337	383	705	69	4,443	228	21
Hawaii	2	150	17	24	5	—	92	8	—
Idaho	6	2,171	244	207	265	6	1,329	47	6
Illinois	421	47,260	5,308	5,407	4,584	517	27,637	1,471	72
Indiana	120	11,884	1,458	1,486	1,350	126	6,011	795	135
Iowa	99	4,057	654	473	515	25	2,030	227	1
Kansas	170	4,602	656	673	626	20	2,102	367	4
Kentucky	80	4,486	549	527	561	10	2,223	417	47
Louisiana	53	7,131	939	986	942	22	3,285	685	24
Maine	20	1,064	143	71	153	2	628	30	0
Maryland	41	4,842	700	327	622	18	2,781	159	37
Massachusetts	77	11,958	1,605	965	1,072	112	6,500	450	71
Michigan	117	18,898	3,051	1,811	2,098	157	10,440	531	38
Minnesota	201	10,924	1,460	1,244	1,161	26	6,093	350	55
Mississippi	39	2,905	401	299	385	13	1,520	167	1
Missouri	112	9,401	1,565	842	1,174	23	4,352	1,055	38
Montana	55	1,811	194	193	261	6	1,049	50	2
Nebraska	120	4,177	590	459	520	13	2,152	282	33
Nevada	4	1,341	159	160	163	13	737	54	8
New Hampshire	46	1,065	144	100	136	3	630	19	—
New Jersey	120	16,145	1,831	1,901	2,426	413	8,554	354	79
New Mexico	35	2,009	272	230	265	6	1,044	118	1
New York	152	70,521	12,546	5,239	3,827	430	39,903	781	189
North Carolina	26	9,407	1,433	814	1,285	28	5,060	227	38
North Dakota	43	1,358	140	179	192	2	776	30	—
Ohio	219	21,155	2,512	2,493	3,255	172	10,614	967	90
Oklahoma	194	7,774	1,138	846	1,288	36	3,561	628	33
Oregon	8	5,595	667	428	695	9	2,899	542	20
Pennsylvania	247	36,676	4,245	3,993	3,931	276	20,274	1,566	203
Rhode Island	5	2,630	223	239	197	13	1,680	111	6
South Carolina	20	2,560	433	224	321	4	1,293	187	2
South Dakota	32	1,758	179	171	269	5	1,040	38	—
Tennessee	75	8,783	1,354	880	862	59	4,583	522	40
Texas	575	35,656	5,404	3,219	5,356	202	16,894	2,909	83
Utah	11	1,648	239	137	164	4	989	51	10
Vermont	17	397	35	32	50	3	252	13	—
Virginia	108	8,994	1,102	772	1,196	30	5,279	198	15
Washington	24	9,690	1,490	550	823	23	5,442	761	92
West Virginia	102	3,761	470	624	617	22	1,694	206	5
Wisconsin	129	7,533	924	847	766	44	4,159	424	25
Wyoming	45	1,213	149	170	175	4	634	42	2
Virgin Islands	1	119	22	1	1	—	83	8	—
Puerto Rico	1	32	8	3	3	—	16	1	—
District of Columbia – all ‖	16	4,134	619	459	472	28	2,187	218	20

* Cash, balances with other banks, and cash items in process of collection.
† Includes investment securities and securities held in trading accounts.
‡ Includes U.S. Treasury securities and obligations of other U.S. Government agencies.
§ Also includes securities purchased under agreements to resell.
‖ Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
NOTE: Data may not add to totals because of rounding. Dashes indicate amounts of less than $500,000.

Table B–22

Total and principal liabilities of National banks, by States, June 30, 1975

(Dollar amounts in millions)

	Total liabilities	Deposits: Total deposits	Deposits: Demand deposits, total	Deposits: Time and savings deposits, total	Deposits: Demand deposits, IPC*	Deposits: Time deposits, IPC*	Federal funds purchased†	Reserves on loans and securities
United States	$494,212	$431,777	$175,427	$256,350	$135,565	$214,516	$38,624	$5,280
Alabama	5,973	5,427	2,218	3,209	1,796	2,771	260	55
Alaska	988	921	484	437	417	257	39	8
Arizona	4,858	4,451	1,645	2,806	1,433	2,539	219	43
Arkansas	3,346	3,048	1,369	1,679	1,040	1,461	203	29
California	73,015	63,488	21,489	42,001	18,028	34,501	5,397	866
Colorado	5,562	5,004	2,326	2,678	1,797	2,206	341	51
Connecticut	3,659	3,318	1,764	1,553	1,334	1,371	188	33
Delaware	53	51	17	34	16	33	0	—
District of Columbia	2,492	2,350	1,302	1,048	1,110	1,008	86	27
Florida	15,022	13,923	6,018	7,904	4,818	6,573	739	119
Georgia	7,177	5,766	2,909	2,858	2,304	2,277	772	67
Hawaii	139	137	54	83	47	59	0	1
Idaho	2,011	1,906	687	1,219	592	1,072	29	20
Illinois	43,610	36,781	12,800	23,980	10,344	19,857	5,315	596
Indiana	10,975	9,461	3,562	5,899	2,549	5,070	946	93
Iowa	3,748	3,461	1,406	2,055	999	1,849	208	34
Kansas	4,187	3,822	1,702	2,120	1,262	1,714	276	31
Kentucky	4,140	3,797	1,700	2,097	1,335	1,884	230	43
Louisiana	6,552	5,727	2,508	3,220	1,987	2,448	580	64
Maine	974	912	371	541	319	490	37	10
Maryland	4,471	4,092	1,747	2,345	1,437	2,165	240	47
Massachusetts	10,912	9,212	4,801	4,411	3,622	3,520	1,245	109
Michigan	17,336	16,058	5,753	10,304	4,169	8,840	785	187
Minnesota	10,041	8,473	3,279	5,194	2,437	4,626	967	100
Mississippi	2,668	2,484	1,111	1,373	817	1,128	110	24
Missouri	8,629	7,000	3,513	3,487	2,576	2,944	1,329	83
Montana	1,676	1,556	518	1,038	434	925	46	15
Nebraska	3,831	3,446	1,493	1,953	1,141	1,759	288	38
Nevada	1,232	1,195	507	688	419	565	2	11
New Hampshire	958	880	409	471	342	436	44	10
New Jersey	14,815	13,992	5,278	8,714	4,309	8,016	373	142
New Mexico	1,849	1,736	730	1,006	591	761	57	15
New York	64,246	53,587	25,579	28,007	15,735	21,831	5,464	805
North Carolina	8,604	7,356	3,324	4,032	2,603	3,515	756	95
North Dakota	1,250	1,194	418	775	366	729	20	13
Ohio	19,293	17,085	6,468	10,617	5,331	9,587	1,277	185
Oklahoma	7,109	6,507	2,807	3,700	2,183	2,826	462	48
Oregon	5,126	4,386	1,836	2,549	1,571	2,285	479	50
Pennsylvania	33,640	28,209	9,948	18,261	8,339	15,862	3,109	332
Rhode Island	2,417	2,229	725	1,504	578	1,409	54	28
South Carolina	2,337	2,120	1,315	805	1,132	741	146	22
South Dakota	1,619	1,553	479	1,074	409	958	14	17
Tennessee	8,118	7,220	2,957	4,263	2,198	3,464	594	71
Texas	32,753	28,988	13,878	15,110	10,888	11,292	2,778	323
Utah	1,513	1,371	512	859	438	715	94	14
Vermont	363	353	104	249	92	241	1	4
Virginia	8,243	7,649	2,804	4,845	2,379	4,343	240	84
Washington	9,053	7,659	3,060	4,599	2,546	3,798	971	107
West Virginia	3,431	3,128	1,183	1,945	908	1,829	186	28
Wisconsin	6,942	6,144	2,138	4,005	1,719	3,386	586	72
Wyoming	1,114	1,033	388	646	313	528	41	9
Virgin Islands	109	102	26	77	11	38	0	1
Puerto Rico	30	30	6	23	4	14	0	—
District of Columbia – all‡	3,732	3,511	1,995	1,516	1,679	1,464	124	41

* IPC deposits are those of individuals, partnerships, and corporations.
† Also includes securities sold under agreements to repurchase.
‡ Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than $500,000.

Table B–23

Capital accounts of National banks, by States, June 30, 1975

(Dollar amounts in millions)

	Total capital accounts	*Debentures*	*Preferred stock*	*Common stock*	*Surplus*	*Undivided profits*	*Capital reserves*
United States	$37,493	$2,264	$13	$8,504	$14,370	$11,843	$498
Alabama	492	24	0	105	185	176	2
Alaska	64	1	0	19	27	17	1
Arizona	320	78	0	41	100	102	—
Arkansas	272	23	0	60	86	96	7
California	4,015	429	0	815	1,646	1,014	111
Colorado	427	30	0	94	151	150	1
Connecticut	257	12	0	62	129	54	—
Delaware	5	—	0	1	2	2	—
District of Columbia	239	1	—	45	100	91	1
Florida	1,319	39	1	344	526	393	16
Georgia	596	63	0	131	206	140	56
Hawaii	10	2	0	4	3	1	0
Idaho	140	8	0	35	73	24	0
Illinois	3,053	74	2	731	1,433	773	40
Indiana	815	4	0	167	335	300	8
Iowa	275	18	0	59	79	113	6
Kansas	384	19	0	88	143	132	2
Kentucky	303	6	0	70	112	111	5
Louisiana	514	18	2	98	213	178	5
Maine	80	2	0	23	25	30	1
Maryland	324	6	0	63	118	134	4
Massachusetts	937	45	0	172	413	305	2
Michigan	1,375	80	0	285	594	405	11
Minnesota	782	100	0	178	203	292	10
Mississippi	213	9	0	45	147	11	1
Missouri	689	29	5	151	227	276	2
Montana	120	11	0	44	44	21	—
Nebraska	308	22	—	68	87	129	3
Nevada	98	0	0	27	28	43	—
New Hampshire	97	1	0	15	46	34	1
New Jersey	1,187	67	—	292	449	365	14
New Mexico	145	13	0	40	51	38	2
New York	5,469	180	—	1,435	1,879	1,974	1
North Carolina	708	139	0	161	233	171	4
North Dakota	96	7	0	26	29	31	2
Ohio	1,677	37	—	363	776	498	3
Oklahoma	616	51	1	130	170	261	3
Oregon	418	101	0	94	101	122	0
Pennsylvania	2,703	237	2	495	1,131	782	57
Rhode Island	186	5	0	30	84	67	0
South Carolina	201	8	0	39	72	80	2
South Dakota	123	13	0	33	37	37	1
Tennessee	595	29	0	145	216	196	10
Texas	2,579	110	—	661	802	929	77
Utah	120	15	0	30	44	30	0
Vermont	30	—	—	7	9	12	—
Virginia	668	37	0	158	255	218	1
Washington	530	5	—	134	185	194	12
West Virginia	302	7	0	56	119	112	6
Wisconsin	518	45	0	126	208	135	4
Wyoming	90	7	0	8	33	41	2
Virgin Islands	9	0	0	—	4	4	0
Puerto Rico	2	0	0	1	1	—	0
District of Columbia – all*	361	13	—	59	135	153	1

* Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less then $500,000.

Table B–24

Total and principal assets of National banks, by States, Dec. 31, 1975

(Dollar amounts in millions)

	Number of banks	Total assets	Cash assets*	Securities, gross†			Loans, gross	Federal funds sold§	Direct lease financing
				U.S. Government obligations‡	State and local	Other			
United States	4,744	$553,427	$78,050	$64,052	$57,161	$4,191	$292,546	$23,296	$2,972
Alabama	95	6,882	878	788	1,030	92	3,556	259	6
Alaska	6	1,121	212	108	165	3	553	25	4
Arizona	3	5,536	631	677	442	16	3,234	267	3
Arkansas	75	3,872	611	438	499	20	1,891	260	4
California	57	80,696	12,365	10,589	4,729	341	42,644	2,501	1,297
Colorado	132	6,165	958	568	677	21	3,410	257	21
Connecticut	24	4,113	805	324	343	184	2,111	124	16
Delaware	5	60	4	10	3	—	38	3	0
District of Columbia	14	3,277	526	367	353	21	1,595	293	3
Florida	295	17,017	2,625	2,699	2,275	122	7,618	936	11
Georgia	64	7,933	1,343	403	621	58	4,459	387	12
Hawaii	2	157	20	28	5	—	92	9	0
Idaho	6	2,353	307	247	268	21	1,395	42	5
Illinois	421	48,580	4,766	6,571	5,014	579	28,000	1,518	69
Indiana	120	12,409	1,448	1,826	1,367	155	6,105	728	136
Iowa	100	4,375	685	546	518	21	2,151	322	2
Kansas	171	4,854	732	706	637	17	2,246	352	4
Kentucky	80	4,730	598	578	568	10	2,340	389	51
Louisiana	53	7,575	1,044	1,104	939	27	3,429	757	24
Maine	20	1,072	133	114	117	3	625	41	0
Maryland	42	4,966	687	403	496	16	2,847	256	32
Massachusetts	77	12,325	1,933	1,228	1,126	89	6,227	514	58
Michigan	120	19,222	2,573	2,153	2,213	156	10,958	316	41
Minnesota	201	11,430	1,605	1,424	1,350	42	6,209	379	55
Mississippi	39	3,036	426	361	411	15	1,613	98	—
Missouri	113	10,106	1,841	1,145	1,176	28	4,439	1,202	42
Montana	55	1,948	248	208	272	8	1,084	72	2
Nebraska	120	4,445	692	527	539	15	2,265	232	40
Nevada	4	1,372	185	168	173	11	738	41	8
New Hampshire	44	1,136	148	132	115	5	658	42	0
New Jersey	113	16,909	2,038	2,222	2,421	422	8,638	424	95
New Mexico	36	2,138	341	250	277	6	1,084	95	1
New York	150	66,801	9,502	5,822	4,428	482	39,141	921	198
North Carolina	26	9,955	1,503	1,035	1,228	52	5,022	533	43
North Dakota	43	1,489	172	196	206	3	837	34	0
Ohio	219	22,052	2,895	2,899	3,314	168	10,682	955	94
Oklahoma	194	8,177	1,353	950	1,336	34	3,719	509	31
Oregon	7	6,154	1,046	513	715	14	3,118	423	22
Pennsylvania	244	37,007	4,671	4,295	3,743	428	20,168	1,456	210
Rhode Island	5	2,720	311	286	196	26	1,694	32	—
South Carolina	19	2,622	477	281	315	7	1,345	96	4
South Dakota	32	1,912	193	227	285	6	1,112	30	—
Tennessee	75	8,873	1,307	946	866	63	4,533	554	34
Texas	584	39,138	6,604	4,060	5,469	259	17,916	3,008	88
Utah	12	1,918	355	196	178	4	1,047	71	13
Vermont	16	415	38	40	39	5	266	14	—
Virginia	108	9,407	1,117	933	1,241	33	5,357	316	14
Washington	24	10,062	1,531	651	867	18	5,592	623	145
West Virginia	103	3,903	445	718	604	21	1,772	209	6
Wisconsin	128	7,555	936	887	796	41	4,210	314	25
Wyoming	45	1,314	163	200	190	3	669	48	3
Virgin Islands	2	111	16	3	1	—	78	8	0
Puerto Rico	1	31	7	4	1	—	18	0	0
District of Columbia – all ‖	16	4,427	748	527	463	28	2,151	343	26

* Cash, balances with other banks, and cash items in process of collection.
† Includes investment securities and securities held in trading accounts.
‡ Includes U.S. Treasury securities and obligations of other U.S. Government agencies.
§ Also includes securities purchased under agreement to resell.
‖ Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than $500,000.

Table B–25

Total and principal liabilities of National banks, by States, Dec. 31, 1975

(Dollar amounts in millions)

	Total liabilities	Deposits: Total deposits	Deposits: Demand deposits, total	Deposits: Time and savings deposits, total	Deposits: Demand deposits, IPC*	Deposits: Time deposits, IPC*	Federal funds pur-chased†	Reserves on loans and securities
United States	$509,189	$447,712	$183,962	$263,751	$143,363	$222,550	$38,049	$5,257
Alabama	6,313	5,755	2,445	3,310	1,923	2,901	246	55
Alaska	1,040	975	528	447	462	302	35	9
Arizona	5,167	4,507	1,615	2,891	1,434	2,625	489	41
Arkansas	3,560	3,289	1,504	1,784	1,140	1,532	173	30
California	75,634	66,243	22,539	43,705	18,863	35,633	5,445	846
Colorado	5,675	5,141	2,437	2,703	1,916	2,312	330	50
Connecticut	3,816	3,575	1,924	1,651	1,447	1,432	126	31
Delaware	55	53	18	36	17	34	0	—
District of Columbia	2,976	2,740	1,561	1,179	1,307	1,146	177	29
Florida	15,560	14,536	6,397	8,139	5,013	6,838	687	124
Georgia	7,263	5,934	3,138	2,796	2,449	2,249	658	68
Hawaii	147	144	54	90	47	64	0	1
Idaho	2,184	2,038	775	1,263	667	1,127	67	20
Illinois	44,854	37,473	13,342	24,131	10,686	20,198	5,983	567
Indiana	11,479	10,054	3,909	6,145	2,846	5,291	843	85
Iowa	4,053	3,750	1,544	2,206	1,131	1,995	226	37
Kansas	4,422	4,084	1,870	2,214	1,344	1,858	246	32
Kentucky	4,365	4,007	1,783	2,224	1,420	1,992	232	44
Louisiana	6,968	6,183	2,825	3,358	2,176	2,530	557	68
Maine	980	944	391	553	329	510	13	10
Maryland	4,580	4,137	1,674	2,464	1,440	2,273	292	49
Massachusetts	11,248	9,768	4,920	4,848	3,785	4,190	1,005	137
Michigan	17,631	16,097	5,589	10,508	4,164	9,096	1,034	186
Minnesota	10,467	9,066	3,598	5,469	2,717	4,763	842	101
Mississippi	2,793	2,606	1,171	1,435	888	1,139	109	25
Missouri	9,318	7,514	3,918	3,595	2,813	3,077	1,609	78
Montana	1,800	1,663	576	1,087	478	986	50	17
Nebraska	4,084	3,749	1,730	2,019	1,280	1,853	238	43
Nevada	1,258	1,217	500	717	430	591	6	11
New Hampshire	1,027	961	426	535	339	482	31	10
New Jersey	15,567	14,589	5,516	9,073	4,388	8,240	469	144
New Mexico	1,972	1,864	758	1,106	619	815	43	16
New York	60,198	51,181	24,144	27,037	15,866	21,730	3,538	745
North Carolina	9,133	8,057	3,744	4,313	2,963	3,692	607	88
North Dakota	1,372	1,310	495	815	429	771	18	14
Ohio	20,143	18,083	7,088	10,995	5,854	10,064	1,383	189
Oklahoma	7,478	7,002	3,161	3,841	2,391	3,050	310	55
Oregon	5,672	4,604	1,830	2,773	1,598	2,376	867	49
Pennsylvania	33,915	28,859	10,283	18,576	8,613	16,288	2,888	347
Rhode Island	2,503	2,242	710	1,532	587	1,434	87	30
South Carolina	2,393	2,185	1,368	817	1,160	750	134	22
South Dakota	1,760	1,687	546	1,141	466	1,034	18	18
Tennessee	8,209	7,381	3,089	4,291	2,314	3,572	539	69
Texas	36,120	31,631	15,592	16,039	11,978	12,165	3,433	343
Utah	1,779	1,642	653	989	528	768	87	15
Vermont	380	371	107	264	91	252	—	4
Virginia	8,632	7,988	2,944	5,043	2,539	4,509	291	84
Washington	9,391	8,102	3,321	4,781	2,829	4,002	819	107
West Virginia	3,557	3,218	1,139	2,080	940	1,931	211	31
Wisconsin	6,959	6,248	2,298	3,950	1,884	3,461	534	69
Wyoming	1,210	1,142	441	700	358	568	21	10
Virgin Islands	102	94	24	70	15	40	0	—
Puerto Rico	29	29	5	24	2	15	0	—
District of Columbia – all‡	4,013	3,673	2,110	1,179	1,733	1,526	255	39

* IPC deposits are those of individuals, partnerships, and corporations.
† Also includes securities sold under agreements to repurchase.
‡ Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than $500,000.

Table B–26

Capital accounts of National banks, by States, Dec. 31, 1975

(Dollar amounts in millions)

	Total capital accounts	Debentures	Preferred stock	Common stock	Surplus	Undivided profits	Capital reserves
United States	$38,979	$2,291	$14	$8,809	$14,718	$12,782	$365
Alabama	514	24	0	108	187	192	2
Alaska	72	1	0	23	29	18	1
Arizona	328	78	0	41	100	109	0
Arkansas	282	23	0	65	84	102	8
California	4,217	414	0	846	1,644	1,312	1
Colorado	440	30	0	94	153	161	1
Connecticut	266	11	0	62	130	62	—
Delaware	5	—	0	1	2	2	—
District of Columbia	272	2	—	54	111	104	1
Florida	1,333	38	1	347	532	399	16
Georgia	602	64	0	143	207	161	27
Hawaii	9	2	0	4	3	1	0
Idaho	148	8	0	35	74	31	0
Illinois	3,159	79	2	737	1,454	844	43
Indiana	845	4	0	178	333	323	7
Iowa	285	18	0	59	80	120	7
Kansas	399	19	0	89	146	142	3
Kentucky	321	6	0	70	117	123	5
Louisiana	539	18	2	98	215	201	5
Maine	81	2	0	23	25	32	—
Maryland	337	7	0	64	119	143	4
Massachusetts	940	45	0	172	414	307	2
Michigan	1,405	79	0	287	596	432	11
Minnesota	861	115	0	237	243	255	10
Mississippi	218	10	0	44	161	3	1
Missouri	710	29	5	152	228	295	2
Montana	130	13	0	51	51	15	—
Nebraska	318	22	—	69	87	136	3
Nevada	103	0	0	27	28	48	—
New Hampshire	100	1	0	15	46	36	1
New Jersey	1,197	63	—	290	449	383	12
New Mexico	150	13	0	41	53	40	3
New York	5,858	178	2	1,545	2,001	2,131	1
North Carolina	734	138	0	161	234	197	4
North Dakota	103	8	0	28	33	32	3
Ohio	1,720	37	0	363	782	536	3
Oklahoma	645	56	1	132	174	279	3
Oregon	433	101	0	93	99	140	0
Pennsylvania	2,745	237	1	495	1,153	801	58
Rhode Island	187	5	0	30	83	68	0
South Carolina	206	8	0	39	75	85	—
South Dakota	134	15	0	36	41	41	1
Tennessee	595	29	0	145	217	195	10
Texas	2,676	111	—	681	835	960	88
Utah	124	16	0	30	47	31	0
Vermont	30	2	0	7	9	12	—
Virginia	691	38	0	161	262	229	2
Washington	564	15	—	140	201	202	5
West Virginia	315	7	0	57	122	122	6
Wisconsin	527	48	0	128	208	139	5
Wyoming	94	6	0	8	33	44	2
Virgin Islands	8	0	0	—	4	4	0
Puerto Rico	2	0	0	1	1	—	0
District of Columbia – all*	375	13	—	63	135	163	1

* Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than $500,000.

Table B–27

Loans of National banks, by States, Dec. 31, 1975

(Dollar amounts in millions)

	Loans	Loans secured by real estate	Loans to financial institutions	Loans to purchase or carry securities	Loans to farmers	Commercial and industrial loans	Personal loans to individuals	Other loans
United States	$292,546	$75,141	$23,856	$5,857	$9,793	$109,117	$60,665	$8,117
Alabama	3,556	725	176	29	80	1,162	1,245	138
Alaska	553	196	5	1	—	174	167	11
Arizona	3,234	998	192	4	287	930	787	36
Arkansas	1,891	527	25	59	109	573	573	26
California	42,644	12,628	3,711	424	1,458	15,503	7,554	1,364
Colorado	3,410	764	166	68	360	1,049	922	81
Connecticut	2,111	718	74	11	7	682	549	70
Delaware	38	21	0	0	1	4	12	—
District of Columbia	1,595	495	260	13	—	326	376	125
Florida	7,618	2,509	284	66	63	2,229	2,326	142
Georgia	4,459	1,048	344	37	40	1,466	1,373	152
Hawaii	92	52	—	0	1	29	10	—
Idaho	1,395	405	21	5	223	337	395	8
Illinois	28,000	4,110	4,594	1,131	681	12,997	3,666	820
Indiana	6,105	2,320	281	54	163	1,387	1,706	194
Iowa	2,151	603	37	53	437	512	481	29
Kansas	2,246	334	51	79	527	649	587	21
Kentucky	2,340	730	93	15	116	588	728	70
Louisiana	3,429	820	247	59	50	1,357	818	77
Maine	625	242	7	—	10	181	179	5
Maryland	2,847	1,086	155	15	23	697	787	84
Massachusetts	6,227	1,037	836	31	6	3,071	1,104	143
Michigan	10,958	4,250	761	135	91	3,117	2,129	474
Minnesota	6,209	1,763	465	217	358	2,121	1,179	107
Mississippi	1,613	418	74	24	54	465	519	59
Missouri	4,439	923	303	151	203	1,741	1,013	104
Montana	1,084	304	4	1	198	258	313	7
Nebraska	2,265	297	33	102	726	541	534	31
Nevada	738	342	12	1	13	165	197	8
New Hampshire	658	208	2	1	2	226	213	6
New Jersey	8,638	3,802	355	30	8	2,210	2,046	188
New Mexico	1,084	224	18	9	101	376	326	30
New York	39,141	6,953	4,683	1,588	192	20,681	4,148	895
North Carolina	5,022	878	322	29	61	1,967	1,675	88
North Dakota	837	229	1	1	180	234	186	6
Ohio	10,682	3,400	481	98	156	2,868	3,477	203
Oklahoma	3,719	723	154	122	459	1,312	848	100
Oregon	3,118	834	354	22	138	1,196	549	24
Pennsylvania	20,168	5,823	2,013	217	180	7,221	4,053	661
Rhode Island	1,694	702	130	2	—	535	280	45
South Carolina	1,345	282	36	5	18	440	522	40
South Dakota	1,112	271	5	1	338	260	228	8
Tennessee	4,533	1,154	240	39	78	1,572	1,370	79
Texas	17,916	2,774	946	677	933	7,800	3,852	934
Utah	1,047	393	24	1	37	334	241	16
Vermont	266	142	—	—	6	57	57	5
Virginia	5,357	1,740	152	24	101	1,639	1,560	140
Washington	5,592	1,428	452	125	281	2,002	1,172	133
West Virginia	1,772	666	17	11	10	360	687	21
Wisconsin	4,210	1,617	257	65	107	1,294	765	104
Wyoming	669	171	2	4	122	198	167	4
Virgin Islands	78	57	—	—	0	10	11	—
Puerto Rico	18	5	1	0	0	10	2	—
District of Columbia – all*	2,151	718	350	15	—	433	468	165

* Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
NOTE: Data may not add to totals because of rounding. Dashes indicate amounts of less than $500,000.

Table B–28

Outstanding balances, credit cards and related plans of National banks, Dec. 31, 1975

	Credit cards		Other related credit plans	
	Number of banks	*Outstanding volume (dollars in thousands)*	*Number of banks*	*Outstanding volume (dollars in thousands)*
United States*	927	$6,952,298	1,130	$1,482,401
Alabama	18	84,758	8	2,851
Alaska	3	16,931	1	17
Arizona	2	106,488	3	21,948
Arkansas	5	23,309	6	710
California	24	1,459,406	34	217,321
Colorado	57	161,302	57	20,775
Connecticut	7	101,768	10	39,972
Delaware	0	0	0	0
District of Columbia*	1	74,253	7	36,077
Florida	84	237,645	55	31,837
Georgia	26	251,348	10	22,898
Hawaii	0	0	1	579
Idaho	3	28,262	2	9,856
Illinois	36	453,544	111	51,631
Indiana	57	120,203	19	14,929
Iowa	9	40,450	19	1,893
Kansas	5	50,063	14	2,072
Kentucky	35	58,125	8	4,428
Louisiana	7	56,420	6	11,280
Maine	14	15,534	12	6,009
Maryland	4	109,439	14	24,721
Massachusetts	39	125,552	47	101,092
Michigan	31	312,577	41	44,660
Minnesota	13	18,291	107	57,907
Mississippi	2	32,047	2	858
Missouri	13	200,457	30	15,305
Montana	9	3,354	18	1,804
Nebraska	5	115,771	22	3,227
Nevada	3	20,422	1	4,793
New Hampshire	21	15,833	13	3,002
New Jersey	17	87,234	54	79,740
New Mexico	4	22,746	4	1,675
New York	28	553,380	51	238,963
North Carolina	9	130,561	18	57,013
North Dakota	5	795	13	2,187
Ohio	106	366,402	61	41,492
Oklahoma	7	94,671	23	3,629
Oregon	3	98,704	0	0
Pennsylvania	18	263,829	43	190,067
Rhode Island	4	34,749	2	16,879
South Carolina	4	45,861	6	3,355
South Dakota	0	0	5	778
Tennessee	12	109,693	10	26,903
Texas	58	315,188	46	18,778
Utah	3	35,822	1	444
Vermont	4	3,022	1	10
Virginia	29	180,812	20	10,604
Washington	6	178,022	7	14,323
West Virginia	9	17,215	11	5,930
Wisconsin	56	118,008	62	13,204
Wyoming	12	2,032	14	1,975
Virgin Islands	0	0	0	0
Puerto Rico	0	0	0	0

* Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Table B–29

National banks engaged in direct lease financing, Dec. 31, 1975

	Total number of banks	Number of banks engaged in direct lease financing	Amount of direct lease financing (dollars in thousands)
United States	4,744	691	$2,994,962
Alabama	95	8	5,894
Alaska	6	2	4,019
Arizona	3	1	3,285
Arkansas	75	11	4,292
California	57	19	1,297,497
Colorado	132	33	21,395
Connecticut	24	4	15,633
Delaware	5	0	0
District of Columbia	14	4	25,885
Florida	295	20	11,139
Georgia	64	8	12,275
Hawaii	2	0	0
Idaho	6	2	5,358
Illinois	421	62	68,628
Indiana	120	27	135,700
Iowa	100	12	1,542
Kansas	171	23	4,306
Kentucky	80	12	51,270
Louisiana	53	5	23,598
Maine	20	0	0
Maryland	42	4	31,637
Massachusetts	77	4	57,867
Michigan	120	22	40,923
Minnesota	201	19	54,581
Mississippi	39	5	130
Missouri	113	27	42,317
Montana	55	14	2,425
Nebraska	120	16	39,530
Nevada	4	3	7,757
New Hampshire	44	0	0
New Jersey	113	8	94,886
New Mexico	36	6	1,423
New York	150	18	197,548
North Carolina	26	7	42,995
North Dakota	43	0	0
Ohio	219	45	93,874
Oklahoma	194	81	30,708
Oregon	7	2	21,947
Pennsylvania	244	17	210,313
Rhode Island	5	2	26
South Carolina	19	2	3,915
South Dakota	32	2	397
Tennessee	75	12	34,452
Texas	584	51	87,849
Utah	12	4	12,662
Vermont	16	1	190
Virginia	108	8	14,384
Washington	24	7	144,569
West Virginia	103	13	6,317
Wisconsin	128	21	25,089
Wyoming	45	17	2,535
Virgin Islands	2	0	0
Puerto Rico	1	0	0
District of Columbia – all*	16	4	25,885

* Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency

Table B–30

Ratios of classified assets to total loans for National banks, deposit size category, under $100 million

Classified assets as a percent of total loans	Latest examination in— 1968 Number of banks	1968 Percent	1969 Number of banks	1969 Percent	1970 Number of banks	1970 Percent	1971 Number of banks	1971 Percent	1972 Number of banks	1972 Percent	1973 Number of banks	1973 Percent	1974 Number of banks	1974 Percent	1975 Number of banks	1975 Percent
0–.9	2,124	47.9	2,099	47.9	1,779	41.3	1,717	40.5	1,840	43.5	2,004	47.5	1,741	41.0	1,355	32.0
1–1.9	899	20.3	953	21.8	971	22.5	945	22.3	1,005	23.8	958	22.7	961	22.6	910	21.5
2–2.9	518	11.7	488	11.1	561	13.0	599	14.1	608	14.4	579	13.7	606	14.3	650	15.3
3–3.9	303	6.8	321	7.3	354	8.2	364	8.6	313	7.4	288	6.8	371	8.7	385	9.1
4–4.9	186	4.2	180	4.1	219	5.1	235	5.5	183	4.3	161	3.8	197	4.6	305	7.2
5–5.9	126	2.8	108	2.5	135	3.1	118	2.8	97	2.3	80	1.9	127	3.0	198	4.7
6–6.9	75	1.7	65	1.5	89	2.1	77	1.8	59	1.4	48	1.1	70	1.7	118	2.8
7–7.9	50	1.1	48	1.1	62	1.4	50	1.2	45	1.1	28	0.7	48	1.1	80	1.9
8 and over	151	3.4	118	2.7	142	3.3	137	3.2	80	1.9	73	1.7	125	2.9	234	5.5
Total	4,432	100.0	4,380	100.0	4,312	100.0	4,242	100.0	4,230	100.0	4,219	100.0	4,246	100.0	4,235	100.0

Table B–31

Ratios of classified assets to total loans for National banks, deposit size category, $100 million and over

Classified assets as a percent of total loans	Latest examination in— 1968 Number of banks	1968 Percent	1969 Number of banks	1969 Percent	1970 Number of banks	1970 Percent	1971 Number of banks	1971 Percent	1972 Number of banks	1972 Percent	1973 Number of banks	1973 Percent	1974 Number of banks	1974 Percent	1975 Number of banks	1975 Percent
0–.9	146	48.7	159	51.1	99	30.9	119	32.7	151	38.9	163	37.5	115	25.0	71	14.5
1–1.9	74	24.7	76	24.4	84	26.3	90	24.7	89	22.9	129	29.7	107	23.2	90	18.3
2–2.9	44	14.7	49	15.8	64	20.0	67	18.4	80	20.6	77	17.7	87	18.9	82	16.7
3–3.9	12	4.0	9	2.9	26	8.1	37	10.2	29	7.5	30	6.9	53	11.2	54	11.0
4–4.9	9	3.0	7	2.3	16	5.0	21	5.8	12	3.1	16	3.7	33	7.2	38	7.7
5–5.9	6	2.0	5	1.6	14	4.4	10	2.7	13	3.4	8	1.8	26	5.6	34	6.9
6–6.9	3	1.0	2	0.6	8	2.5	6	1.6	5	1.3	4	0.9	8	1.7	22	4.5
7–7.9	2	0.7	1	0.3	1	0.3	4	1.1	3	0.8	2	0.5	8	1.7	20	4.1
8 and over	4	1.3	3	1.0	8	2.5	10	2.7	6	1.5	6	1.4	24	5.2	80	16.3
Total	300	100.0	311	100.0	320	100.0	364	100.0	388	100.0	435	100.0	461	100.0	491	100.0

Table B–32

Income and expenses of National banks, by States, year ended Dec. 31, 1975*

(Dollar amounts in thousands)

	United States	*Alabama*	*Alaska*	*Arizona*	*Arkansas*	*California*	*Colorado*
Number of banks	4,744	95	6	3	75	57	132
Operating income:							
Interest and fees on loans	$25,475,648	$313,805	$54,431	$276,820	$158,510	$3,824,915	$313,976
Income on Federal funds sold and securities purchased under agreements to resell	1,383,590	17,449	2,895	10,839	18,306	165,813	17,619
Interest and dividends on investments:							
U.S. Treasury securities	2,406,807	27,196	2,361	23,451	15,601	380,256	23,838
Obligations of other U.S. Government agencies and corporations	1,194,878	18,155	4,115	15,310	11,496	181,434	10,277
Obligations of States and political subdivisions	2,724,431	49,906	8,013	23,349	24,036	205,232	34,231
Other securities	280,207	6,652	489	401	1,146	24,852	1,427
Trust department income	926,400	9,993	890	8,697	2,908	102,295	17,049
Service charges on deposit accounts	883,533	16,925	4,232	14,919	8,381	155,754	17,452
Other service charges, collection and exchange charges, commissions, and fees	1,086,980	12,507	3,997	6,231	6,562	204,687	16,600
Other operating income	2,544,910	11,704	3,001	11,378	6,142	559,127	11,243
Total operating income	38,907,384	484,292	84,424	391,395	253,088	5,804,365	463,712
Operating expense:							
Salaries and wages of officers and employees	6,079,354	80,653	20,539	80,208	43,429	920,521	87,535
Pensions and other employee benefits	1,149,758	15,659	3,104	14,870	6,891	166,961	14,368
Interest on deposits	15,249,594	185,812	23,986	159,874	98,734	2,517,161	154,772
Expense of Federal funds purchased and securities sold under agreements to repurchase	2,263,426	15,339	1,813	18,812	11,357	233,511	19,488
Interest on borrowed money	248,667	4,199	8	91	205	30,030	1,627
Interest on capital notes and debentures	149,826	2,025	49	4,985	1,610	24,918	2,249
Occupancy expense of bank premises, net	1,282,188	16,103	3,415	20,120	10,136	203,429	17,594
Furniture and equipment, depreciation, rental costs, servicing, etc.	902,250	13,538	2,989	9,819	8,791	103,796	14,496
Provision for loan losses (or actual net loan losses)	2,224,282	17,998	851	11,266	4,963	333,362	16,082
Other operating expenses	4,068,163	60,550	9,495	40,417	31,072	476,037	78,113
Total operating expense	33,617,508	411,876	66,249	360,462	217,188	5,009,726	406,324
Income before income taxes and securities gains or losses	5,289,876	72,416	18,175	30,933	35,900	794,639	57,388
Applicable income taxes	1,068,564	9,987	4,940	2,885	5,565	303,823	10,522
Income before securities gains or losses	4,221,312	62,429	13,235	28,048	30,335	490,816	46,866
Net securities gains or losses (after tax effect)	+ 15,998	– 481	– 28	– 315	+ 53	+ 2,241	+ 311
Net income before extraordinary items	4,237,310	61,948	13,207	27,733	30,388	493,057	47,177
Extraordinary charges or credits	+ 21,795	+ 162	0	0	+ 35	+ 531	+ 150
Minority interest in consolidated subsidiaries	– 132	0	0	0	0	– 9	0
Net income	4,258,973	62,110	13,207	27,733	30,423	493,579	47,327

Changes in capital accounts:							
Increases:							
Net income transferred to undivided profits	4,258,973	62,110	13,207	27,733	30,423	493,579	47,327
Capital stock, notes and debentures sold or issued including premium received	540,333	6,289	2,877	7,813	1,300	94,250	3,124
Addition to surplus, undivided profits and reserves incident to mergers and consolidatons	42,223	140	0	14,878	250	0	50
Transfers from reserves on loans and securities	224,226	373	0	1,939	20	2,573	1,637
All other increases	404,504	1,639	397	0	1,995	100,819	3,426
Total increases	1,211,286	8,441	3,274	24,630	3,565	197,642	8,237
Decreases:							
Cash dividends declared:							
On common stock	1,820,564	23,433	1,188	11,971	7,738	215,177	20,269
On preferred stock	824	0	0	0	0	0	0
Capital stock, notes and debentures, retired including premium paid	51,348	40	20	53	134	2,366	284
Reduction in surplus, undivided profits and reserves incident to mergers and consolidations	20,733	379	0	0	0	8,156	0
Transfers to reserves on loans and securities	88,437	954	735	0	1,321	1,112	1,247
All other decreases	241,123	1,575	155	934	1,284	15,078	2,877
Total decreases	2,223,029	26,381	2,098	12,958	10,477	241,889	24,677
Net change in capital accounts	3,247,230	44,170	14,383	39,405	23,511	449,332	30,887
Capital accounts†	37,434,073	491,727	64,124	311,888	270,978	4,017,697	425,301
Ratios:							
Net income before dividends to capital accounts (percent)	11.38	12.63	20.60	8.89	11.23	12.29	11.13
Total operating expense to total operating revenue (percent)	86.40	85.05	78.47	92.10	85.82	86.31	87.62

See footnotes at end of table.

Table B-32—Continued

Income and expenses of National banks, by States, year ended Dec. 31, 1975*

(Dollar amounts in thousands)

	Connecticut	Delaware	District of Columbia	Florida	Georgia	Hawaii	Idaho
Number of banks	24	5	14	295	64	2	6
Operating income:							
Interest and fees on loans	$193,594	$3,089	$140,787	$697,518	$432,533	$9,799	$126,559
Income on Federal funds sold and securities purchased under agreements to resell	5,352	214	13,271	55,684	19,898	255	3,652
Interest and dividends on investments:							
U.S. Treasury securities	10,477	470	16,813	95,301	17,829	1,025	10,390
Obligations of other U.S. Government agencies and corporations	7,330	198	4,701	55,303	5,370	648	3,817
Obligations of States and political subdivisions	19,599	118	15,041	120,499	34,606	233	12,861
Other securities	7,777	31	1,413	9,594	3,299	12	899
Trust department income	16,584	0	8,055	36,013	17,839	0	1,206
Service charges on deposit accounts	5,801	121	6,939	33,753	24,209	44	6,164
Other service charges, collection and exchange charges, commissions, and fees	9,978	106	3,142	34,201	26,549	446	4,014
Other operating income	14,003	40	5,478	34,373	46,447	48	1,769
Total operating income	290,495	4,387	215,640	1,172,239	628,579	12,510	171,331
Operating expense:							
Salaries and wages of officers and employees	64,792	838	47,621	193,992	121,479	2,788	30,275
Pensions and other employee benefits	10,800	158	8,345	30,055	19,679	410	5,144
Interest on deposits	94,171	1,755	63,570	464,078	176,145	5,376	73,119
Expense of Federal funds purchased and securities sold under agreements to repurchase	15,288	17	6,951	47,937	50,439	50	1,574
Interest on borrowed money	4,146	0	829	1,190	19,624	2	234
Interest on capital notes and debentures	598	11	130	2,584	4,061	75	506
Occupancy expense of bank premises, net	13,428	156	8,900	36,251	24,210	856	4,682
Furniture and equipment, depreciation, rental costs, servicing, etc.	14,102	269	6,609	31,846	20,202	358	4,401
Provision for loan losses (or actual net loan losses)	18,509	101	8,369	81,842	60,397	707	3,068
Other operating expenses	32,104	545	26,230	209,609	86,931	1,935	18,253
Total operating expense	267,938	3,850	177,554	1,099,384	583,167	12,557	141,256
Income before income taxes and securities gains or losses	22,557	537	38,086	72,855	45,412	−47	30,075
Applicable income taxes	2,457	166	11,151	−14,480	211	34	8,823
Income before securities gains or losses	20,100	371	26,935	87,335	45,201	−81	21,252
Net securities gains or losses (after tax effect)	+289	0	+105	+1,606	+251	+114	−137
Net income before extraordinary items	20,389	371	27,040	88,941	45,452	33	21,115
Extraordinary charges or credits	+7	0	+320	+53	+1,405	0	0
Minority interest in consolidated subsidiaries	0	0	0	0	0	0	0
Net income	20,396	371	27,360	88,994	46,857	33	21,115

Changes in capital accounts:							
Increases:							
Net income transferred to undivided profits	20,396	371	27,360	88,994	46,857	33	21,115
Capital stock, notes and debentures sold or issued including premium received	332	200	4,403	16,881	5,226	24	612
Addition to surplus, undivided profits and reserves incident to mergers and consolidatons	0	0	0	400	0	0	0
Transfers from reserves on loans and securities	7,167	0	38	8,123	5,084	0	449
All other increases	696	61	139	7,109	5,680	0	15
Total increases	8,195	261	4,580	32,513	15,990	24	1,076
Decreases:							
Cash dividends declared:							
On common stock	13,312	139	12,480	57,219	26,488	189	7,142
On preferred stock	0	0	188	60	0	0	0
Capital stock, notes and debentures, retired including premium paid	623	0	488	2,733	1,382	0	0
Reduction in surplus, undivided profits and reserves incident to mergers and consolidations	0	0	0	30	50	0	0
Transfers to reserves on loans and securities	669	6	− 571	3,705	1,920	0	637
All other decreases	3,410	80	623	5,257	27,435	0	7
Total decreases	18,014	225	13,208	69,004	57,275	189	7,786
Net change in capital accounts	10,577	407	18,732	52,503	5,572	− 132	14,405
Capital accounts†	259,503	4,896	247,755	1,311,271	594,526	9,528	140,604
Ratios:							
Net income before dividends to capital accounts (percent)	7.86	7.58	11.04	6.79	7.88	.35	15.02
Total operating expense to total operating revenue (percent)	92.23	87.76	82.34	93.78	92.78	100.38	82.45

See footnotes at end of table.

Table B-32—Continued

Income and expenses of National banks, by States, year ended Dec. 31, 1975*

(Dollar amounts in thousands)

	Illinois	*Indiana*	*Iowa*	*Kansas*	*Kentucky*	*Louisana*	*Maine*
Number of banks	421	120	100	171	80	53	20
Operating income:							
Interest and fees on loans	$2,316,165	$528,315	$176,549	$190,234	$201,058	$302,523	$59,922
Income on Federal funds sold and securities purchased under agreements to resell	89,670	43,377	18,638	20,364	19,931	32,811	2,725
Interest and dividends on investments:							
U.S. Treasury securities	241,790	69,464	20,016	29,434	27,261	51,435	3,364
Obligations of other U.S. Government agencies and corporations	149,952	33,743	13,926	15,810	9,446	14,493	2,025
Obligations of States and political subdivisions	227,446	68,053	23,913	29,507	29,015	46,323	6,851
Other securities	39,718	10,791	2,338	1,054	1,185	3,473	189
Trust department income	94,268	18,672	6,034	5,136	3,478	5,060	2,381
Service charges on deposit accounts	50,187	19,322	5,701	7,873	5,767	13,656	2,105
Other service charges, collection and exchange charges, commissions, and fees	71,934	25,306	8,568	9,275	10,289	15,780	2,075
Other operating income	188,528	34,267	4,193	6,317	13,932	9,991	1,382
Total operating income	3,469,658	851,310	279,876	315,004	321,362	495,545	83,019
Operating expense:							
Salaries and wages of officers and employees	403,841	128,636	42,316	50,249	50,411	71,098	16,407
Pensions and other employee benefits	78,606	22,108	7,022	8,215	8,552	12,497	3,353
Interest on deposits	1,482,652	343,086	118,929	126,595	121,791	195,791	29,809
Expense of Federal funds purchased and securities sold under agreements to repurchase	334,008	64,732	14,108	12,006	11,997	28,710	1,637
Interest on borrowed money	7,899	2,699	147	1,963	2,215	4,150	6
Interest on capital notes and debentures	5,645	332	1,232	1,381	456	1,462	122
Occupancy expense of bank premises, net	82,172	28,037	8,398	9,871	11,180	15,577	4,003
Furniture and equipment, depreciation, rental costs, servicing, etc.	63,062	23,397	11,905	9,444	9,203	16,662	2,645
Provision for loan losses (or actual net loan losses)	224,317	34,941	4,007	6,831	8,280	21,041	3,148
Other operating expenses	256,479	91,812	28,224	34,606	39,194	58,605	11,833
Total operating expense	2,938,681	739,780	236,288	261,161	263,279	425,593	72,963
Income before income taxes and securities gains or losses	530,977	111,530	43,588	53,843	58,083	69,952	10,056
Applicable income taxes	138,872	19,963	9,458	12,182	11,626	11,402	1,264
Income before securities gains or losses	392,105	91,567	34,130	41,661	46,457	58,550	8,792
Net securities gains or losses (after tax effect)	− 2,467	+ 629	+ 243	− 92	− 15	+ 1,056	+ 155
Net income before extraordinary items	389,638	92,196	34,373	41,569	46,442	59,606	8,947
Extraordinary charges or credits	+ 828	+ 88	+ 8	+ 58	+ 2,468	+ 1,621	− 37
Minority interest in consolidated subsidiaries	0	0	− 13	− 31	0	0	0
Net income	390,466	92,284	34,368	41,596	48,910	61,227	8,910

Changes in capital accounts:							
Increases:							
Net income transferred to undivided profits	390,466	92,284	34,368	41,596	48,910	61,227	8,910
Capital stock, notes and debentures sold or issued including premium received	17,583	2,207	6,475	4,356	217	2,054	413
Addition to surplus, undivided profits and reserves incident to mergers and consolidatons	853	1,775	300	0	0	0	0
Transfers from reserves on loans and securities	36,882	7,124	25	468	709	558	1,715
All other increases	14,945	6,861	1,718	6,928	674	776	70
Total increases	70,263	17,967	8,518	11,752	1,600	3,388	2,198
Decreases:							
Cash dividends declared:							
On common stock	165,869	38,428	11,102	12,140	11,988	16,384	4,889
On preferred stock	87	0	0	0	0	96	0
Capital stock, notes and debentures, retired including premium paid	1,682	5	1	364	53	185	0
Reduction in surplus, undivided profits and reserves incident to mergers and consolidations	620	792	1,112	6	0	0	0
Transfers to reserves on loans and securities	7,053	−2,214	1,555	1,194	1,729	3,847	861
All other decreases	22,964	5,268	856	6,636	2,759	967	911
Total decreases	198,275	42,279	14,626	20,340	16,529	21,479	6,661
Net change in capital accounts	262,454	67,972	28,260	33,008	33,981	43,136	4,447
Capital accounts†	3,035,477	813,560	271,785	383,348	303,670	516,573	79,412
Ratios:							
Net income before dividends to capital accounts (percent)	12.86	11.34	12.65	10.85	16.11	11.85	11.22
Total operating expense to total operating revenue (percent)	84.70	86.90	84.43	82.91	81.93	85.88	87.89

See footnotes at end of table.

Table B–32—Continued

Income and expenses of National banks, by States, year ended Dec. 31, 1975*

(Dollar amounts in thousands)

	Maryland	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana
Number of banks	42	77	120	201	39	113	55
Operating income:							
Interest and fees on loans	$247,613	$587,145	$928,002	$510,029	$140,281	$393,721	$93,703
Income on Federal funds sold and securities purchased under agreements to resell	14,455	23,867	32,355	24,258	8,664	59,940	4,124
Interest and dividends on investments:							
U.S. Treasury securities	18,008	53,072	96,194	40,675	12,994	33,510	8,817
Obligations of other U.S. Government agencies and corporations	6,743	17,016	33,084	29,903	5,701	21,650	4,292
Obligations of States and political subdivisions	29,094	52,813	103,355	56,520	18,940	55,502	12,587
Other securities	2,198	5,218	11,551	2,440	981	1,268	448
Trust department income	4,514	46,196	31,470	20,603	2,241	21,295	927
Service charges on deposit accounts	10,530	17,094	29,689	14,396	8,159	7,904	3,673
Other service charges, collection and exchange charges, commissions, and fees	7,830	37,426	23,274	29,515	7,576	19,730	3,950
Other operating income	10,383	70,835	41,122	49,372	5,216	42,927	1,932
Total operating income	351,368	910,682	1,330,096	777,711	210,753	657,447	134,453
Operating expense:							
Salaries and wages of officers and employees	67,620	174,613	216,637	106,125	34,625	93,630	18,361
Pensions and other employee benefits	10,572	32,950	38,643	19,224	6,015	16,577	3,505
Interest on deposits	124,690	295,786	583,414	308,874	80,330	218,149	61,713
Expense of Federal funds purchased and securities sold under agreements to repurchase	20,436	62,054	57,330	64,656	7,485	87,088	2,346
Interest on borrowed money	785	6,103	2,481	11,513	33	900	197
Interest on capital notes and debentures	464	3,241	4,869	7,101	517	1,444	789
Occupancy expense of bank premises, net	14,851	39,015	44,660	18,743	7,235	16,357	3,194
Furniture and equipment, depreciation, rental costs, servicing, etc.	10,262	22,324	31,667	17,751	7,356	16,042	3,071
Provision for loan losses (or actual net loan losses)	13,822	84,556	41,492	22,523	10,494	25,119	3,767
Other operating expenses	40,252	113,697	124,684	81,772	26,196	77,456	16,268
Total operating expense	303,754	834,339	1,145,877	658,282	180,286	552,762	113,211
Income before income taxes and securities gains or losses	47,614	76,343	184,219	119,429	30,467	104,685	21,242
Applicable income taxes	7,316	12,849	37,455	32,271	4,909	23,356	4,112
Income before securities gains or losses	40,298	63,494	146,764	87,158	25,558	81,329	17,130
Net securities gains or losses (after tax effect)	– 204	+ 1,531	– 2,198	– 234	+ 216	452	– 154
Net income before extraordinary items	40,094	65,025	144,566	86,924	25,774	81,781	16,976
Extraordinary charges or credits	+ 5	+ 326	+ 179	+ 77	+ 18	+ 236	+ 61
Minority interest in consolidated subsidiaries	0	0	+ 65	0	0	0	0
Net income	40,099	65,351	144,810	87,001	25,792	82,017	17,037

Changes in capital accounts:							
Increases:							
Net income transferred to undivided profits	40,099	65,351	144,810	87,001	25,792	82,017	17,037
Capital stock, notes and debentures sold or issued including premium received	5,448	2,235	8,581	55,870	2,829	2,800	8,725
Addition to surplus, undivided profits and reserves incident to mergers and consolidatons	0	1,212	4,223	350	18	0	0
Transfers from reserves on loans and securities	379	7,310	8,553	2,808	961	2,562	296
All other increases	745	2,155	18,966	3,113	2,053	668	1,850
Total increases	6,572	12,912	40,323	62,141	5,861	6,030	10,871
Decreases:							
Cash dividends declared:							
On common stock	16,688	39,806	70,137	31,808	8,806	46,453	7,604
On preferred stock	0	0	0	0	0	289	0
Capital stock, notes and debentures, retired including premium paid	299	716	16,805	237	120	35	0
Reduction in surplus, undivided profits and reserves incident to mergers and consolidations	96	309	1,027	150	18	0	7
Transfers to reserves on loans and securities	1,417	5,021	1,975	882	642	− 1,920	1,374
All other decreases	855	5,502	8,404	2,800	2,640	1,627	3,228
Total decreases	19,355	51,354	98,348	35,877	12,226	46,484	12,213
Net change in capital accounts	27,316	26,909	86,785	113,265	19,427	41,563	15,695
Capital accounts†	323,617	929,942	1,365,961	797,267	212,139	688,786	121,553
Ratios:							
Net income before dividends to capital accounts (percent)	12.39	7.03	10.60	10.91	12.16	11.91	14.02
Total operating expense to total operating revenue (percent)	86.45	91.62	86.15	84.64	85.54	84.08	84.20

See footnotes at end of table.

Table B–32—Continued

Income and expenses of National banks, by States, year ended Dec. 31, 1975*

(Dollar amounts in thousands)

	Nebraska	*Nevada*	*New Hampshire*	*New Jersey*	*New Mexico*	*New York*	*North Carolina*
Number of banks	120	4	44	113	36	150	26
Operating income:							
Interest and fees on loans	$199,714	$66,700	$59,470	$707,131	$99,585	$3,253,884	$469,793
Income on Federal funds sold and securities purchased under agreements to resell	19,893	3,337	2,250	25,676	7,552	40,879	19,185
Interest and dividends on investments:							
U.S. Treasury securities	17,326	7,283	5,741	83,064	8,552	223,411	23,343
Obligations of other U.S. Government agencies and corporations	12,915	3,070	1,326	44,191	6,875	81,403	32,322
Obligations of States and political subdivisions	25,695	7,627	6,450	118,108	12,805	217,597	60,867
Other securities	902	692	326	30,907	989	31,591	1,946
Trust department income	7,510	2,173	1,810	23,278	2,007	120,481	20,114
Service charges on deposit accounts	5,653	5,429	2,886	27,997	4,891	69,715	19,742
Other service charges, collection and exchange charges, commissions, and fees	12,646	2,496	1,635	18,187	5,502	138,655	21,660
Other operating income	9,711	1,743	1,008	30,877	2,237	801,857	39,586
Total operating income	311,965	100,550	82,902	1,109,416	150,995	4,979,473	708,558
Operating expense:							
Salaries and wages of officers and employees	48,743	19,785	16,767	207,122	25,583	704,549	133,971
Pensions and other employee benefits	8,365	3,540	3,396	37,986	4,004	192,624	22,077
Interest on deposits	114,983	36,738	26,982	457,075	63,629	1,709,192	244,107
Expense of Federal funds purchased and securities sold under agreements to repurchase	18,119	231	1,929	24,943	3,609	282,587	50,022
Interest on borrowed money	1,154	4	40	3,118	27	67,625	1,514
Interest on capital notes and debentures	1,493	0	55	4,430	1,119	9,029	10,298
Occupancy expense of bank premises, net	9,882	4,570	4,185	52,409	5,060	172,435	30,454
Furniture and equipment, depreciation, rental costs, servicing, etc.	11,756	1,928	2,615	33,290	4,200	76,106	18,008
Provision for loan losses (or actual net loan losses)	15,427	2,731	2,335	39,690	6,893	538,882	27,909
Other operating expenses	34,422	12,240	14,714	128,499	17,092	440,378	84,008
Total operating expense	264,344	81,767	73,018	988,562	131,216	4,193,407	622,368
Income before income taxes and securities gains or losses	47,621	18,783	9,884	120,854	19,779	786,066	86,190
Applicable income taxes	8,145	5,241	1,530	1,108	4,710	143,682	10,869
Income before securities gains or losses	39,476	13,542	8,354	119,746	15,069	642,384	75,321
Net securities gains or losses (after tax effect)	+ 153	+ 101	− 102	+ 1,114	+ 479	+ 16,711	− 1,592
Net income before extraordinary items	39,629	13,643	8,252	120,860	15,548	659,095	73,729
Extraordinary charges or credits	+ 15	0	+ 168	− 150	+ 195	+ 307	+ 106
Minority interest in consolidated subsidiaries	0	0	0	0	0	0	0
Net income	39,644	13,643	8,420	120,710	15,743	659,402	73,835

Changes in capital accounts:							
Increases:							
Net income transferred to undivided profits	39,644	13,643	8,420	120,710	15,743	659,402	73,835
Capital stock, notes and debentures sold or issued including premium received	508	0	753	5,391	3,566	119,762	39
Addition to surplus, undivided profits and reserves incident to mergers and consolidatons	0	0	820	861	1,185	5,007	0
Transfers from reserves on loans and securities	231	984	327	4,671	167	56,164	3,999
All other increases	1,681	0	342	1,153	387	148,318	51
Total increases	2,420	984	2,242	12,076	5,305	329,251	4,089
Decreases:							
Cash dividends declared:							
On common stock	17,472	4,610	3,832	69,473	5,430	245,838	26,531
On preferred stock	6	0	0	3	0	4	0
Capital stock, notes and debentures, retired including premium paid	10	0	0	5,122	88	6,399	2,900
Reduction in surplus, undivided profits and reserves incident to mergers and consolidations	0	0	0	3,293	1,000	0	0
Transfers to reserves on loans and securities	75	121	440	1,672	350	15,955	222
All other decreases	843	482	167	2,313	707	26,400	2,046
Total decreases	18,406	5,213	4,439	81,876	7,575	294,596	31,699
Net change in capital accounts	23,658	9,414	6,223	50,910	13,473	694,057	46,225
Capital accounts†	306,686	98,120	97,613	1,181,967	143,868	5,527,991	711,034
Ratios:							
Net income before dividends to capital accounts (percent)	12.93	13.90	8,63	10.21	10.94	11.93	10.38
Total operating expense to total operating revenue (percent)	84.74	81.32	88.08	89.11	86.90	84.21	87.84

See footnotes at end of table.

Table B-32—Continued

Income and expenses of National banks, by States, year ended Dec. 31, 1975*

(Dollar amounts in thousands)

	North Dakota	*Ohio*	*Oklahoma*	*Oregon*	*Pennsylvania*	*Rhode Island*	*South Carolina*
Number of banks	43	219	194	7	244	5	19
Operating income:							
Interest and fees on loans	$66,587	$959,584	$335,709	$265,717	$1,735,014	$148,174	$123,294
Income on Federal funds sold and securities purchased under agreements to resell	2,400	58,568	38,458	18,020	99,360	4,284	8,724
Interest and dividends on investments:							
U.S. Treasury securities	7,800	137,262	47,109	18,379	145,078	9,127	9,564
Obligations of other U.S. Government agencies and corporations	4,801	39,619	7,231	11,031	82,459	4,539	6,532
Obligations of States and political subdivisions	9,400	156,332	62,031	34,262	183,857	8,736	14,388
Other securities	182	11,454	2,530	528	23,597	1,121	327
Trust department income	1,531	38,433	9,237	8,967	72,707	9,648	4,556
Service charges on deposit accounts	2,413	41,916	13,584	17,739	20,846	3,247	10,294
Other service charges, collection and exchange charges, commissions, and fees	2,447	42,471	14,915	18,085	41,771	4,270	5,174
Other operating income	1,351	59,268	14,826	12,632	164,832	13,616	5,505
Total operating income	98,912	1,544,907	545,630	405,360	2,569,521	206,762	188,358
Operating expense:							
Salaries and wages of officers and employees	13,776	242,471	78,364	82,413	379,306	29,926	48,184
Pensions and other employee benefits	2,669	41,365	12,407	13,788	73,892	7,524	7,974
Interest on deposits	44,956	596,992	225,132	142,505	1,051,881	86,657	44,828
Expense of Federal funds purchased and securities sold under agreements to repurchase	774	86,125	29,015	20,964	197,946	7,807	7,283
Interest on borrowed money	230	1,638	1,135	373	36,702	3,147	202
Interest on capital notes and debentures	483	2,115	3,409	7,482	17,071	313	630
Occupancy expense of bank premises, net	2,391	48,037	11,955	15,461	84,441	7,531	7,272
Furniture and equipment, depreciation, rental costs, servicing, etc.	2,188	39,902	12,038	9,626	54,868	3,414	8,566
Provision for loan losses (or actual net loan losses)	1,021	61,851	29,215	6,725	132,736	10,024	9,180
Other operating expenses	10,172	179,100	62,868	43,391	224,256	22,629	27,589
Total operating expense	78,660	1,299,596	465,538	342,728	2,253,099	178,972	161,708
Income before income taxes and securities gains or losses	20,252	245,311	80,092	62,632	316,422	27,790	26,650
Applicable income taxes	5,156	38,904	8,879	15,136	23,976	9,199	5,150
Income before securities gains or losses	15,096	206,407	71,213	47,496	292,446	18,591	21,500
Net securities gains or losses (after tax effect)	−257	−1,541	+734	−561	−2,331	+9	+5
Net income before extraordinary items	14,839	204,866	71,947	46,935	290,115	18,600	21,505
Extraordinary charges or credits	−13	−9	+238	0	−211	0	−3
Minority interest in consolidated subsidiaries	0	−24	−2	0	−94	0	0
Net income	14,826	204,833	72,183	46,935	289,810	18,600	21,502

Changes in capital accounts:							
Increases:							
Net income transferred to undivided profits	14,826	204,833	72,183	46,935	289,810	18,600	21,502
Capital stock, notes and debentures sold or issued including premium received	3,495	1,550	18,335	0	6,651	0	5,100
Addition to surplus, undivided profits and reserves incident to mergers and consolidatons	0	40	308	1,138	1,331	0	0
Transfers from reserves on loans and securities	0	5,406	1,741	0	20,516	102	809
All other increases	2,260	3,892	9,679	357	7,141	526	166
Total increases	5,755	10,888	30,063	1,495	35,639	628	6,075
Decreases:							
Cash dividends declared:							
On common stock	4,054	86,076	20,833	15,222	171,418	11,027	8,411
On preferred stock	150	0	0	0	80	0	0
Capital stock, notes and debentures, retired including premium paid	0	454	2,910	0	1,947	0	0
Reduction in surplus, undivided profits and reserves incident to mergers and consolidations	783	1,228	150	0	0	236	86
Transfers to reserves on loans and securities	0	4,816	1,935	− 550	4,177	1,912	345
All other decreases	1,649	16,727	5,260	437	16,423	506	433
Total decreases	6,636	109,301	31,088	15,109	194,045	13,681	9,275
Net change in capital accounts	13,945	106,420	71,158	33,321	131,404	5,547	18,302
Capital accounts†	95,979	1,646,366	613,086	417,889	2,696,623	184,666	198,748
Ratios:							
Net income before dividends to capital accounts (percent)	15.45	12.44	11.77	11.23	10.75	10.07	10.82
Total operating expense to total operating revenue (percent)	79.53	84.12	85.32	84.55	87.69	86.56	85.85

See footnotes at end of table.

Table B-32—Continued

Income and expenses of National banks, by States, year ended Dec. 31, 1975*

(Dollar amounts in thousands)

	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington
Number of banks	32	75	584	12	16	108	24
Operating income:							
Interest and fees on loans	$92,945	$410,967	$1,563,245	$95,082	$21,886	$503,014	$509,872
Income on Federal funds sold and securities purchased under agreements to resell	2,972	31,003	162,821	4,989	1,090	16,841	45,939
Interest and dividends on investments:							
U.S. Treasury securities	7,147	35,658	153,312	7,250	1,631	33,809	26,858
Obligations of other U.S. Government agencies and corporations	5,467	22,653	74,799	2,239	727	21,641	10,872
Obligations of States and political subdivisions	13,447	43,581	252,823	8,735	2,402	59,712	40,535
Other securities	1,221	4,490	17,014	742	271	2,005	1,228
Trust department income	1,397	12,543	57,855	2,351	239	14,583	15,793
Service charges on deposit accounts	4,210	17,202	58,980	4,903	970	14,549	31,384
Other service charges, collection and exchange charges, commissions, and fees	4,150	21,219	50,618	7,965	295	17,196	27,362
Other operating income	793	34,664	86,684	2,119	458	16,046	33,443
Total operating income	133,749	633,980	2,478,151	136,375	29,969	699,396	743,286
Operating expense:							
Salaries and wages of officers and employees	17,713	106,056	341,804	22,238	5,631	113,234	147,733
Pensions and other employee benefits	3,524	16,988	57,723	3,330	1,034	20,204	26,397
Interest on deposits	65,601	256,439	972,080	53,689	13,725	284,815	261,077
Expense of Federal funds purchased and securities sold under agreements to repurchase	1,026	38,469	175,332	3,997	57	18,616	50,253
Interest on borrowed money	42	1,992	19,065	1,518	5	1,278	1,635
Interest on capital notes and debentures	988	1,710	7,073	1,154	77	2,953	887
Occupancy expense of bank premises, net	3,596	22,377	56,958	3,296	1,145	24,268	26,418
Furniture and equipment, depreciation, rental costs, servicing, etc.	4,544	20,540	55,120	4,822	896	18,492	19,419
Provision for loan losses (or actual net loan losses)	1,965	85,714	104,401	2,983	670	30,889	26,502
Other operating expenses	11,574	79,865	291,323	16,115	3,710	109,809	89,200
Total operating expense	110,573	630,150	2,080,879	113,142	26,950	624,558	649,521
Income before income taxes and securities gains or losses	23,176	3,830	397,272	23,233	3,019	74,838	93,765
Applicable income taxes	4,687	− 14,987	70,582	7,050	260	4,017	21,133
Income before securities gains or losses	18,489	18,817	326,690	16,183	2,759	70,821	72,632
Net securities gains or losses (after tax effect)	− 216	+ 1,333	+ 671	− 310	+ 44	− 21	− 1,225
Net income before extraordinary items	18,273	20,150	327,361	15,873	2,803	70,800	71,407
Extraordinary charges or credits	− 106	+ 34	+ 1,789	0	+ 10	+ 109	+ 10,124
Minority interest in consolidated subsidiaries	0	− 19	− 5	0	0	0	0
Net income	18,167	20,165	329,145	15,873	2,813	70,909	81,531

Changes in capital accounts:							
Increases:							
Net income transferred to undivided profits	18,167	20,165	329,145	15,873	2,813	70,909	81,531
Capital stock, notes and debentures sold or issued including premium received	6,150	2,300	54,341	1,001	1,484	8,731	12,595
Addition to surplus, undivided profits and reserves incident to mergers and consolidatons	1,412	0	1,779	0	0	2,229	0
Transfers from reserves on loans and securities	39	8,038	14,625	0	7	4,657	2,471
All other increases	1,120	2,692	29,878	29	227	4,052	647
Total increases	8,721	13,030	100,623	1,030	1,718	19,669	15,713
Decreases:							
Cash dividends declared:							
On common stock	5,440	18,399	129,319	6,718	1,409	36,109	20,252
On preferred stock	0	0	0	0	10	0	1
Capital stock, notes and debentures, retired including premium paid	210	65	1,316	0	398	90	25
Reduction in surplus, undivided profits and reserves incident to mergers and consolidations	0	0	75	0	0	1,105	428
Transfers to reserves on loans and securities	681	− 2,554	16,934	903	314	144	1,583
All other decreases	211	7,425	21,628	70	265	6,239	2,413
Total decreases	6,542	23,335	169,272	7,691	2,396	43,687	24,702
Net change in capital accounts	20,346	9,860	260,496	9,212	2,135	46,891	72,542
Capital accounts†	123,422	591,931	2,559,059	119,530	29,628	667,766	528,904
Ratios:							
Net income before dividends to capital accounts (percent)	14.72	3.41	12.86	13.28	9.49	10.62	15.42
Total operating expense to total operating revenue (percent)	82.67	99.40	83.97	82.96	89.93	89.30	87.39

See footnotes at end of table.

Table B-32—Continued

Income and expenses of National banks, by States, year ended Dec. 31, 1975*

(Dollar amounts in thousands)

	West Virginia	*Wisconsin*	*Wyoming*	*Puerto Rico*	*Virgin Islands*	*District of Columbia – all‡*
Number of banks	103	128	45	1	2	16
Operating income:						
Interest and fees on loans	$142,707	$351,799	$61,877	$1,878	$8,424	$187,848
Income on Federal funds sold and securities purchased under agreements to resell	16,417	22,947	3,219	41	299	14,652
Interest and dividends on investments:						
U.S. Treasury securities	23,934	35,791	7,034	248	54	25,522
Obligations of other U.S. Government agencies and corporations	20,378	17,483	4,343	3	21	5,263
Obligations of States and political subdivisions	30,041	38,480	8,711	127	39	19,879
Other securities	1,336	3,590	338	24	12	1,810
Trust department income	3,760	10,861	762	0	0	12,797
Service charges on deposit accounts	2,775	8,435	2,781	160	82	9,116
Other service charges, collection and exchange charges, commissions, and fees	4,651	20,278	1,645	6	133	6,594
Other operating income	6,649	17,624	1,622	345	264	8,678
Total operating income	252,648	527,288	92,332	2,832	9,328	292,159
Operating expense:						
Salaries and wages of officers and employees	33,876	75,052	13,502	346	1,970	59,634
Pensions and other employee benefits	5,661	16,428	2,241	55	279	10,474
Interest on deposits	109,238	230,646	40,056	1,572	4,837	82,560
Expense of Federal funds purchased and securities sold under agreements to repurchase	14,715	36,995	1,356	0	87	10,458
Interest on borrowed money	298	1,441	1,129	0	79	922
Interest on capital notes and debentures	583	3,099	519	0	0	682
Occupancy expense of bank premises, net	6,150	16,413	2,370	122	419	12,332
Furniture and equipment, depreciation, rental costs, servicing, etc.	6,712	14,935	1,939	47	272	8,242
Provision for loan losses (or actual net loan losses)	6,189	15,426	2,405	180	486	10,114
Other operating expenses	27,701	54,049	9,953	488	649	33,144
Total operating expense	211,123	464,484	75,470	2,810	9,078	228,562
Income before income taxes and securities gains or losses	41,525	62,804	16,862	22	250	63,597
Applicable income taxes	4,344	12,840	3,679	0	155	22,371
Income before securities gains or losses	37,181	49,964	13,183	22	95	41,226
Net securities gains or losses (after tax effect)	– 13	+ 119	– 233	0	0	+ 117
Net income before extraordinary items	37,168	50,083	12,950	22	95	41,343
Extraordinary charges or credits	+ 391	+ 216	+ 27	0	– 41	+ 320
Minority interest in consolidated subsidiaries	0	0	0	0	0	0
Net income	37,559	50,299	12,977	22	54	41,663

Changes in capital accounts:						
Increases:						
Net income transferred to undivided profits	37,559	50,299	12,977	22	54	41,663
Capital stock, notes and debentures sold or issued including premium received	2,942	21,783	732	0	0	4,403
Addition to surplus, undivided profits and reserves incident to mergers and consolidatons	0	1,664	0	0	0	0
Transfers from reserves on loans and securities	238	1,278	3	0	0	483
All other increases	3,169	1,178	1,973	88	0	139
Total increases	6,349	25,903	2,708	88	0	5,025
Decreases:						
Cash dividends declared:						
On common stock	9,331	20,373	4,140	0	0	18,579
On preferred stock	0	0	0	0	0	188
Capital stock, notes and debentures, retired including premium paid	150	190	299	0	0	1,008
Reduction in surplus, undivided profits and reserves incident to mergers and consolidations	272	0	108	0	0	0
Transfers to reserves on loans and securities	1,176	1,104	436	312	0	– 228
All other decreases	2,201	1,415	414	317	0	837
Total decreases	13,130	23,082	5,397	629	0	20,384
Net change in capital accounts	30,778	53,120	10,288	– 519	54	26,304
Capital accounts†	290,130	510,740	89,203	1,824	8,412	362,025
Ratios:						
Net income before dividends to capital accounts (percent)	12.95	9.85	14.55	1.21	.64	11.51
Total operating expense to total operating revenue (percent)	83.56	88.09	81.74	99.22	97.32	78.23

* Includes all banks operating as National banks at year-end and full-year data for those State banks converting to National banks during the year.

† Includes aggregate book value of debentures, preferred stock, common stock, surplus, undivided profits, and reserves. Excepting Puerto Rico, these are averages from the June and December call dates in the year indicated and the previous December call date.

‡ Includes National and nonNational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

Table B–33

Income and expenses of National banks, by deposit size, year ended Dec. 31, 1975*

(Dollar amounts in thousands)

	Banks operating full year with deposits in December 1974, of–									
	Total	*Under $2 million*	*$2 to 5 million*	*$5 to 10 million*	*$10 to 25 million*	*$25 to 50 million*	*$50 to 100 million*	*$100 to 500 million*	*$500 million to $1 billion*	*$1 billion and over*
Number of banks	4,744	59	306	692	1,655	968	534	406	64	60
Operating income:										
Interest and fees on loans	$25,475,648	$2,526	$47,262	$233,818	$1,291,167	$1,670,652	$1,849,065	$4,360,541	$2,564,206	$13,456,411
Income on Federal funds sold and securities purchased under agreements to resell	1,383,590	837	7,230	25,044	100,953	105,620	98,598	288,860	183,066	573,382
Interest and dividends on investments:										
U.S. Treasury securities	2,406,807	1,259	12,717	44,715	204,405	219,584	223,763	455,429	239,294	1,005,641
Obligations of other U.S. Government agencies and corporations	1,194,878	330	6,812	30,952	134,556	139,826	136,881	258,221	85,639	401,661
Obligations of States and political subdivisions	2,724,431	99	4,063	29,589	204,235	272,128	290,595	606,363	306,396	1,010,963
Other securities	280,207	53	1,466	2,958	20,102	23,755	32,278	72,979	31,000	95,616
Trust department income	926,400	3,364	4,665	339	6,036	14,092	45,801	180,050	116,866	555,187
Service charges on deposit accounts	883,533	241	3,539	14,567	72,942	86,019	82,144	169,645	99,278	355,158
Other service charges, collection and exchange charges, commissions, and fees	1,086,980	188	6,923	7,097	37,765	46,680	57,910	205,283	142,328	582,806
Other operating income	2,544,910	169	1,775	6,041	33,177	42,082	59,292	170,327	139,729	2,092,318
Total operating income	38,907,384	9,066	96,452	395,120	2,105,338	2,620,438	2,876,327	6,767,698	3,907,802	20,129,143

Operating expense:										
Salaries and wages of officers and employees	6,079,354	4,254	26,124	78,377	357,081	422,184	475,659	1,151,206	670,884	2,893,585
Pensions and other employee benefits	1,149,758	597	3,478	10,079	55,882	71,881	81,850	204,858	118,864	602,269
Interest on deposits	15,249,594	1,149	30,063	159,653	923,668	1,175,746	1,265,044	2,696,396	1,410,725	7,587,150
Expense of Federal funds purchased and securities sold under agreements to repurchase	2,263,426	3	180	765	8,340	19,864	42,263	301,597	256,812	1,633,602
Interest on borrowed money	248,667	58	117	387	2,000	3,214	3,702	16,768	17,928	204,493
Interest on capital notes and debentures	149,826	0	71	291	3,953	6,973	9,681	28,287	16,918	83,652
Occupancy expense of bank premises, net	1,282,188	687	4,897	13,549	65,524	87,627	103,164	259,206	140,311	607,223
Furniture and equipment, depreciation, rental costs, servicing, etc.	902,250	495	3,956	11,425	54,651	66,932	79,529	208,830	117,656	358,777
Provision for loan losses (or actual net loan losses)	2,224,282	227	3,665	11,260	59,517	92,314	91,409	289,141	236,372	1,440,377
Other operating expenses	4,068,163	3,025	17,371	53,823	259,636	318,209	348,778	833,978	481,549	1,751,794
Total operating expense	33,617,508	10,495	89,922	339,609	1,790,252	2,264,944	2,501,078	5,990,267	3,468,019	17,162,922
Income before income taxes and securities gains or losses	5,289,876	−1,429	6,530	55,511	315,086	355,494	375,249	777,431	439,783	2,966,221
Applicable income taxes	1,068,564	−210	1,893	11,127	51,624	44,256	47,675	94,200	60,493	757,506
Income before securities gains or losses	4,221,312	−1,219	4,637	44,384	263,462	311,238	327,574	683,231	379,290	2,208,715
Net securities gains or losses (after tax effect)	+15,998	+9	+37	+866	+2,111	+2,673	+1,984	+3,018	−290	+5,590
Net income before extraordinary items	4,237,310	−1,210	4,674	45,250	265,573	313,911	329,558	686,249	379,000	2,214,305
Extraordinary changes or credits	+21,795	−7	−22	+298	+2,300	+2,170	+1,043	+2,628	+1,916	+11,469
Minority interest in consolidated subsidiaries	132	0	0	2	44	0	23	−50	19	94
Net income	4,258,973	−1,217	4,652	45,546	267,829	316,081	330,578	688,927	380,897	2,225,680
Cash dividends declared:										
On common stock	1,820,564	153	2,655	12,310	73,736	100,520	124,532	308,828	189,697	1,008,133
On preferred stock	824	0	0	0	11	101	84	439	1	188
Total cash dividends declared	1,821,388	153	2,655	12,310	73,747	100,621	124,616	309,267	189,698	1,008,321

* Includes all banks operating as National banks at year-end, and full-year data for those State banks converting to National banks during the year.

Table B-34

Capital accounts, net income, and dividends of National banks, 1944–75

(Dollar amounts in thousands)

Year (last call)	Number of banks	Capital stock (par value)*: Preferred	Capital stock (par value)*: Common	Capital stock (par value)*: Total	Total capital accounts*	Net income before dividends	Cash dividends: On preferred stock	Cash dividends: On common stock	Ratios (percent): Net income before dividends to total capital accounts	Ratios (percent): Cash dividends to net income before dividends	Ratios (percent): Cash dividends on preferred stock to preferred capital	Ratios (percent): Cash dividends to total equity capital†
1944	5,031	$110,597	$1,440,519	$1,551,116	$4,114,972	$411,844	$5,926	$139,012	10.01	35.04	4.79	3.53
1945	5,023	80,672	1,536,212	1,616,884	4,467,618	490,133	4,131	151,525	10.97	31.76	5.12	3.48
1946	4,013	53,202	1,646,631	1,699,833	4,893,038	494,898	2,427	167,702	10.11	34.38	4.56	3.48
1947	5,011	32,529	1,736,676	1,769,205	5,293,267	452,983	1,372	182,147	8.56	40.51	4.22	3.47
1948	4,997	25,128	1,779,362	1,804,490	5,545,993	423,757	1,304	192,603	7.64	45.76	5.19	3.50
1949	4,981	20,979	1,863,373	1,884,352	5,811,044	474,881	1,100	203,644	8.17	43.11	5.24	3.52
1950	4,965	16,079	1,949,898	1,965,977	6,152,799	537,610	712	228,792	8.74	42.69	4.43	3.73
1951	4,946	12,032	2,046,018	2,058,050	6,506,378	506,695	615	247,230	7.79	49.04	5.11	3.81
1952	4,916	6,862	2,171,026	2,177,888	6,875,134	561,481	400	258,663	8.17	46.14	5.83	3.77
1953	4,864	5,512	2,258,234	2,263,746	7,235,820	573,287	332	274,884	7.92	48.01	6.02	3.80
1954	4,796	4,797	2,381,429	2,386,226	7,739,553	741,065	264	299,841	9.58	40.50	5.50	3.88
1955	4,700	4,167	2,456,454	2,460,621	7,924,719	643,149	203	309,532	8.12	48.16	4.87	3.91
1956	4,659	3,944	2,558,111	2,562,055	8,220,620	647,141	177	329,777	7.87	50.99	4.49	4.01
1957	4,627	3,786	2,713,145	2,716,931	8,769,839	729,857	171	363,699	8.32	49.85	4.52	4.15
1958	4,585	3,332	2,871,785	2,875,117	9,412,557	889,120	169	392,822	9.45	44.20	5.07	4.18
1959	4,542	3,225	3,063,407	3,066,632	10,003,852	800,311	165	422,703	8.00	52.84	5.12	4.23
1960	4,530	2,050	3,257,208	3,259,258	10,695,539	1,046,419	99	450,830	9.78	43.09	4.83	4.22
1961	4,513	2,040	3,464,126	3,466,166	11,470,899	1,042,201	119	485,960	9.09	46.64	5.83	4.24
1962	4,503	9,852	3,662,603	3,672,455	12,289,305	1,068,843	202	517,546	8.70	48.44	2.05	4.21
1963	4,615	24,304	3,861,738	3,886,042	13,102,085	1,205,917	1,126	547,060	9.20	45.46	4.63	4.19
1964	4,773	27,281	4,135,789	4,163,070	14,297,834	1,213,284	1,319	591,491	8.49	48.86	4.83	4.22
1965	4,815	28,697	4,600,390	4,629,087	16,111,704	1,387,228	1,453	681,802	8.61	49.25	5.06	4.46
1966	4,799	29,120	5,035,685	5,064,805	17,971,372	1,582,535	1,348	736,591	8.81	46.63	4.63	4.38
1967	4,758	38,081	5,224,214	5,262,295	19,095,324	1,757,491	2,124	794,056	9.20	45.30	5.58	4.45
1968	4,716	57,704	5,503,820	5,561,524	20,585,402	1,931,556	4,344	892,934	9.38	46.45	7.53	4.65
1969	4,669	62,453	6,165,757	6,228,210	22,158,066	2,534,029	4,428	1,063,647	11.44	42.15	7.09	5.09
1970	4,621	62,572	6,326,508	6,389,080	24,080,719	2,829,334	4,677	1,273,039	11.75	45.16	7.46	5.57
1971	4,600	56,761	6,640,849	6,697,610	25,986,802	3,041,122	4,011	1,386,166	11.70	45.71	7.07	5.35
1972	4,614	42,627	7,132,092	7,174,719	28,714,775	3,307,906	2,703	1,307,628	11.52	39.61	6.34	4.87
1973	4,661	38,660	7,676,452	7,715,112	31,787,879	3,767,667	2,398	1,446,994	11.85	38.47	6.20	4.89
1974	4,708	26,705	8,178,696	8,205,401	34,646,893	4,044,474	977	1,670,232	11.67	41.32	3.66	4.82
1975	4,744	13,319	8,549,987	8,563,306	35,163,138	4,258,973	824	1,820,564	11.38	42.77	6.19	5.18

* These are averages of data from the reports of condition of the previous December, and June and December of the respective years.

† Ratios for years 1963 thru 1973 inclusive have been restated to reflect removal of capital notes and debentures.

NOTE: For earlier data, see *Annual Reports of the Comptroller of the Currency*, 1938, p. 115, and 1963, p. 306.

Table B-35

Loan losses and recoveries of National banks, 1945–1975

(Dollar amounts in thousands)

Year	Total loans, end of year, net	Net losses or recoveries (+)	Ratio of net losses or net recoveries (+) to loans	Year	Total loans, end of year, net	Net losses or recoveries (+)	Ratio of net losses or net recoveries (+) to loans
			Percent				*Percent*
1945	$13,948,042	+$7,740	+0.06	1961	$67,308,734	$112,412	0.17
1946	17,309,767	3,207	.02	1962	75,548,316	97,617	.13
1947	21,480,457	29,913	.14	1963	83,388,446	121,724	.15
1948	23,818,513	19,349	.08	1964	95,577,392	125,684	.13
1949	23,928,293	33,199	.14	1965	116,833,479	189,826	.16
1950	29,277,480	14,445	.05	1966	126,881,261	240,880	.19
1951	32,423,777	22,108	.07	1967	136,752,887	279,257	.20
1952	36,119,673	19,326	.05	1968	154,862,018	257,280	.17
1953	37,944,146	32,201	.08	1969	168,004,686	303,357	.18
1954	39,827,678	25,674	.06	1970	173,456,091	601,734	.35
1955	43,559,726	29,478	.07	1971	190,308,412	666,190	.35
1956	48,248,332	41,006	.08	1972	226,354,896	545,473	.24
1957	50,502,277	35,428	.07	1973	266,937,532	731,633	.27
1958	52,796,224	38,173	.07	1974	292,732,965	1,193,730	.41
1959	59,961,989	25,767	.04	1975	287,362,220	2,718,815	.95
1960	63,693,668	130,177	.20	Average for 1945–75	98,682,238	280,413	.28

NOTE: For earlier data, including figures on gross losses and chargeoffs and gross recoveries, see *Annual Reports of the Comptroller of the Currency*, 1947, p. 100 and 1968, p. 233.

Table B-36

Securities losses and recoveries of National banks, 1945–1975

(Dollar amounts in thousands)

Year	Total securities, end of year, net	Losses and chargeoffs*	Ratio of net losses to securities	Year	Total securities, end of year, net	Losses and chargeoffs*	Ratio of net losses to securities
			Percent				*Percent*
1945	$55,611,609	$74,627	0.04	1961	$49,093,539	$51,236	0.08
1946	46,642,816	74,620	.09	1962	51,705,503	47,949	.08
1947	44,009,966	69,785	.10	1963	52,601,949	45,923	.07
1948	40,228,353	55,369	.07	1964	54,366,781	86,500	.15
1949	44,207,750	23,595	.04	1965	57,309,892	67,898	.11
1950	43,022,623	26,825	.04	1966	57,667,429	302,656	.52
1951	43,043,617	57,546	.12	1967	69,656,371	149,545	.21
1952	44,292,285	76,524	.15	1968	76,871,528	344,068	.44
1953	44,210,233	119,124	.25	1969	70,216,983	286,215	.41
1954	48,932,258	49,469	.08	1970	84,157,505	137,704	.16
1955	42,857,330	152,858	.32	1971	95,948,647	+189,347	+.20
1956	40,503,392	238,997	.56	1972	103,658,543	+94,506	+.09
1957	40,981,709	151,152	.35	1973	104,606,665	36,738	.04
1958	46,788,224	67,455	.12	1974	106,930,804	43,469	.04
1959	42,652,855	483,526	1.09	1975	125,331,649	+18,144	+.01
1960	43,852,194	154,372	.30				
				Average for 1945–75	60,385,839	102,379	.17

* Excludes transfers to and from valuation reserves beginning in 1948.

NOTE: For earlier data, including figures on gross losses and chargeoffs and gross recoveries, see *Annual Reports of the Comptroller of the Currency*, 1947, p. 100 and 1968, p. 234.

Table B–37

Assets and liabilities of National banks, date of last report of condition, 1950–1974

(Dollar amounts in thousands)

Year	Number of banks	Total assets*	Cash and due from banks	Total securities, net	Loans, net	Other assets	Total deposits	Liabilities for borrowed money	Other liabilities†	Capital	Surplus, undivided profits and reserves
1950	4,965	$97,240,093	$23,813,435	$43,022,623	$29,277,480	$1,126,555	$89,529,632	$76,644	$1,304,828	$2,001,650	$4,327,339
1951	4,946	102,738,560	26,012,158	43,043,617	32,423,777	1,259,008	94,431,561	15,484	1,621,397	2,105,345	4,564,773
1952	4,916	108,132,743	26,399,403	44,292,285	36,119,673	1,321,382	99,257,776	75,921	1,739,825	2,224,852	4,884,369
1953	4,864	110,116,699	26,545,518	44,210,233	37,944,146	1,416,802	100,947,233	14,851	1,754,099	2,301,757	5,107,759
1954	4,796	116,150,569	25,721,897	48,932,258	39,827,678	1,668,736	106,145,813	11,098	1,889,416	2,485,844	5,618,398
1955	4,700	113,750,287	25,763,440	42,857,330	43,559,726	1,569,791	104,217,989	107,796	1,488,573	2,472,624	5,463,305
1956	4,659	117,701,982	27,082,497	40,503,392	48,248,332	1,867,761	107,494,823	18,654	1,716,373	2,638,108	5,834,024
1957	4,627	120,522,640	26,865,134	40,981,709	50,502,277	2,173,520	109,436,311	38,324	1,954,788	2,806,213	6,278,004
1958	4,585	128,796,966	26,864,820	46,788,224	52,796,224	2,347,698	117,086,128	43,035	1,999,002	2,951,279	6,717,522
1959	4,542	132,636,113	27,464,245	42,652,855	59,961,989	2,557,024	119,637,677	340,362	2,355,957	3,169,742	7,132,375
1960	4,530	139,260,867	28,674,506	43,852,194	63,693,668	3,040,499	124,910,851	110,590	3,141,088	3,342,850	7,755,488
1961	4,513	150,809,052	31,078,445	49,093,539	67,308,734	3,328,334	135,510,617	224,615	3,198,514	3,577,244	8,298,062
1962	4,505	160,657,006	29,683,580	51,705,503	75,548,316	3,719,607	142,824,891	1,635,593	3,446,772	3,757,646	8,992,104
1963	4,615	170,233,363	28,634,500	52,601,949	83,388,446	5,608,468	150,823,412	395,201	5,466,572	4,029,243	9,518,935
1964	4,773	190,112,705	34,065,854	54,366,781	95,577,392	6,102,678	169,616,780	299,308	5,148,422	4,789,943	10,258,252
1965	4,815	219,102,608	36,880,248	57,309,892	116,833,479	8,078,989	193,859,973	172,087	7,636,524	6,089,792	11,334,232
1966	4,799	235,996,034	41,689,580	57,667,429	127,453,846	9,185,179	206,456,287	1,015,147	9,975,692	6,299,133	12,159,775
1967	4,758	263,374,709	46,633,658	69,656,371	136,752,887	10,331,793	231,374,420	296,821	11,973,852	6,602,519	13,127,097
1968	4,716	296,593,618	50,952,691	76,871,528	154,862,018	13,907,381	257,883,926	689,087	16,496,707	7,008,482	14,515,416
1969	4,669	310,263,170	54,727,953	70,030,342	168,004,686	17,500,189	256,426,791	2,283,717	28,284,638	7,347,948	15,906,249
1970	4,621	337,070,049	56,040,460	84,157,465	173,455,791	23,416,333	283,784,496	1,280,365	27,130,131	7,680,597	17,194,460
1971	4,600	372,538,487	59,200,995	95,948,647	190,308,412	27,080,433	314,211,616	866,103	30,387,265	8,277,752	18,794,699
1972	4,614	430,768,064	67,401,118	103,658,543	226,354,896	33,353,507	359,427,154	2,370,204	38,616,017	9,629,168	20,722,810
1973	4,661	484,887,096	70,723,613	104,606,665	266,937,532	42,619,286	395,880,964	3,721,870	52,149,689	10,140,173	22,994,400
1974	4,708	529,232,286	76,556,699	106,930,804	292,732,965	53,011,818	431,225,358	3,285,509	58,891,284	10,607,205	25,222,930
1975	4,744	548,169,902	78,049,704	125,331,649	287,362,220	57,426,330	447,712,368	2,826,146	58,651,963	11,114,614	27,864,594

* After deduction of securities and loan reserves.

† Beginning in 1973, includes minority interest in consolidated subsidiaries.

NOTE: For earlier data, revised for certain years and made comparable to those in this table, references should be made as follows: years 1863 to 1913, inclusive *Annual Report of the Comptroller of the Currency*, 1913; figures 1914 to 1919, inclusive, report for 1936; figures 1920 to 1939, inclusive, report for 1939; and figures 1936 to 1949, inclusive, report for 1966.

Table B-38

Foreign branches of National banks, by region and country, Dec. 31, 1975

Region and country	Number
Central America	47
El Salvador	1
Guatemala	3
Honduras	3
Mexico	5
Nicaragua	5
Panama	30
South America	130
Argentina	37
Bolivia	4
Brazil	19
Chile	1
Colombia	37
Ecuador	13
Guyana	1
Paraguay	6
Peru	3
Uruguay	5
Venezuela	4
West Indies—Caribbean	161
Antigua	1
Bahamas	62
Barbados	6
British Virgin Islands	3
Cayman Islands	38
Dominican Republic	20
French West Indies	2
Granada	1
Haiti	5
Jamaica	8
Montserrat	1
Netherlands Antilles	4
St. Lucia	1
Trinidad and Tobago	6
West Indies Federation of States	3
Europe	133
Austria	1
Belgium	6
Denmark	2
England	33
France	14
Germany	24
Greece	18
Ireland	4
Italy	8
Luxembourg	7
Monaco	1
Europe—Continued	
Netherlands	6
Northern Ireland	1
Scotland	2
Switzerland	6
Africa	7
Egypt	1
Ivory Coast	1
Kenya	1
Liberia	3
Mauritius	1
Middle East	22
Bahrain	2
Jordan	2
Lebanon	3
Oman	1
Qatar	1
Saudi Arabia	2
United Arab Emirates	10
Yeman Arab Republic	1
Asia and the Pacific	110
Brunei	3
Fiji Islands	5
Hong Kong	25
India	11
Indonesia	6
Japan	23
Korea	3
Malaysia	5
Pakistan	4
Philippines	4
Republic of China	4
Singapore	14
Thailand	2
Vietnam	1
U.S. overseas areas and trust territories	54
American Samoa	1
Canal Zone (Panama)	2
Caroline Islands	1
Guam	7
Marianas Islands	1
Marshall Islands	1
Puerto Rico	22
Virgin Islands	19
Total	664

Table B–39

Total assets of foreign branches of National banks, year-end 1953–1975*

(Dollar amounts in thousands)

1953	$1,682,919	1965	$7,241,068
1954	1,556,326	1966	9,364,278
1955	1,116,003	1967	11,856,316
1956	1,301,883	1968	16,021,617
1957	1,342,616	1969	28,217,139
1958	1,405,020	1970	38,877,627
1959	1,543,985	1971	50,550,727
1960	1,628,510	1972	54,720,405
1961	1,780,926	1973	83,304,441
1962	2,008,478	1974	99,810,999
1963	2,678,717	1975	101,199,749
1964	3,319,879		

* Includes military facilities operated abroad by National banks from 1966 through 1971.

Table B–40

Foreign branches of National banks, 1960–1975

End of year	*Number of branches operated by National banks*	*National bank branches as a percentage of total foreign branches of U.S. banks*	*End of year*	*Number of branches operated by National banks*	*National bank branches as a percentage of total foreign branches of U.S. banks*
1960	93	75.0	1968	355	95.0
1961	102	75.6	1969	428	93.0
1962	111	76.6	1970	497	92.7
1963	124	77.5	1971	528	91.5
1964	138	76.7	1972	566	90.2
1965	196	93.5	1973	621	89.5
1966	230	94.3	1974	649	89.4
1967	278	95.5	1975	664	88.3

Table B–41

Assets and liabilities of foreign branches of National Banks, Dec. 31, 1975: consolidated statement

(Dollar amounts in thousands)

ASSETS	
Cash and cash items in process of collection	$ 448,394
Demand balances with other banks	3,710,716
Time balances with other banks	28,950,057
Securities	1,507,192
Loans, discounts and overdrafts, etc.	50,689,419
Customers' liability on acceptances outstanding	2,509,306
Customers' liability on deferred payment letters of credit	57,364
Premises, furniture and fixtures	241,801
Accruals—interest earn, foreign exchange profits, etc.	1,486,099
Due from other foreign branches of this bank	10,059,249
Due from head office and its domestic branches	999,744
Other assets	540,408
Total assets	$101,199,749

LIABILITIES	
Demand deposits	$ 7,581,975
Time deposits	66,830,698
Liabilities for borrowed money	2,057,988
Acceptances executed	2,508,273
Deferred payment letters of credit outstanding	47,617
Reserve for interest, taxes and other accrued expenses	1,665,870
Other liabilities	591,830
Due to other foreign branches of this bank	12,836,607
Due to head office and its domestic branches	7,078,891
Total liabilities	$101,199,749
MEMORANDA	
Letters of credit outstanding	$2,202,418
Future contracts to buy foreign exchange and bullion	$34,225,269
Future contracts to sell foreign exchange and bullion	$32,929,232

APPENDIX C

Addresses and Selected Congressional Testimony

Addresses and Selected Congressional Testimony

Statement of James E. Smith, Comptroller of the Currency, before the Financial Institutions Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C., Mar. 14, 1975

The proposed Electronic Funds Moratorium Act of 1974 should not be enacted.

My principal concern as a bank regulator, and I hope the principal concern of this Committee, should be to provide the best possible banking service to the American public.

The proposed Moratorium Act seems to assume that the banking public can best be served by delaying the application of available technology to the funds transfer system until the National Commission on Electronic Funds Transfers has completed its study. I fully support the creation of the Commission and look forward to participating in its work. Unquestionably, it can make a valuable contribution through identifying and, hopefully, answering important questions of public policy raised by the enlarging role which electronic technology is playing in our payments system. But we do not have to suspend the flow of operational application of that technology for the Commission to successfully fulfill its purpose. That is no more necessary than it is to stop a river in order to successfully design a dam for its control.

The spectacularly successful and innovative record of American business did not evolve from delaying new developments based upon conjecture of hypothetical evils. Our own history teaches us that the public interest is best served when consumers can express their powers of choice, selecting products or services offered by competing institutions. Those competitors, in turn, must have the opportunity to innovate and to employ technology as it becomes available in anticipating and meeting consumer needs.

Thus the interest of the American banking public would be best served by development and testing of new delivery concepts and technologies as rapidly as financial institutions are willing to make the necessary business decisions to employ electronic technology in the funds transfer process. Development and testing will be necessary whether it begins now or in December of 1976 or in December of 1986.

Permitting such experimentation and development to continue not only will have enormous direct public benefit to the consumers who use such services, but also will have the indirect public benefit of permitting both the National Commission on Electronic Funds Transfers and the Congress to act upon the basis of fact developed from actual use rather than upon conjecture.

My statement is divided into two parts. The first will discuss the background of, and the experience under, the formal determination I made in December 1974—that unmanned off-premises electronic terminals could be operated by National banks without regard to the legal restrictions imposed upon branch banks. The second part will give some thoughts concerning the proposed Moratorium Act. In that part, I suggest that the Act, in fact, will not benefit the small banks who are its principal proponents and that the Act would regulate the activities of State-chartered financial institutions in an area heretofore left to the respective states.

On December 12, 1974, I issued an Interpretive Ruling (published in the *Federal Register* of December 24, 1974, (39 F.R. 44416)) accompanied by a 40-page explanatory opinion, stating my opinion that an off-premise customer-bank communication terminal (CBCT) operated by a National bank was not a "branch" within the meaning of the McFadden Act of 1927, 12 U.S.C. 36(f). That was the only question decided by that ruling.

So far I have made no other decisions concerning CBCT's. I have scheduled a public hearing for April 2, 1975, to explore the issue of whether any sort of restriction should be applied to the development of CBCT's.

I propose here to discuss briefly what a CBCT is, the way in which the question of how to treat a CBCT came to the attention of the Comptroller's Office, the relationship between my ruling and the work of the National Commission on Electronic Funds Transfers, and our experience to date under the Comptroller's CBCT ruling.

A CBCT is one method of delivering banking services to customers. The most useful method of delivering banking services is branch banking networks through which the entire range of banking activities may be made available to customers. Simpler and less useful delivery systems include the telephone, telegraph, credit card imprinters, and postal service, all methods through which customers may communicate with their banks to accomplish a limited number of simple banking transactions involving the transfer of funds.

Some forms of CBCT's can accomplish transactions which cannot be done by telephone. A CBCT is less useful than a branch bank because, at least with existing technology, CBCT's cannot be used to open accounts, to negotiate loans, to gain access to safe deposit boxes, or to accomplish dozens of other activities typically performed at branch banks.

There are three forms of CBCT's now in operation. The first is the telephone. A few mutual savings banks are operating a system by which a customer, using his own touch-tone telephone, may communicate directly with the bank's computer. The customer may find out his deposit balance, may have a check mailed, and may transfer funds to other accounts in the same bank.

The second form of CBCT involves a relatively inexpensive computer terminal which uses telephone lines and operates in a way closely analogous to a telephone. Suppose, for example, a customer and his local grocer both maintain accounts at the same bank. Assuming the bank was willing, the customer who wanted $25 could obtain it from the merchant, who would call the bank on the telephone and arrange at the same time for $25 to be transferred from the individual customer's account to that of the grocer. If, during the telephone call, the grocer discovered that the customer did not have $25 in his account, the grocer probably would refuse to give the $25 to the customer. Reversing the transaction, the customer could leave $25 with the merchant, who then would call the bank and arrange for $25 to be transferred from the store's account to that of the customer. One of the CBCT's which has attracted the most attention, that involving First Federal Savings and Loan Association and the Hinky Dinky stores in Lincoln, Nebr., works exactly in this manner. The operation has been made routine and less time consuming by giving the customers of First Federal Savings and Loan Association cards which identify them to the clerk at the Hinky Dinky stores, replacing the telephone with an inexpensive and simple computer terminal, and connecting the computer terminal telephone lines directly to the computer at the savings and loan association. The terminal involved in the Hinky Dinky operation also may be used, just as a telephone might be used, to transfer funds from the bank customer's account to that of someone other than Hinky Dinky, such as the local electric company or anyone else to whom the customer wishes to make a payment.

The third form of CBCT now operational is the so-called "automatic teller machine." We estimate that approximately 2,700 of those machines are now in use, all but a handful installed on the premises of the financial institution that operates them. A customer may leave funds which are to become a deposit to his account with the machine, just as he might with a night depository or a mailbox. A customer also, if he has been authorized to do so and properly identifies himself, may withdraw cash from the machine in predetermined amounts. He may also transfer funds between accounts, such as from his savings account to his checking, or may transfer funds to the account of someone else. This type of CBCT might be on-line, *i.e.,* directly wired to the bank's computer, or it might be off-line. If it is on-line, all transactions are instantaneously communicated to and verified by the bank's central computer. If the CBCT is off-line it records the transactions on a tape or similar medium which later can be delivered to and read by the bank's computer.

The most dramatic development in the CBCT area was the establishment, by First Federal Savings and Loan Association of Lincoln, Nebr., early in 1974, of a computer terminal in each of two Hinky Dinky supermarkets. Customers reacted very favorably to the operation. First Federal received an additional $300,000 in deposits and more than 600 new accounts during the first 45 days of operation. That operation, which had been approved by the Federal Home Loan Bank Board, captured the interest and attention of the financial community and has now been expanded to include 20 Hinky Dinky stores in eastern Nebraska.

In April 1974, the State of Washington enacted legislation specifically permitting State banks and State-chartered savings and loan associations to establish off-premises CBCT's called "satellite facilities." The statute permitted the establishment of CBCT's statewide, and declared that such devices were not to be considered as branches. In the State of Washington, bank branches may be freely established only within a bank's home county. The statute imposed various requirements concerning the sharing of CBCT's with other financial institutions.

With that sort of operation and legal development going on in the country, National banks began to inquire how the Comptroller would view the establishment of CBCT's by National banks. The first question raised by those inquiries was whether the Comptroller considered the devices to be branches. Two such inquiries will serve to illustrate the problem confronting the Comptroller's Office.

Seattle First National Bank, Seattle, Wash., wished to take advantage of the new Washington State statute. In June 1974, the bank submitted to the Comptroller's Office seven formal branch applications to establish automatic teller machines. In contrast to the Seattle First applications, First National Bank in St. Louis at about the same time had decided that the establishment of similar devices would be permissible in the State of Missouri, even though Missouri prohibited branch banking. First National Bank of St. Louis urged the Comptroller's Office to take a stand, saying first, that State-chartered banks in Missouri could establish such devices and, second, that, regardless of State law, such devices were not "branches" within the meaning of the Federal statute.

I viewed the resolution of those conflicting approaches as an important issue, worthy of painstaking consideration. The Supreme Court in 1969 in *First National Bank in Plant City* v. *Dickinson,* 396 U.S. 122, rejected the contention that the State law definitions of what is considered "branch banking" must control the content of the Federal definition of §36(f). For reasons I explained at length in the statement accompanying my CBCT ruling, I believed that the underlying structure of the National Bank Act shows the necessity for a uniform, nationwide definition of what constituted a "branch" of a National bank. Thus, what constituted a branch of a National bank in Missouri also would be a branch in the State of Washington. Whatever position I took would have nationwide application.

By late summer 1974 I had become persuaded that the sound interpretation of the McFadden Act, and the one most consistent with that Act's legislative history, would be that computer terminals established by National banks should not be considered to be branches. Since similar problems of statutory interpretation faced the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System, I delayed formal issuance of any ruling pending discussion with those agencies of my tentative conclusion.

On September 14, 1974, in a speech in Lincoln, Nebr., I discussed at length my views on the subject. That speech received wide coverage in the banking press and, as a result, I received a number of comments both pro and con. All those comments were carefully considered before the final ruling was issued. A formal ruling was issued, together with an elaborate explanatory statement on December 12, 1974. (That ruling was carried in the 1974 *Annual Report of the Comptroller of the Currency.*)

On December 17, 1974, Chairman McIntyre of this Subcommittee wrote me expressing his concern that the effect of my ruling might be to preempt much of the work of the newly authorized National Commission on Electronic Funds Transfers, and asking for my comments.

As you can see, because of the experimental nature of CBCT developments I was, and still am, hesitant to attempt to fabricate rules which might prevent all of us from learning the various ways in which a CBCT might be employed to improve banking services and to benefit the public. I do not believe that the development of CBCT's operated by National banks will be so dramatic and widespread as to outrun the ability of the Commission to study problems involved or of the Comptroller's Office to take appropriate enforcement steps. Instead, the experience accumulated under my CBCT ruling should help rather than hinder the work of the Commission.

My ruling requires a National bank to give to the Comptroller's Office 30 days' notice before establishing a CBCT. As of March 7, 1975, we had received such notices from eight National banks covering a total of nine CBCT's. I believe that only three of those nine CBCT's are actually now operational. Six months or more usually are needed after a bank decides to establish a CBCT before the necessary operational arrangements can be made.

Most of those notices are from smaller banks, including The First National Bank of Anniston, Anniston, Ala., First National Bank of Fort Collins, Fort Collins, Colo., First National Bank & Trust Company of Enid, Enid, Okla., and Zapp National Bank, St. Cloud, Minn. Only three notices were from institutions with $1 billion or more in deposits: First National Bank of St. Louis, St. Louis, Mo.; Seattle First National Bank, Seattle, Wash.; and The First National Bank of Atlanta, Atlanta, Ga.

Two lawsuits have been filed involving the CBCT ruling. In December 1974, the State Banking Commissioner of Missouri brought suit in State court against the First National Bank of St. Louis. The State court denied the Commissioner's request for a preliminary injunction, and the defendant bank since has removed the case of Federal court. No further proceedings have occurred. The Comptroller is not a party to that litigation.

The Independent Bankers Association of America petitioned me in December 1974 to suspend the effectiveness of the CBCT ruling and to hold a hearing. I declined to stay the effectiveness of the ruling, but I announced on January 10, 1975, that a public hearing would be held (published in the *Federal Register* of January 16, 1975, (40 F.R. 2836)). On January 17, 1975, the Independent Bankers, eight state banks, and Thomas Brickle, legislative counsel for the Independent Bankers, filed a complaint, in the United States District Court for the District of Columbia, challenging the ruling and naming me as the sole defendant. A later proposed amendment to that complaint seeks permission to add the Banking Commissioner of Minnesota as a plaintiff in the action. My attorneys have asked the court to delay our time to respond to the complaint until after I have had an opportunity to receive and consider evidence at the April 2, 1975, hearing. No orders of any kind have been entered by the Court.

In my introductory paragraphs I have stated a belief that the philosophy of S. 245 is repugnant to the innovative competition which has fostered the growth of our American economy. Additionally, I think the arguments in support of S. 245 are entirely misplaced. I do not believe that allowing CBCT's to develop freely according to the dictates of the competitive market will result in the taking over of American banking by a few giant banks. On the contrary, I think that CBT's will be a cheap and effective competitive weapon for smaller banks which do not have existing networks of branches and lack the capital to establish such networks. Additionally, the attempt to freeze EFTS at its present stage of development may create unintended competitive imbalances. Finally, I suggest that the intent of S. 245, to prohibit State-chartered institutions from using certain methods of delivering banking services, will bring Federal legislation into an area heretofore left to the respective states.

The most vocal proponent of S. 245 has been the Independent Bankers Association. That group raises the spectre of a large bank, such as Bank of America of San Francisco or First National City Bank of New York, putting thousands of banking terminals all over the United States and monopolizing the American banking market. That conclusion cannot be supported by objective analysis. CBCT's can be used efficiently only when there is an existing base of bank customers large enough to make installation of a CBCT economically feasible. First National City Bank wouldn't establish a CBCT in my home town of Pierre, S.Dak., because there are no customers of Citibank in Pierre to use such a device. In short, the CBCT is not a useful competitive weapon for penetrating a geographic market distant from a bank's natural customer base.

On the other hand, a CBCT is a comparatively inexpensive method for a small local bank to offer routine banking services where and when its customers require them without the need for extensive or expensive branching. CBCT's thus should help local banks to retain their customers, even when faced with competition from a bank with an extensive branching network.

Some small bankers voice the concern that their institutions may not be able to afford the investment necessary to develop and establish a complex CBCT network which might connect with a number of retail stores, and thus would be prevented from participating in such a system. The little experience that is available suggests that fear is likewise illusory.

First, a number of banks of varying sizes might cooperate in developing a CBCT network. That cooperation has occurred in Nebraska, where a system has been conceptually developed in which all banks in the State may participate.

Second, large banks, which can afford to and do develop their own CBCT systems, are expected to offer those systems by franchising to smaller banks in order to help recoup the cost of developing the system. That is similar to the existing practice of large banks offering to do computer processing for their correspondent banks or others for a fee.

Third, the nature of CBCT's mandates some sort of joint access. The most important type of CBCT is likely to be the computer terminal located in a retail establishment. The retailer will be the single most important person in determining what sort of terminal is used in his own store. It seems unlikely that he would wish to have a panel of a half-dozen terminals located next to his cash register. The utilization of terminals which have the capacity to serve numerous financial institutions is more likely. The retailer will doubtlessly insist that the CBCT network be equally available to all local banks, whether large or small, for his market interests are best served by a system that permits access to the maximum number of deposit accounts.

Fourth, the development of a statewide, regional, or nationwide CBCT network would give small town banks a much greater opportunity to retain customers who move away. Population trends still show that people are leaving smaller towns for larger cities. The availability of an effective and cheap method of communicating banking transactions gives bankers in the smaller towns a better chance to retain their customers.

We have some evidence on which to base those conclusions concerning the probable development of an EFTS network. The most closely corresponding competitive development in banking has been that of credit cards. We now have two nationwide bank-sponsored credit cards, BankAmericard and Master Charge. Through franchise arrangements, every bank is able to participate in one of those credit card systems, to permit any customer the bank chooses to open a credit card account, to establish credit limitations for that customer, and to charge whatever rate it wishes on the credit card transaction. Many other banks have established their own local or regional credit cards. The credit card is no more than a uniform, reliable, and convenient system through which credit transactions may be accomplished. The system is available to every bank, and there is no reason to believe that any EFTS network will develop differently.

Attempting to prohibit Federally-insured financial institutions from establishing new CBCT's for a period of 2 years will result in unintended competitive imbalances. Many savings and loan associations, for example, already have established such terminals, and their closest competitors, including other savings and loan associations, would be prohibited from attempting to keep pace. Such a freeze thus would benefit First Federal Savings and Loan Association of Lincoln, Nebr., but would be detrimental to the other financial institutions in Lincoln and to their customers.

There also may be an unintended effect upon small institutions faced with competition from a larger bank or savings and loan with many branches. The larger institution will be able to offer a customer a number of convenient locations, while the small institution, which cannot afford to branch, will be forbidden by law from using an inexpensive CBCT in an attempt to meet this competition.

Additionally, the proposed legislation does not prohibit the establishment of point-of-sale terminals by unregulated industries, such as retail, department, or food stores. Many retailers are already operating point-of-sale computer terminals, and those unregulated terminals could be used to engage in transactions similar to those performed by a bank-operated CBCT. Many of those retailers have nationwide credit cards which easily could be adapted for this purpose. Thus the most likely result of a moratorium would not be to delay the development of an EFTS network, but merely to prohibit financial institutions from participating in that development.

The Independent Bankers Association has urged upon the Comptroller's Office the idea that CBCT's should be considered to be branches, regulated by State law to the extent permitted by the McFadden Act. In other words, the Comptroller is being urged to defer to State law. At the same time, the Independent Bankers are urging the Federal Congress to pass a moratorium which would prohibit State legislatures from acting on the problem. Similarly, the Independent Bankers Association has undertaken a letter writing campaign to many State officials urging that all action be deferred until the report of the National Commission on Electronic Funds Transfers, a Federal commission created by an act of Congress is received. The Independent Bankers Association is inconsistent in urging the Congress to take a nationwide approach to the question of CBCT's while, at the same time, criticizing the Comptroller for having done so.

In summary, I believe the development of CBCT's will be beneficial both to banking customers and the banking industry, particularly smaller banks. I do not believe that the delay which would be imposed by the passage of S. 245 would benefit anyone, except the relatively few institutions with already operational CBCT's. I therefore urge the Subcommittee and the Congress *not* to approve the proposed "Electronic Funds Transfer Moratorium Act of 1974."

Remarks of James E. Smith, Comptroller of the Currency, before the Annual Convention of The Pennsylvania Bankers Association, Atlantic City, N.J., May 19, 1975

It is a particular pleasure for me to address the Pennsylvania Banker's Association this morning, for the National Banking System really started in your State. First Pennsylvania holds National bank charter number 1, originally issued in 1863.

My message today deals with the present and future of banking, rather than with its honored past. Information processing technology now makes it possible for banks to serve the financial needs of their customers with far greater speed and convenience than was possible even a few short years ago. EFTS is the acronym used to describe the electronic delivery of financial services to the customer where and when he wants them.

To insure a common basis for understanding my views of electronic banking or EFTS, it may help to review the basic elements in such a system. Computer terminals are normally linked to a bank computer by telephone lines. The terminal may be as simple as a touch-tone telephone or as complex as an automated teller machine. The important thing is that these terminals simply permit a customer to transmit transaction instructions to his bank. Thus the services may be made available to the customer where *he* is rather than forcing him to come to where the *bank* is.

Though the terminals are the most visible components in an EFT system, the real action takes place in the programs and on-line account files on the bank's computer. Those programs define the transactions that can be accommodated through the system and handle all of the accounting tasks for the customer and the bank.

Computer terminal networks are certainly not new. Airlines and retailers have been using them for years to log reservations and record sales. Some of the more innovative bankers had been seeking ways to employ that technology to better serve the consumer and a number of limited EFTS experiments were undertaken around the country.

Perhaps the most significant of those was the installation of simple, $500 terminals in Hinky Dinky supermarkets in Lincoln, Nebr., in January 1974. First Federal Savings and Loan of Lincoln had developed a system which would permit their customers to make deposits or withdrawals from their savings and loan depository account through those supermarket terminals. Thus, simple transaction services were made available to customers during store hours 7 days a week, in contrast to the limited hours of operation of First Federal's branches.

Of perhaps greater significance to the financial industry than the First Federal-Hinky Dinky experiment itself was the sequence of events surrounding the FHLBB "place of business" funds transfer regulation that made the services legal for federally chartered S&L's. First, a perceptive and innovative savings association manager discerned a customer need and developed a service to satisfy that need. When the regulatory status of that service was not clear, he sought enabling regulation to permit his association to employ existing technology in a creative fashion. The experimental regulation followed, to be further modified 5 months later based on experience rather than conjecture.

The Federal Home Loan Bank Board followed its initial regulation with a modification in May of 1974 and new EFTS plans were being translated into competitive services by an increasing number of savings and loans. My constituents, the National banks, started clamoring for clarification of their legal ability to compete. National bankers, bankers' associations and State regulators from 14 states approached the Comptroller's Office questioning the interpretation of Federal law, the interaction of Federal law with diverse State laws, the competitive balance within the banking industry and between banks and other financial institutions, and the future development of electronic banking services which will benefit the banking public and alter traditional banking methods.

In response to those forces for change, the Comptroller's Office initiated an exhaustive review of the law and began formulating a position on EFTS. The results of that review were published on December 12, 1974, as an interpretive ruling clearly setting forth as a matter of law and sound public policy that off-premise customer bank communication terminals (CBCT's) could be operated by National banks without regard to the restrictions contained in Federal law regulating branch banks.

Underlying that interpretive ruling was the historic responsibility of the Office of the Comptroller for the establishment and development of a National Banking System and the obligation implicit in that charge to periodically take account of the competitive environment facing National banks. That the competitive environment was substantially altered in January 1974 by the Federal Home Loan Bank Board is clear. My obligation to preserve and enhance competition, to assure that available technology could be employed to improve the quality and efficiency of banking service to the public, is equally clear.

The CBCT ruling was intended as a clarification of the non-branch status of the terminal systems and as the removal of a legal barrier to National bank competition with Federally chartered savings and loan associations. I recognized the potential State law problems faced by State-chartered commercial banks and, at the request of the Conference of State Bank Supervisors, incorporated an "urged" deferral until July 1, 1975, for those National banks operating in states where legislation would clearly prohibit State banks from electronic competition. That deferral period allowed State legislatures to assess the EFTS issues and determine the appropriate legislation governing institutions under their jurisdiction. Ten states have enacted EFTS legislation, 17 more are expected to address the issues during the current session and 27 have existing legislation insuring competitive equality between State and National banks.

That legislative progress is a genuine tribute to the State supervisors, bankers associations and individual banking leaders within each State. The issues are indeed complex and confusing given so little actual experience to date.

I can not overemphasize the value of experience, for regulation or legislation based instead on conjecture or speculation clearly runs counter to innovation in the preliminary stage of EFTS development. The minimal extent of our initial regulation represents a carefully considered decision that regulation should follow an experience curve and be limited to those situations where experience demonstrates the need for regulation. That position was substantially supported during the March 14 Senate hearings on S. 245, the proposed EFTS Moratorium Bill, by testimony given by other Federal regulators, several industry trade associations, and the Department of Justice. As experience is gained, I shall carefully and decisively employ my regulatory authority to preserve and enhance competition in the public interest in accordance with my Congressional charter of accountability.

To gain maximum benefit from the limited experience gained by savings and loans and commercial banks alike, public hearings were held on April 2 and 3. Thirty-five witnesses testified and several institutions filed prepared statements to aid our evaluation of the original CBCT ruling. The hearings reaffirmed the undesirability of premature or anticipatory regulation which would serve to stultify the optimum development of the technology.

Witnesses described the variety of competitive options available to smaller banks which may lack the resources to independently offer their customers the convenience of EFTS services. Cautions were raised regarding systems security, consumer rights and liabilities, and the unrestricted geographic coverage of the initial ruling. We listened as intently to those cautions and concerns as to the enthusiastic support of the ruling by others.

One witness suggested specific revision to limit CBCT installations to a bank's home market area before any further geographic expansion was permitted. Such a limitation also would help to allay the fears expressed on behalf of small banks, and thus promote the healthy development of the banking system, both State and National, by focusing the attention away from an unproductive intra-industry dispute and toward the development of techniques to meet competition from other industries and to better serve the banking public. Others urged that some form of sharing be allowed so as to permit National bank participation in several regional, statewide or multi-state joint ventures currently in the planning stages. Though I do not favor sharing as a general rule, especially where a bank has adequate resources to competitively develop and install its own CBCT's, the argument for allowing sharing where consistant with anti-trust laws was persuasive.

Following the hearings, we carefully evaluated the testimony to determine the next regulatory step. A modification to the ruling was announced May 9 with the following major provisions:

- CBCT's are definitely not branches. The electronic delivery of limited banking services through CBCT's supplement rather than replace conventional relationships at traditional facilities.
- A mileage limitation has been imposed on CBCT's intended for the exclusive use of the customers of a single bank. A National bank is forbidden to establish a CBCT more than 50 miles from its main office or nearest chartered branch unless the CBCT is available for sharing at a reasonable cost with one or more deposit taking institutions already serving the trade area of the proposed CBCT.
- Consumer protection procedures including disclosure to customers of their rights and liabilities and safeguards against wrongful or accidental disclosure of confidential consumer information are now required by the notification process.
- Permission has been granted for National banks to use CBCT's installed and owned by another bank or third party. The modified ruling also permits National banks to participate in statewide networks such as those legislatively permitted in Nebraska and Kansas, and contemplated in Missouri and Minnesota.
- Specifically excluded from reporting requirements are those terminals whose sole function is to accomplish a verification or authorization function, a funds transfer for payment of goods or services, and through which neither cash is dispensed nor cash or checks left for subsequent deposit.

In addition, the May 9 modification makes quite clear our intent to consult closely with the Antitrust Division of the Department of Justice to insure that no potentially anticompetitive activities or arrangements are permitted under the ruling. On the consumer protection aspects of the ruling, each notification will be reviewed by my Consumer Affairs Department to insure compliance with the spirit and the laws already enacted dealing with the relationship between a bank and its customers.

Congress quite clearly expressed its concern that EFTS be allowed to develop with a minimum amount of government regulation or intervention and a maximum of competition consistent with adequate consumer protection when it established the National Commission on Electronic Funds Transfer Systems last October. Though the Commission has yet to be formed, I strongly support its congressionally imposed purpose and functions. The Commission shall enjoy a unique opportunity to draw upon the most capable people in the industries and government agencies represented and to elicit the broadest base of data from which to draw its conclusions. I am most anxious for the Commission to be formed and commence its great tasks, for the Commission findings should prove most valuable to regulators and the industry alike. Accordingly, I intend to employ the May 9 modified CBCT ruling substantially unchanged until the final Commission report is available for guidance.

Thus experience can be gained in a controlled and orderly environment, benefiting the Commission activities, and banks can proceed with their planning and capital investments for electronic banking without fear of the ground rules changing significantly during this phase of EFTS development. My intent is not to provide protection for the unwilling noncompetitive bank nor to establish a competitive advantage for any particular group of banks. Rather, it is to enable National banks to meet the competitive challenges of other financial and non-financial service institutions in a free market economy for the benefit of the consumer and banking industry alike.

Free market competition, however, does not imply lack of restraint or regulation. To the contrary, restraint must be exercised by banks in those situations where imprudent or unusually venturesome actions are likely to work to the detriment of the industry as a whole. A maximum of good faith and prudent judgement must be exercised by bankers and regulators, both State and National, during these early days of EFTS so as not to kill innovation through counterproductive and lengthy litigation.

This is the time for thorough assessment of all options available to a bank in its competitive forays. Simply because EFTS activities may now be regulatorily permissible, the basic business decision process must prevail. Capital adequacy and bank earnings must be critical factors in the evaluation of competitive options. Where a National bank serves a trade area which spans State boundaries, as is the case in a number of metropolitan areas, the bank would be well advised to consult with the State bank ing commissioners in both states before installing a CBCT under our regulation. That consultation should have as its objective the reconciliation of bankers' competitive objectives and the State regulators' concerns for competitive equality on the part of their State-chartered banks. My staff and I welcome the opportunity to meet with the bankers and State regulators on an informal basis to work cooperatively and diligently to achieve professional innovations in banking services for the public benefit. Some form of limited reciprocity agreements between State regulators is clearly preferable to repeated and unnecessary litigation, though this Office does not shrink from the prospect of future litigation.

In conclusion, it is my firm belief that reasonable people can agree on developments which break genuinely new ground for the banking industry and the public. Let us substitute reason and rational analysis for emotional response. Such is the task of the National Commission and so must be the charge to regulators and those who are regulated. Good faith and good will on all sides of the issues and a willingness to consult and work toward the establishment of informal agreements can permit much progress to occur, even in the absence of express legislation by the states.

Statement of James E. Smith, Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C., July 16, 1975

I appreciate the opportunity to express my views on disclosure by banks and bank holding companies in connection with public sales of their securities. Since my appointment as Comptroller of the Currency, I have given extensive consideration to the interplay between National bank law and Federal securities law, as well as the areas of possible overlapping jurisdiction among the SEC and the Federal bank regulatory agencies.

Commercial banks are exempt from the registration and prospectus requirements of the Securities Act of 1933 ("1933 Act"), but are subject to the antifraud provisions of both the 1933 Act and the Securities Exchange Act of 1934 ("1934 Act").[1] In 1964, the 1934 Act was amended to require, among other things, annual and periodic public reporting by banks with 750 or more shareholders. In 1966, it was further amended to require that reporting for banks with 500 or more shareholders. Those reporting requirements are administered and enforced by the banking agencies. The banking agencies adopted regulations similar to the SEC's reporting requirements and, in 1974, the 1934 Act was further amended to require that the banking agencies' regulations be virtually identical to the SEC's, or that an appropriate explanation of differences be made in the *Federal Register*. Proposed revised regulations were published by this Office in the *Federal Register* on March 6, 1975, and the final regulation was sent to the *Federal Register* last week. This Office, pursuant to its authority under the National Bank Act, also requires the use of an offering circular in connection with certain public sales of securities of National banks. Finally, just last month, the Congress enacted the Securities Acts Amendments of 1975 which assigned significant new responsibilities to the banking agencies to enforce other aspects of the securities laws.

In order to fulfill all the responsibilities of this Office in the securities area, to provide investors, depositors and others with the best possible disclosure, and to facilitate the most productive working relation-

[1] In particular see Sections 3(a)(2) and 17 of the 1933 Act and Section 10(b) of the 1934 Act.

ship with the SEC, I am establishing within my Office a separate division for disclosure and financial analysis as part of a general overall reorganization of the Office of the Comptroller of the Currency. Presently, most of those responsibilities are conducted in the Law Department.

Prior to my appearance here today, I read the statement submitted to the Committee by Frank Wille, Chairman of the FDIC, on July 11, 1975. I feel he has set forth cogently the framework surrounding the laws and policies of disclosure by banks and bank holding companies, and I am in substantial agreement with his remarks.

I am acutely aware of both the requirements of the Federal securities laws and the public need for meaningful disclosure. In that regard, bank holding companies, as State-chartered, non-bank corporations are subject to the full panoply of Federal and State securities laws. What constitutes appropriate disclosure for bank holding companies is therefore a matter solely within the jurisdiction of the SEC. However, as an official charged with responsibility for, among other things, maintaining public confidence in our banking system, I am naturally concerned with, and charged by law to understand, the impact of disclosures by bank holding companies on their principal assets—banks.

The Comptroller's Office in recent years has continually sought to improve the availability and relevance of public knowledge about banks and bank holding companies. Our most recent interest has been engendered primarily by the SEC's December 1974 Accounting Series Release Number 166, entitled "Disclosure of Unusual Risks and Uncertainties in Financial Reporting."

Because of the rather general approach of that release, I felt a responsibility to see that its implementation did not place banks as a group at any unwarranted disadvantage in the capital markets. That is especially important right now because of the increased demands on bank capital expected in the coming months. Further, I was informed during early 1975 by analysts, investment bankers and commercial bankers that some of the disclosure being requested by the SEC was not providing meaningful information to the investor. Out of the discussion of those problems, the SEC requested the banking agencies to help implement ASR 166 by providing input toward better disclosure by bank holding companies. The agencies readily agreed and the SEC-Federal Banking Agency Task Force was established for that purpose and to coordinate other matters subject to overlapping jurisdiction.

It has been my feeling that financial disclosure should, in fairness, be consistent to the greatest degree possible for banks and bank holding companies, and for others competing for funds in the capital markets. Disclosure should provide a more comprehensive universe of appropriate information for investors and depositors. The task force conscientiously tried to provide meaningful guidelines to be published for public reaction and then to be used as a permanent guide to issuers. Since banks are unique in the corporate arena because of their short-term liability structure, the task force fully recognized the need to be careful not to require information subject to even temporary misinterpretation.

I am gratified to be able to report that the task force has already been very productive and has generated tentative understandings for significant improvements in disclosure by bank holding companies and banks. A constructive resolve has been reached by the agencies to continue working together toward even better understandings on disclosures. In addition, there has been general agreement among the banking agencies to revise bank reports of condition and income to contain additional information on a regular basis which will be useful to depositors and investors. I anticipate that those general agreements will be submitted to the public for comment as soon as the working papers of the participants can be transformed into guidelines. The task force will certainly send copies of the proposed guidelines to the Committee at the earliest possible date.

Many of the disclosures contemplated will coincide with the plans of the Office of the Comptroller of the Currency to rely more heavily on certain ratio analyses in connection with the examination of National banks.

In conclusion, as I stated in my May 7, 1975 letter to Chairman Garrett, I have directed my staff to cooperate fully with the SEC and other banking agencies. I feel that we have already benefited greatly from the SEC's experience in the disclosure area, and greatly hope that the SEC has benefited from the expertise of our people.

Statement of James E. Smith, Comptroller of the Currency, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the House Committee on Banking, Currency and Housing, July 17, 1975

I appreciate the opportunity to appear before you today in connection with bank regulatory matters of current interest to your Committee. You have requested my views on an extensive number of topics. I shall be happy to comment on these specific areas. Likewise, let me assure you of the desire of our Office to participate in the continuing deliberations of your Committee on the FINE Study.

As may be noted from my public statements, I am not persuaded that unification of bank regulatory functions would produce better supervision. While lessons were learned in the recent bank failures, nothing in those experiences suggests consolidation would have aided us. The appropriate matter to consider is not a restructuring, but rather the supervisory tools themselves. It, perhaps, would be easier to discuss administrative framework and ignore the more difficult, but crucial, questions of examining techniques and methodology. Unless those issues are resolved, the structure in which the methods operate will be irrelevant. I would argue that our entire attention, therefore, should be directed toward insuring that the regulatory and supervisory tools be made adequate for the increasingly complex banking scene. It ill serves the soundness of the banking system for us to be diverted toward what is, in many ways a cosmetic approach.

The study that I commissioned the firm of Haskins & Sells to make was intended to keep the Office abreast of fitting procedures and techniques. As I indicate later in my testimony, we will soon be altering and adding to our present examining scheme. For example, we will give consideration to analysis of financial data and less attention to detailed verification. Examination techniques will be applied with more selectivity. Procedures will take more cognizance of the differences between the examination of sizable institutions and that of small, less complex banks. Additionally, we are developing a surveillance system that will act both as a tracking system and as a manpower utilization instrument by the rational allocation of examining time on a need basis. By the use of trends in key indicator financial data of peer group banks, problem areas will be observable on a more continuing basis than provided by our present examination process. Although not immediately functional as a "flashing light" for early warning, with time we will have the opportunity to determine useful data and ratios. It is that process of research and change which offers the most promise for effective regulation, rather than tinkering with the umbrella under which to put it.

Indeed, the revisions we are undertaking point to one real strength of the trichotomy—experimentation. Under the tripartite system, separate laboratories are allowed to test various new approaches. Each agency has the freedom to attempt different formulae. Although notes are shared, duplication is not necessarily the result. For example, this Office is not alone in exploring early warning systems, and cross-pollination among the agencies will allow the best aspects of each system to be shared with the other agencies. Just as in private enterprise, size alone is not necessarily conducive to innovation. Competition among smaller units often produces added competence in government as well as in business.

It should also be noted that consolidation would be centralizing some rather significant functions in one almost omnipotent agency. Bank regulation is simply too important to leave to a single regulator from whom, for all practical purposes, there is no appeal. The now famous phrase of "competition in laxity" may be no more than a description of the healthy flexibility which presently exists. It would be ironic, given the recent discussion of the non-banking agencies' ability to stultify their industries, for us to now move to similar control of banking.

Despite my skepticism toward consolidation, I do support greater coordination. As areas such as early warning systems are being developed, it is incumbent on us to avoid duplication where possible. Since our detection procedures will need more data than is presently collected, coordination between the agencies must be close or the banking system will justifiably view us as never quite satisfied with the last bit of a ratio. Additionally, there are other areas of mutual concern and interest such as EFTS technical standards, security arrangements, and interchange capability.

Finally, I wish to stress once again my belief in the inherent strength of the trichotomy. Under the present scheme each agency has a unique forte which I fear would be homogenized beyond recognition if unification occurred. The FDIC possesses a particular insight into the typical bank in this country and is a strong voice in Federal bank regulatory issues on behalf of State banking systems. Were its functions combined in a single framework, that viewpoint might well be blurred. The Comptroller's Office, due to its unusual, historic development, has the advantage of a single chief executive, a fact which, on occasion, allows for expeditious decision-making in regard to regulatory issues. Consolidation would undoubtedly occur within a "board" context and, despite the advantages of that organizational form, banking regulation would lose the catalyst of one of three agencies' being able to respond with greater rapidity than normal for a more formalized board. Finally, the Federal Reserve Board, as a result of its monetary function, has a magnificant data gathering and research capacity. An independent, single agency would not have the benefit of that capacity, other than by grace. Additionally, it is probably useful to the Board of Governors to possess bank regulatory duties in conjunction with its monetary function. By combining the three agencies, the structure would lose many of its distinctive qualitites. I trust we will not be cavalier in abandoning a richly diverse system for a sleeker, but less dependable, model.

The final point which needs to be made is that, regardless of the state of perfection in supervisory oversight, the only way that perfection will be material is for the agencies to possess the willingness to treat bank problems emphatically, be they in small or nationally significant institutions. Consolidation simply does not insure that the requisite will to respond adequately will exist. Without that ingredient, no amount of supervisory expertise will help.

In contrast to my basic confidence in the regulatory structure, the events of 1973–74 demonstrated that the present structure of financial intermediaries is particularly vulnerable to distintermediation. As the short-term interest rates rise, both banks and thrifts are placed at a disadvantage in competing with other savings and investment media. When Regulation Q ceilings are surpassed, the money drain increases as rates climb.

Given the stated purpose of the present rate differential between S&L's and commercial banks, it is ironic that the "cure" causes a less stable and steady flow of funds to support home mortgage financing. But aside from its questionable efficacy, Reg. Q can also be faulted as being unfair to the consumer. The large depositor is not harmed, but the average citizen is forced to earn less in a financial institution than his wealthier compatriot.

It seems to me that given the increasing similarities of financial competitors as a result of piecemeal changes and the justice of allowing small depositors equal treatment argue strongly for early passage of the Financial Institutions Act of 1975. It is understandable that Congress would want to retain the right to reach conclusions in that area, but I think the long-term best interest of thrifts and consumers is best served by Congress delaying no longer the serious consideration of the package. Nearly 2 years have elapsed since it was first proposed. Action seems to be called for.

In Title II of the proposed bill, several rather diverse and complex aspects of emerging EFTS technology are addressed. I support some provisions of Title II; other provisions I oppose.

Section 201 would serve to redefine the lifespan of the National Commission on Electronic Funds Transfer Systems and clearly reflects Congressional intent that the Commission have available the full 2-year term in which to accomplish its critically important tasks. That redefinition should serve to allay the concerns that, absent the full term, the Commission could not adequately address the complete range of tasks originally envisioned by its creators. The Comptroller's Office therefore supports Section 201.

Section 202 causes serious problems in that it seems in subparagraph (a) to confer on the National Commission an element of regulatory oversight and control. I question whether such powers were originally envisioned for the Commission. Public Law 92-495 sets forth the purpose of the Act

> to establish a National commission to conduct a thorough study and investigation and recommend appropriate administrative action and legislation, both State and Federal, necessary in connection with the possible development, implementation, and regulation of public and private electronic fund transfer systems.

The investigatory and recommendation functions are neither consistent nor compatible with those of control or regulatory oversight. A more workable proposition might be for the Commission to recommend to Congress a reporting system through which the Federal regulatory agencies might keep both the Commission and Congress apprised of current developments within the institutions under their regulatory jurisdictions.

Section 202 subsection (b) proposes a 90-day moratorium. I oppose a moratorium of any kind or duration for a number of reasons. First, there appears no present need for such drastic action. Substantial evidence was provided Senator McIntyre's Senate Subcommittee on Financial Institutions during recent months to the effect that any stoppage or severe retardation of the development of this new technology would serve to deny the public the convenience and efficiency benefits of emerging EFTS service offerings and might be sharply anticompetitive as well.

Similar testimony was offered by the Department of Justice, the American Bankers Association and individual banks during our April hearings on the CBCT interpretive ruling. Subsequent to those hearings the May 9, 1975 modification to the customer-bank communication terminal (CBCT) ruling was issued to insure that CBCT developments were proceeding under careful control and close scrutiny, that the public was assured of adequate safeguards against wrongful or accidental disclosures of confidential account information, and that no anticompetitive activities would be permitted.

Clearly, the exercise of regulatory control over National bank CBCT developments, coupled with the valued cooperation of the Antitrust Division of the Department of Justice, has been effective to date. A total of 30 banks had filed notices of intent to operate CBCT's as of July 10, 1975. No individual, institution or group has been able to show any injury as a result of the limited CBCT activities.

Nor is the Commission in danger of being preempted by those experiments. Rather, the Commission should be able to derive substantial benefits from the real world experiences gained from live operations of EFTS by banks in the marketplace.

Temporary measures, such as the 90-day moratorium in Section 202, have a propensity to live on beyond the accomplishment of their intended purpose. Should the Commission fail, for any reason, to satisfy Congressional concerns within the 90 days, the period could be extended, thus adding to the uncertainties surrounding EFTS developments.

As there is no real need for a moratorium and as the results of such retarding action would effect a disservice to the public and innovative institutions alike, I must reaffirm my opposition to the proposed 90-day moratorium.

Section 203 sets forth a staggering list of tasks to be completed by the Commission during its initial 90 days. The report required by Section 203 addresses legislative requirements, monitoring, development of evaluation criteria, and "means to insure a uniform system of experimentation." Several problem areas arise within the section, not the least of which is the nature and magnitude of the tasks assigned by Congress. The report seems as complex as the final one which Congress believed would take the Commission 2 years to prepare. I am troubled by the charge for the Commission to "monitor" all experimentation given the earlier reference in Title II to "monitor and control." It is my understanding that Congress intended that the EFTS Commission be an investigative and reporting agency not a regulatory one.

It is particularly difficult to expect comprehensive and complex recommendations to be developed by the Commission during its formative phase, even before the chairperson has had an adequate opportunity to assess the broader issues, scope and problem, assign priorities consistent with Public Law 92-495, and allocate resources.

It may be appropriate and prudent, however, to charge the Commission during the early stages of operation to report its views to Congress on the need and possible nature of an interim regulatory posture that might be adopted by the regulatory agencies during the lifespan of the Commission. Such a report could provide welcome guidance for Congress and regulators alike during this very preliminary phase of EFTS development.

The concept of "a uniform system of experimentation" suggests a commonality of approach, conduct, and evaluation which is wholly incompatible with sound, well-controlled experimentation. To be of value to the public, Congress, and the industry, experimentation must be encouraged and allowed to flourish without massive governmental intervention or excessive uniformity. The concept of uniformity conflicts with the degree of creativity and willingness to take risks to achieve a potential reward in the marketplace that has so clearly benefited the American economy over nearly 200 years.

I am confident that the intent of Section 203 was to aid rather than preempt the Commission, but the apparent result conflicts with that intent.

In summary, Section 201 is excellent, Section 202 (a) should delete reference to "control," and Section 202(b) should be deleted and subsection (c) relettered as subsection (b). Section 203 might be restructured to reflect "recommendations for the guidance of Federal regulatory agencies" in place of legislative recommendations, eliminate the control implications and delete reference to a "uniform system of experimentation." Your objectives could thus be satisfied without significant danger to the public, the Commission, or the financial service industry. EFTS would be encouraged to develop in a highly competitive, experimental environment under the close and effective control of the accountable regulators.

I would now like to address the issue of mortgage disclosure as raised in Title III of H.R. 8024, specifically, the purposes of the measure and some of the problems I comprehend within its present provisions. The stated purpose of the proposed enactment is

> to provide the citizens and public officials of the U.S. with sufficient information to enable them to determine which depository institutions are filling their obligations to serve the housing and business needs of the communities and neighborhoods in which they are located.

My understanding of the background of this and similar legislation is that the proposed system of reporting and public disclosure of data on savings deposits and mortgage lending is intended to affect positively the flow of mortgage funds from financial institutions into those sectors of metropolitan areas which have been and are experiencing physical deterioration and decay.

The complex problems of urban decay are clearly outside the expertise of the Office of the Comptroller of the Currency; however, from our knowledge and understanding of the purposes and practices of National banks we may be able to provide some insights which will assist this Committee in consideration of H.R. 8024.

The provisions of H.R. 8024 seem to proceed from the premise that by endeavoring to correlate the geographic source of a depository institution's savings deposits with its geographic placement of residential and commercial real estate loans, it is possible to make a fair and objective evaluation of how effectively that institution is serving the community in which it is situated. In terms of National banks particularly, I find that premise faulty for a number of reasons. Let me briefly describe a few of the principal reasons.

First, commercial banks' service functions to a community span a multitude of deposit and lending functions far broader than the savings deposit and mortgage lending functions contemplated in the reports to be submitted under the terms of this bill. Commercial banks are typically the principal providers of business credit in a community, thus contributing importantly to the process of job creation, from which salaries and wages are derived that make possible home ownership and the satisfaction of other personal aspirations.

Similarly, commercial banks typically make an important contribution to community development, and for that matter neighborhood development, through their regular investment in the debt securities of municipalities and other bodies. The proceeds from such debt offerings are utilized in funding public institutions such as schools, recreational centers, and community health centers. Again, the narrow focus of H.R. 8024 would take no account of that important financial service to a community.

Looking more narrowly at the contribution that a particular bank may be making with respect to financing home ownership in a community or neighborhood, it would be essential to take account of an institution's lending activities to building contractors and real estate developers and to the completion of specific projects through interim construction lending. Once again it seems to me that the reporting focus of H.R. 8024 would fail to pick up those activities which are most important to a balanced understanding of service to a community.

Second, I believe that H.R. 8024 proceeds on an unrealistic impression regarding the operations of deposit financial institutions in assuming that there is, or in fact should be, an absolute geographic correlation between the receipt of deposits and placement of loan proceeds. The savings deposit function and the mortgage lending functions are separate and distinct services, each of which is valuable to a community. The markets for those services are often quite different and certainly the criteria for providing those services to individual customers are distinctly different and must remain so.

With respect to the savings deposit functions particularly, the provisions of H.R. 8024 could lead to some seriously mistaken impressions. Not infrequently an individual saver chooses a depository institution or branch of a depository institution which is conveniently situated in reference to that individual's place of employment. In those cases it is quite likely that the account will be carried with the employment address of the depositor rather than the residential address. To collect savings deposit data on that basis could lead to very real misunderstandings about the real geographic source of the deposits.

Third, because the reporting system proposed in H.R. 8024 is, as I understand it, seeking information that will permit the public and public officials to be better informed with respect to the problems of urban decay, I must observe that the reporting system would fail completely to reveal those sectors, other than mortgage lending dis-investment, which contribute to the problem. Although, as I have indicated, we presume no expertise in this area, our own review of studies which have been made with respect to the problems of urban decay seem to indicate that mortgage lending dis-investment is, in fact, one of the last events to occur in a long series of events in connection with creation of geographic sectors evidencing severe physical deterioration. Other factors which are typically present are the sharp decline in public services including sanitation, police and fire protection, and building code enforcement. Normally there is a withdrawal of fire and casualty insurance services. Likewise, the policies of governmental agencies with respect to the insuring, guaranteeing, and the secondary market purchases of residential mortgages can affect the trend of deterioration in a particular neighborhood. None of those factors would be taken account of in the type of survey and disclosure contemplated by H.R. 8024. Indeed, to develop a reporting and disclosure system which could encompass all of the factors and activities I have enumerated and to acquire that data on a universal basis for the U.S. deposit financial system would seem to entail such enormous expense that it would probably fail on a cost-benefit analysis.

For those and other reasons I must recommend against the enactment of H.R. 8024.

The Haskins & Sells Study, which commenced about a year ago, was the first comprehensive review of the Office of the Comptroller of the Currency in its entire 112 year history. The study began with the identification of the basic objectives of National bank supervision and regulation. It focused on a review of the present OCC policies, practices, and procedures; evaluated the extent to which they achieved the stated objectives; and developed recommendations for improvement of present activities in order for the Office to achieve its objectives more effectively and efficiently.

The review dealt with the:

- Examination and supervision function (including bank reporting requirements, examination procedures, an early warning detection system, and enforcement and compliance powers);
- Corporate regulatory function (including activities associated with charters, branches, mergers, conversions, capital changes, name and location changes, trust powers, subsidiaries, and ownership or management changes); and
- The internal organization and operations of the OCC (including organizational structure, planning, information processing, operations review, advisory services, and human resource activities associated with recruiting, manpower planning, employee relations, compensation and benefits, training, and personnel development).

The study has been completed and Haskins & Sells is in the process of rendering its report. I have set the date for release of the report as the first week of August. Copies of the report will be distributed to the entire membership of Congress, other financial regulatory agencies, all National banks, and other interested parties.

But given the Committee's present interest in the study, I am providing the following general summary of the key recommendations from the Haskins & Sells Study.

Examination and Supervision Function

Recommended improvement in that function centers on the updating of our examination procedures to match the level of sophistication of the banks we examine. To accomplish that objective, increased emphasis will be placed on supervision techniques designed to make banks manage themselves better. We will review bank management techniques for validity and focus our examination on testing the bank operations for compliance with such management techniques.

Greater emphasis will be placed upon evaluating bank policies and procedures, bank management capabilities, bank internal controls, and bank reporting techniques. From our side, we will sharpen our examination tools by providing updated procedure manuals and guides, more effective recruiting and training procedures, identification of specialized activities and talents needed to deal with specific kinds of problems—such as those associated with sophisiticated EDP operations—and improved communications. We will no longer expend the talent of our employees on detailed verification procedures unless they are called for by special situations. We will focus our attention on bringing modern techniques to the routine tasks of examination procedures and on providing the time our examiners need to focus their attention on areas of exposure and risk.

Haskins & Sells has confirmed our need for an early warning system to detect changing situations in the banking industry and in individual banks. We will, therefore, be developing a National Bank Surveillance System for use in our Washington and regional offices. It will be based upon reports furnished by banks and routinely tested by us and will provide us with leading indicators of conditions that might trigger an inquiry into an individual bank, or possibly cause us to investigate a condition common to the industry for which a policy consideration must be made for use throughout the Office.

We will also be strengthening our enforcement and compliance capabilities to deal more effectively with banks which pose threats to the soundness of our banking system.

Corporate Regulatory Function

The major recommendations for improving the effectiveness of the Office in this area are centered in delegating more of the routine tasks associated with individual banks, such as branching, name and location changes, capital changes, and the like to regional offices and permitting Washington to focus on Office-wide policy decisions and those activities, such as new charters, mergers, and conversions, that affect the entire banking system.

To accomplish those recommendations, improvements will also be needed in providing more formal and written policies and decision guidelines, improved application forms, instructions, and processing procedures, and, of course, effective coordination and communication.

Internal Organization and Operations

To accomplish improvements in the examination and corporate regulation functions, improvements are also needed in our internal organization and operations.

Recommendations in those internal areas will require a reorganization of our personnel between Washington and the regional offices. Primarily, in Washington, the reorganization will reinforce our capabilities to track developments in the banking industry in both the examination and corporate regulatory areas.

A more formal planning process will also be established to plan, coordinate, and communicate the unified activities of the Office. Those activities will be based on the decisions of a senior policy-making group within the Office. The process will identify strategic objectives and then set into motion the operational changes necessary to meet the objectives.

We will have a substantial upgrading of our human resources capability in the Office. We are a people-intensive organization and thus we must pay attention to their activities. There will be more effective training, as mentioned earlier, but we will also have substantial improvements in our manpower planning process, recruitment activities, employee relations, compensation and benefit programs, and personnel development programs.

Internal improvements will also be made in the processing of information, both regulatory and administrative, within the Office.

A major new effort of the Office will be the adoption of a program of operations review. More than just a quality control check, that program, to be headed by a senior level executive, will provide continuous evaluation of all activities of the Office.

In our approach, we planned to have the contractor conduct its study, and formulate and present recommendations and plans for implementing the recommendations. As previously stated, Haskins & Sells is finalizing its report containing recommendations. They are also presenting, for the consideration of my office, a program for implementing the recommendations. We plan to move ahead full-speed to commence implementation in a planned and orderly fashion. It will not be an easy task. It will involve not only the commitment of resources from the contractor, but also heavy direct involvement of many people within our organization. To an extent, the contractor will play the role of advisor to our people performing the new procedures so that, in due course, we will be fully operational on an independent basis.

I have purposely requested that Haskins & Sells formulate plans for implementation giving particular attention to accomplishing major proportions of implementation over the next 9 to 18 months.

Within the first 90 days of the study, I requested Haskins & Sells to furnish me with initial impressions of the Office. As a result, we identified several areas where improvements could be commenced without waiting for the completion of the study. A task force of commercial bank examiners was formed last December to work with Haskins & Sells representatives to translate their suggested improvements into a major revision of the examination handbook. The first draft of that handbook revision, consisting of some 31 chapters, will be ready for field testing and modification within the next month. Similar task forces were formed of trust and EDP examiners and the first drafts of their manuals are nearing completion.

We commenced implementing improvements in the area of information processing early last fall. A senior committee of information users within the Office was formed to direct our efforts in producing critically needed information in a timely manner. The committee gave a needed structure and discipline to that internal activity, and improvements have resulted.

In the area of internal organization structure and the human resource activities of the Office, we have likewise commenced implementation. This week I announced a number of top level reassignments necessary to start the major implementation program.

You have requested that I summarize both the administrative and legislative reforms which our Office has initiated as a result of our experience with United States National Bank, San Diego, Calif.

1. Examiners were instructed to prepare, at each examination, a schedule of violations of law, such as the statutory lending limitation (12 U.S.C. 84) or the limitation on loans to affiliates (12 U.S.C. 371c), for comparison to previous examinations to see whether or not those violations were cured during the examination. Recurrent violations become the subject of cease and desist proceedings by the Comptroller's Office.

2. A regulation including letters of credit within obligations subject to the lending limits of 12 U.S.C. 84 was published in the *Federal Register* on August 9, 1974. That regulation had been in the drafting stage prior to the closing of USNB, but had been delayed due to the problems of achieving uniform treatment of State and National banks. The final regulation was published in similar form by the Federal Reserve and the FDIC this past summer. The misuse of letters of credit at USNB was thoroughly explored at this Committee's hearing on November 27, 1973. The regulation, if in effect during the last 4 years, might have eliminated one way in which the Smith-related companies obtained funds from USNB.

3. The aggregate amount of outstanding standby letters of credit was required to be publicized quarterly, as part of the regular reports of condition, and also in the annual financial reports mailed to shareholders.

4. Our examiners were reminded of the importance of satisfactory credit information about borrowers being retained in the bank files. The lack of such information was chronic at USNB. I, personally,

have mentioned that subject at many staff conferences through the country. Large commercial loans of the sort involved at USNB should be supported by audited financial statements for the last 3 years, including profit and loss figures, and by information about the officers and owners of the company. When a borrower is a public company, its public filings with the SEC for the last 3 years should be retained in the bank's loan files and reviewed by our examiners. Those procedures are not new, but they are being reemphasized.

5. Regulations were issued in May 1975 requiring each director and principal officer of every National bank to maintain a current file at the bank identifying every business enterprise in which said person, spouse, or minor child has a legal or beneficial interest of 10 percent or more, or to which said persons owe or are owed $100,000 or more. In addition, such file must identify any loan transaction from the bank which benefits such an enterprise but which does not appear on the books of the bank as having been made to such enterprise. Any significant change in the foregoing information must be filed within 30 days of its occurrence.

6. An interagency task force was formed to draft legislation to provide additional enforcement tools and penalty provisions for violations of the banking laws and to clarify and tighten certain substantive rules. That task force has been exploring the following areas and expects to submit draft bills on the following subjects.

- Tightening of the laws restricting loans to affiliates of banks and to insiders.
- Improvements to and speeding up of the enforcement provisions of the Financial Institutions Supervisory Act of 1966 (cease and desist).
- Money penalties for violations of banking laws.

Other possible legislative recommendations under consideration by our Office are conferring authority on the Comptroller to commence derivative-type civil litigation on behalf of a bank for money damages against wrong-doing officers and directors and requiring prior approval by the appropriate banking agency of changes in ownership of controlling stock interests in banks.

7. The complete reorganization of the Office structure and substantive approach to bank examination embodied in the Haskins & Sells report can be related to the San Diego experience. Although I had decided before USNB failed to commisson such a study, the traumatic months leading up to October 1973 cemented in my mind the necessity for a thorough-going overhaul of the existing procedures.

The complete description of the reorganization plan resulting from recommendations by Haskins & Sells' report will be in the Committee's hands in early August and will constitute the most complete answer to the question of what we learned from USNB.

In your letter of June 20, you requested a "full and complete report" on Franklin.

In anticipation of some of your questions, I have prepared this section of the testimony using the question and answer format.

Q. What had been the bank's history over the 10 years prior to its failure?

A. Franklin was chartered by the Comptroller's Office in 1926 and, in 1969, the Comptroller approved the corporate reorganization under which shares of Franklin were acquired by the Franklin New York Corporation. On December 31, 1973, Franklin was the 20th largest bank in the United States with total resources of $5 billion, total deposits of $3.7 billion, and total loans of $2.4 billion. Franklin had a main office in Manhattan and 103 domestic branches, most of which were located on Long Island.

During the 5-year period, 1964 to 1969, Franklin had no serious problems or extraordinary deficiencies. The troublesome problems with the bank started about 1969.

On a balance-sheet basis, Franklin experienced a steady growth in resources from $1.5 billion on December 31, 1964, to $5.0 billion on December 31, 1973. The growth of Franklin's resources and liabilities was not in itself an indication of unsound condition; however, the continuing inability to manage successfully those resources and liabilities led to the bank's deteriorating condition. Sufficient quality, profits, liquidity, and general confidence in Franklin simply were never developed. As a result, it was in no position to stand and survive the economic conditions which developed and pressed upon all banks in 1973 and 1974.

Franklin's capital funds grew by only $76 million in the 1964 to 1973 period while its resources grew by $3.5 billion. Twenty million dollars of that nominal capital growth was from the issuance of stock in 1967 and only $56 million from retained earnings.

During its last 2 years, when the bank's most significant asset and funding growth occurred, its capital funds showed essentially no growth and its reserve for bad debts declined by $2.6 million.

In spite of rapid growth in the latter years of its existence, Franklin was not successful as an earner. Its old, accumulated assets of poor quality and its management errors left it without the income ability to command confidence. During its last 4 years, Franklin's net income declined steadily from $21 million, in 1970, to $17 million, in 1971, to $13 million, in 1972, and to a marginal $12 million, in 1973. Of that final $12 million, $7.7 million was from foreign exchange trading income which was an additional display of final efforts to override old unsolved problems.

Our bank examiners measure asset quality as a percentage of classified assets to gross capital funds, with 40 percent a traditional benchmark for asset problems requiring additional attention. In Franklin's reports of examination from 1964 to 1969, that classified percentage exceeded 40 percent only twice: 46.2 percent in April 1965, and 42.3 percent in October 1966. By September 1969, it had declined to 16.2 percent. From August 30, 1970 on, that percentage remained consistently over 40 percent and it was not substantially reduced. It was 58.9 percent in August of 1970, and 59.1 percent when the bank was last examined on May 14, 1974.

The final figure of 59 percent was certainly not evidence that the bank was insolvent but the persistence of those high percentages was evidence of management's inability to rid the bank of asset problems which were bearing heavily upon its earnings and confidence problems.

While the bank's classified asset percentages were not publicly known, its asset losses were and those losses became extremely heavy for its declining earnings in 1973. The bank had managed to maintain its reserve for loan losses at $31 million during the 3 years from 1969 through 1971, not by charges to current earnings alone, but also by charges to retained earnings. Then, in 1972 and 1973, its net loan losses exceeded its charges to earnings and its reserves declined to $30 million and finally to $27 million.

Franklin's net return on assets declined from 0.63 percent in 1970 to 0.26 percent in 1973. The average return on assets for 47 peer group National banks, with $1 to $5 billion in deposits, was 0.92 percent in 1970 and 0.74 percent in 1973. By 1973, Franklin was retaining only 3.9 cents of pretax income for each dollar of revenue. The same figure averaged for the 47 peer group National banks in 1973 was 14.8 cents.

While total interest income from loans remained relatively stable, Franklin's total interest expense on deposits increased from $97 million, in 1969, to $235 million, in 1973.

Franklin's "percentage change in net income from the previous year" was +30.9 percent, 1968 to 1969. For the 1971 to 1972 comparison, that percentage was −38.9 percent.

In conclusion, Franklin had a history of a marginal existence as a New York City bank with poor earnings and an unimpressive management reputation that ultimately caused a loss of confidence in financial circles.

Most damaging of all, however, was Franklin's incredible expansion by the use of borrowed funds in 1973. At the time we examined the bank in November 1973, about 50 percent of the bank's liabilities were in the form of volatile, interest-sensitive liabilities. Between our examination in December 1972 and the one in November 1973, Franklin had an increase in assets of 29 percent. During the same period its demand and savings deposits declined 5.5 percent. Thus, that excessive expansion in assets was almost exclusively supported by short-term money market funds.

Several questions arise as a result of the 10-year review of Franklin's activities.

Q. Should the Comptroller's Office have taken more affirmative action with Franklin?

A. In retrospect, the Office did not act aggressively enough to make Franklin put into effect the measures required to correct the situation criticized in the examination report. For example, we might have used our approval of new branch locations more skillfully as leverage to encourage Franklin to raise additional capital and to make other improvements in its performance.

Q. Should the present occupant of the Comptroller's Office have personally involved himself in Franklin's problems at an earlier date?

A. An objective assessment, benefited by "20-20 hindsight," might indicate that meetings should have been held with the bank's management during the summer or fall of 1973. However, even at that point the explosive danger of the combination of declining earnings and a heavy reliance on short-term interest-sensitive deposits was not sufficiently recognized.

Q. When did the Comptroller become directly involved with Franklin and what steps were taken to deal with the problem?

A. An examination of Franklin was started on November 14, 1973. That examination revealed the extraordinary growth of the bank supported by the purchase of short-term volatile funds, and the report reconfirmed the need for additional capital. As of November 14, 1973, total resources had increased by 29 percent since the last examination and yet the capital of the bank had been increased by less than 0.5 percent. The report also showed a substantial depreciation in the securities accounts.

It was apparent that the bank's poor earnings, potential loan losses, and extended foreign exchange position might easily cause a loss of confidence in the bank, which in turn would result in a serious and overwhelming liquidity crisis. In late February, Regional Administrator Van Horn and Examiner-in-Charge Lake met with me in Washington to discuss the nearly completed examination report. At that time, Mr. Van Horn was directed to conduct a meeting with Franklin's Executive Committee and to obtain a written plan directed at improving the bank's condition from the bank, with emphasis on the reduction of all short-term borrowings, the establishment of a clearly defined written loan policy, and a clear definition of the management responsibilities of the senior officers of the bank.

On March 29, that meeting was held and bank officials agreed to prepare and implement the plan. Thereafter, a number of meetings occurred between bank officials and me, especially Mr. Norman Schreiber, who had recently joined Franklin.

Q. Why were their plans not successful?

A. There was a series of events that prevented Franklin's management from implementing the plans.

On April 18, 1974, Franklin announced net operating income for the first quarter of 1974 of $79,000, or 2 cents per share. The comparable earnings for the first quarter of 1973 were $3,123,000, or 68 cents per share.

On May 1, The Federal Reserve announced its denial of Franklin's bid to acquire Talcott National Corporation.

During the week of May 6, 1974, the Comptroller's Office learned from Franklin that severe losses had occurred in Franklin's foreign exchange operation.

The primary reason, however, that management never had the opportunity to implement their new plans was the money market. Short-term interest rates were spiraling upward at a rapid rate. The sellers of funds began to move to quality and, for the first time, a tiered market developed in which the sellers of short-term funds demanded premiums from all but the largest institutions and flatly refused to sell funds to institutions whose performance was seriously below par. As confidence in Franklin declined, the bank was literally frozen out of all sources of short-term funds. To a bank such as Franklin, which depended so heavily on purchased funds, that situation meant certain death.

In a normal money market environment, Franklin might have been saved. But given the highly selective character of the market at that time, there was no hope. We were not dealing with a conventional balance sheet insolvency but with a potentially fatal liquidity crisis. In a tiered money market, one thing that a bank with excessive reliance on short-term borrowed money cannot afford to lose is the market's complete confidence in the bank, and the events of April resulted in an erosion of confidence.

On Friday, May 10, Franklin announced that it would not declare its regular quarterly dividend. During the same weekend, Franklin announced that extraordinary foreign exchange losses had been discovered and requested the SEC to suspend trading in the bank's stock. There was general agreement that that announcement would cause a dramatic decline in the ability of Franklin to borrow funds when the bank opened on Monday morning.

Q. What steps did the Comptroller of the Currency take during the May 10 weekend?

A. A series of meetings and discussions was held during the weekend with representatives of Treasury and the Federal Reserve Board, and senior officials of the New York Federal Reserve Bank. As a result of the weekend's activities, the Federal Reserve agreed to advance funds to Franklin as needed, within reasonable limits of acceptable collateral.

Contacts were made with representatives of various New York banks to explore the possiblity of putting together a quick salvage merger. Those inquiries were unsuccessful.

Discussions were held with members of Franklin's management to plan steps to restore confidence in Franklin and to attempt to slow the deposit run-off.

I initiated telephone discussions with Mr. Sindona. He agreed to assign to The Honorable David Kennedy, former Secretary of the Treasury, power to vote the shares of Franklin Corporation held by the Sindona-owned FASCO Corporation. Mr. Sindona also offered to support additional capital in Franklin through guaranteeing a rights offering of the stock.

The result of all the meetings and discussions held during the weekend of May 10 was a consensus decision to attempt to avert an anticipated run on the bank. It was feared that if Franklin failed such a failure would have set in motion a panic throughout the domestic and international banking systems.

Q. What happened between the weekend of May 10, 1974, and July 2, 1974, when formal notice was given to the FDIC?

A. Our fears of a major liquidity crisis were quickly confirmed on Monday morning, May 13, and the deposit run-off thereafter was immediate and steady. Within 21 business days, Franklin suffered a loss of $1 billion in deposits. Our goal was to protect all depositors and shareholders and, if possible, to save Franklin through a private market solution, without long-term Federal assistance. Following the May 10 weekend, we moved ahead on several fronts.

Steps were taken to firm up Mr. Sindona's verbal offer to me to guarantee a rights offering of additional stock up to an amount of $50 million. His offer was presented as a formal written proposal to the Board of Directors of the Franklin National Corporation and was accepted by them subject to later shareholder approval. While such an infusion of additional capital would have fully restored the losses suffered through the unauthorized and unrecorded contracts in foreign exchange, it was never my belief that that action standing alone would be adequate to rebuild market confidence in Franklin to a level that would permit the time for solution of its basic problems of liability structure, asset quality, overhead costs, and earnings.

Clearly the quickest way home to safe harbor was to find a bank of size and high quality willing to acquire either a major ownership position in the Franklin National Corporation or the assets of the bank through a purchase and assumption transaction. In exploring that alternative it was essential that such discussions be conducted by Franklin's officers or a representative designated by management. I suggested the Honorable David Kennedy as an ideal individual to conduct such discussions.

By reason of his acceptance of the sole voting power over the FASCO-held stock of the Franklin National Corporation, Secretary Kennedy was to be an important voice in the future direction of the bank. His vast banking experience, his broad acquaintanceship and excellent reputation in the worldwide banking community offered unique qualifications for that most complex assignment. Likewise, my own high regard for the man, with whom I had served during his term as Secretary of the Treasury, satisfied me that if such a commercial arrangement was realistically achievable, he could put it together.

Secretary Kennedy accepted the assignment and devoted much time and effort to securing a major institutional partner. Based on discussions I had previously conducted with the major New York banks, Secretary Kennedy and I agreed that the most likely prospects would be among major foreign banks to which Franklin's sizeable territorial base in the New York metropolitan market could be expected to have some real appeal.

At the same time, I requested and obtained agreement from the banks comprising the New York City Clearing House Association to carry out an in-depth analysis of Franklin's operation. That operation was carefully coordinated with the Antitrust Division to guard against any activities that might violate the Federal antitrust laws.

My purpose in seeking that assistance from the New York City banks was two-fold. First, I wanted the knowledgeable judgment of major bank management as to whether or not Franklin was a redeemable entity, assuming the attainment of our private-sector objectives. Second, recognizing that I might ultimately have to decide that the only realistic salvage recourse was with the FDIC, I concluded that the evaluation project could contribute importantly to identifying the information which prospective acquirers would need to participate intelligently in an FDIC receivership sale. In further support of that fail-safe alternative, I instructed our New York Regional Office to begin the task of assembling data, schedules, leases, and documentation that might facilitate the FDIC's efforts.

By the first of July, based on discussions with Secretary Kennedy indicating no significant interest in Franklin from foreign banking institutions on a commercial basis, and taking account of the somber appraisals I was receiving from the New York Clearing House project, I sadly concluded that the broad requirements of the public interest demanded that I formally request the assistance of the FDIC.

At this point let me acknowledge frankly that there has been criticism of the fact that I did not move immediately in the wake of the events of the May 10 weekend to formally request the FDIC to initiate discussions aimed at achieving an assisted purchase and assumption transaction such as was used in the case of the United States National Bank of San Diego. My decision not to take that step in May 1974, was a decision on which I believe reasonable persons could fairly disagree. In summary, the reasoning supporting the decision which I made was as follows.

The immediate problem we faced was not a typical balance sheet insolvency, in which the amount of the liabilities clearly exceeded the value of the assets. Instead, we had an institution suffering a serious liquidity problem directly attributable to a sharp decline in institutional and market confidence in the bank. Thus, I concluded that if appropriate steps could be taken over a reasonably short time to restore confidence, it might well be possible to cure the liquidity crisis to a point where the time would be available to deal successfully with the bank's more fundamental problems.

Q. What were my reasons for seeking then to avoid a governmentally-supported salvage through the facilities of the FDIC?

A. First, Franklin had several thousand shareholders and debenture holders, many of them middle-income residents of Long Island, who deserved my best efforts to preserve some remaining value in their investments. Experience convinced me that the prospects for their salvaging even minimum values after a receivership sale were quite remote.

Second, an FDIC-assisted transaction for an institution of that size must, of necessity, take a considerable period of time to consummate. A principal reason for the protracted time period is the fact that public funds are used. The FDIC must assure that the highest possible bid is obtained to minimize the net utilization of the Corporation's insurance reserves. That requires that every institution for which such an acquisition might be considered a reasonable undertaking be contacted and that a uniform bidding agreement be developed in consultation with the institutions evidencing a serious interest. Additionally, such procedures are necessary to obtain a result free of any questions concerning favoritism towards particular institutions. Recognizing that Franklin's difficulties were creating troublesome conditions in both domestic and foreign financial markets, the public interest appeared best served by the speediest route to solution. I believed that route to be via private, non-governmental arrangements.

Third, I was deeply concerned that a second major bank receivership in the brief span of 12 months would have a most adverse effect on the ability of other banks to obtain capital. All bank regulatory agencies were troubled by the increasing difficulties banks were encountering in raising capital at reasonable cost.

Fourth, I was genuinely convinced at that time that there was a reasonable prospect for success in seeking a private-sector solution. I certainly recognized it was no sure thing and that my decision involved some calculated risk. However, knowing the considerable period of time that would be required by a governmentally-aided solution, I concluded, for the reasons stated above, that taking some comparatively brief additional time to explore private alternatives was fully justified.

Furthermore, I recognized that even while we were seeking private-sector solutions it would be possible to take some actions helpful to an FDIC purchase and assumption transaction should our efforts fail. I shall touch on those actions later in this statement.

Those who have not been involved in transactions such as USNB might validly inquire why it was not possible to have the FDIC process moving forward in exact parallel with our private sector explorations. That simply is not possible. To carry out its purposes, the FDIC must contact and meet with banks to discuss the real possibility of a receivership and the plans for a sale of assets and an assumption of liabilities with the FDIC acting as receiver. Once those discussions have ensued, potential acquirers understandably quickly lose interest in a private, commercial transaction which would involve greater attendant risks to their shareholders.

Our efforts to obtain a resolution of Franklin's problem before resorting to an FDIC-assisted salvage took place on several fronts. A search was immediately initiated for a new chief executive officer whose reputation in domestic and international financial circles would begin the process of restoring confidence. That search culminated in the employment of the Honorable Joseph W. Barr.

Mr. Barr, who is well known to many members of this Committee as a former colleague, has a distinguished background in the fields of government and finance, having served as Chairman of the FDIC, Under Secretary and Secretary of the Treasury, and as Chairman and Chief Executive Officer of American Security and Trust Company of Washington, D.C. He is well and favorably known in foreign financial institutions, and a man with whom I was confident we could work effectively under most demanding conditions. My confidence in him was fully justified by his performance. Without him and the qualities of integrity, courage and decisiveness he brought to bear on the myriad problems, I frankly doubt that the successful result in behalf of Franklin's disposition could have been achieved.

The discovery of major problems in the bank's foreign exchange department resulted in the discharge of most of the technically qualified officers in that area. To assist the bank in treating the continuing serious problems in foreign exchange, we located and secured the employment of Mr. Edwin Reichers, a highly qualified and respected foreign exchange expert.

Q. What happened between the dates of formal notification to the FDIC on July 2, 1974, and the sale of Franklin to European-American on October 8, 1974?

A. We continued to move ahead on several fronts in an effort to restore confidence in Franklin and to stabilize its situation. On July 11, 1974, an arrangement was reached whereby the member banks of the New York Clearing House would lend Fed funds to Franklin in an amount totaling $200 million.

In an effort to alleviate further liquidity problems, I requested a meeting of representatives of 25 large U.S. banks to discuss selling Franklin's portfolio of Euro-currency loans. It was our hope that at least $100 million of those credits could be sold and Franklin could reduce its reliance on Federal Reserve borrowings. That effort proved unsuccessful because of the interest rates on the credits and because of the liquidity problems of all large banks at that time.

As a result of continuing negative announcements, continuing deposit decline, and management's continued inability to reduce the loan portfolio, on September 30, Franklin's total borrowings from the Federal Reserve Bank of New York exceeded $1.7 billion. By the end of September, total deposits were rapidly approaching the $1 billion mark and total other liabilities were close to $2 billion. The bank was unable to retain any maturing certificates of deposit or other money market liabilities.

In September, Mr. Barr presented the regulatory agencies a plan by which, with substantial assistance from the FDIC, Franklin would shrink, give up most of its National and international business, and become a Long Island bank. Mr. Barr also suggested that, in the event a takeover of Franklin became necessary, it would be beneficial to the interests of the shareholders and to the competitive situation to widen as much as possible the list of potential purchasers. The greatest obstacle to that was the statutory situation which limited the list of potential U.S. buyers to New York State-chartered institutions and National banks located in New York State. Mr. Barr requested that, not only for this case but also for the future, Congress should act quickly on legislation which would permit the purchase and operation of banks across state lines where necessary to prevent the probable failure of a large institution. Time did not permit the adoption of such legislation before the end came for Franklin, but it is hoped that the Congress will soon provide for such a situation.

I requested the investment banking firm of Blyth Eastman Dillon & Co., to advise us concerning Mr. Barr's proposal. On October 3, the firm advised that the prospects of Franklin's achieving financial viability as an independent banking institution were highly unlikely.

Mr. Chairman, I would be remiss in recalling the events of the spring and summer of 1974 if I did not pay special tribute to the dedicated and competent efforts of Mr. Norman B. Schreiber and Mr. Raymond T. Andersen, two gentlemen who joined the senior management of Franklin in early 1974. Each came to Franklin from a long and distinguished career elsewhere in the financial community. Both gave the problems they inherited their best efforts, but time and events simply denied them a fair opportunity to bring about the necessary corrective results.

Based on all the facts available, including Mr. Barr's proposal which conceded that the bank could not survive without substantial massive government assistance, the Blyth Eastman Dillon report, and the negative reports by the New York Clearing House banks, I concluded that Franklin did not appear to be a viable institution.

On October 4, I wrote to the Federal Reserve Bank, briefly reviewing the situation and asking for the Federal Reserve Bank's views with respect to its continued willingness to lend funds to Franklin. On October 7, the Federal Reserve Bank replied, stating that its emergency credit assistance to Franklin was based on public policy considerations arising from the responsbility of the Federal Reserve System as a lender of last resort and was designed to give Franklin and the Federal banking regulatory agencies concerned a sufficient period to work out a permanent solution to the bank's difficulties. The Federal Reserve Bank also had concluded that the Franklin proposal of September 16, to the FDIC, did not offer a feasible means of achieving the continuation of Franklin as an independent, viable bank. The Federal Reserve Bank advised that it would not be in the public interest for that bank to continue its program of credit assistance to Franklin.

Based upon the continual, daily deterioration of the bank, which resulted in the further erosion of confidence both in Franklin and in the banking system, I became satisfied of the insolvency of Franklin. The Comptroller, as the official charged with the responsibility of determining insolvency and protecting the bank's depositors, is not required to wait until the losses he finds in the bank's assets are actually charged against the bank's book equity capital. The Comptroller's duty is to determine when a bank has reached the point that it will not be able to meet obligations to its depositors in the near future. It was impossible for Franklin to survive without further Federal assistance.

It simply was not in the best interest either of Franklin's depositors and other creditors or of its shareholders to wait for further deterioration in the bank's condition, especially when the alternative of the FDIC-assisted purchase of the bank at a price including a substantial premium for a going concern value became available. At 3 p.m. on October 8, having become satisfied that Franklin National Bank was insolvent, and acting pursuant to 12 U.S.C. 191, I declared the bank insolvent and appointed the FDIC as receiver.

In order to protect all of the depositors of Franklin, the FDIC moved immediately to accept bids from several major New York banks upon a pre-negotiated contract which provided full protection for all Franklin depositors and other normal banking creditors. The winning bidder was the European-American Bank and Trust Company, a Federally insured, New York State-chartered institution owned by six large European banks. The following day, every banking office of Franklin was opened at the regular banking hour by the European-American Bank. All depositors in Franklin, including holders of certificates of deposit, savings accounts, time accounts, and checking accounts, automatically become depositors of the European-American Bank. The European-American Bank also assumed all existing liabilities to trade creditors of Franklin. The approval of the purchase and assumption transaction avoided any disruption in service for depositors and increased the chances of subordinate creditors for full repayment of their claims.

In summary, our number one goal was to protect the depositors and the banking system of this country, and that goal was achieved. By October 8, Franklin was no longer the 20th largest bank in the country, but had become about the 46th largest. Of the 65 banks in its size category, those with $1 to $5 billion in deposits, Franklin had ranked 65th in earning power. That lack of ability to generate earnings, combined with heavy reliance on purchased money, finally created a combination of circumstances which the bank could not bear.

The Franklin crisis was a liquidity crisis; however, we underestimated the rapidity with which a serious liquidity problem can become an insoluble liquidity problem when a marginal bank relies heavily on interest-sensitive, short-term funds, and there is a sudden "move to quality" by the money market participants.

Mr. Chairman, while the Franklin National Bank case is certainly an unhappy event in the annals of American banking history, we should, nevertheless, observe that the highly professional support given to this Office by the Federal Reserve and the FDIC made possible the full protection of the bank's depositors and also contained matters so as to prevent any ripple effects elsewhere in the banking system. Both of those agencies, including of course, the Federal Reserve Bank of New York, deserve the highest admiration of the public for outstanding performance in most demanding circumstances.

The Committee has requested "a full explanation of the procedure utilized in the sale of Security National to Chemical Bank." In addition, the Committee asks to be advised of any pending legal actions related to the sale in which the Comptroller's Office has been named a party and to be given a summary of the legal issues involved.

To answer the second part of the inquiry first, the Comptroller's Office is presently not a party to any lawsuit involving the Security National Bank, or any officer, director, or shareholder of the bank.

In response to the first part of the question, I think it would be useful to the Committee not only to explain the procedure used in effecting the sale of the bank but also to highlight some of the events and considerations which led to the decision that an emergency existed, thereby triggering the procedure used, pursuant to 12 U.S.C. 181.

An examination of Security National Bank commenced June 24, 1974, and was completed September 25, 1974. At that time the bank had total assets of $1.86 billion. Classified assets totalled $171.9 million or 110 percent of gross capital funds. That figure consisted of $106.7 million in substandard assets, $53 million in doubtful assets, and $12.2 million in loss assets. The quality of the bank's assets had evidenced a steady deterioration during the previous three examinations. Classified assets, as of the January 1973 examination, totalled $93.4 million or 64 percent of gross capital funds. The October 1973 examination reflected an increase in classified assets to $147.5 million, or 97 percent of gross capital funds. Assets classified as losses increased from $3.3 million, at the January 1973 examination, to $12.2 million, at the June 1974 examination.

Between the January 1973 and June 1974 examinations, the bank suffered a $174 million run-off in deposits. Meanwhile, loans during that period increased by $75 million. The combination of the loss of deposits and increase in loans created severe liquidity problems which resulted in a concomitant increase in borrowed funds. Short-term borrowings reached a high in August 1974 with average daily borrowed funds of $330 million.

In 1972, Security merged with the Royal National Bank and the adverse effects of that merger had a continuing, adverse effect on the bank's earnings. Of the loans classified as losses since the merger, $13 million, or 41 percent, were acquired from Royal National Bank.

Upon completion of the June 1974 examination, the bank was placed on a weekly reporting basis so that the Office could more closely monitor its condition.

On August 5, 1974, at my request, Patrick Clifford, chairman and chief executive officer of Security, and William Shea, director and counsel for the bank, came to Washington to discuss the condition of the bank as indicated by its ongoing examination. Mr. Clifford reported the difficulty in the bank's retaining deposits as a result of the anxiety in the Long Island market due to the unresolved problems of the Franklin National Bank. This Office advised Messrs. Clifford and Shea of the heightened concern because of the bank's growing reliance on short-term borrowed funds and urged that every reasonable step be taken to improve the bank's liquidity and thus reduce its market reliance. Arrangements were made to have the bank keep the New York Regional Office advised of the institution's ability to reduce borrowed funds.

The examination was completed in early October and on October 17, 1974, members of the Comptroller's staff from Washington and New York met with the Board of Directors to discuss the condition of the bank. Through a personal representative, sent from Washington, the board was informed of my deep concern about the condition of the bank. That condition resulted from too rapid growth, built, to a large extent, upon expensive and unstable borrowed funds and high risk loans.

Because the bank was relying too heavily on the Federal funds market and other borrowings to support its loan commitments, the board was advised of my earlier instructions to the bank's chief executive officer to reduce those commitments through gradual reduction in size of the loan portfolio. Particular concern was expressed because several former sellers of funds had refused to sell the bank any additional funds and the continued ability of the bank to borrow appeared to be in jeopardy.

The board was informed that the bank's capital, because of actual and projected loan losses, was inadequate. However, because market conditions and the condition of the bank itself created little hope for obtaining additional outside capital, the need for contraction to increase liquidity was deemed ever more important. The meeting concluded with a directive to the board to formulate a thorough plan of corrective action and forward the plan to the Comptroller's Office by October 24, 1974.

On November 12, 1974, a meeting was held with members of the Board of Directors, senior management of the bank, and senior officials of the Comptroller's Office. The meeting was held in Washington to review the bank's borrowing requirements, prospects for a reduction in borrowed funds, and status of loan and deposit activities. Because of the recent resignation of two senior officers, the need for a senior executive officer was also discussed. In addition, considerable time was devoted to exploring the prospects of a merger.

On December 9, 1974, what became the final examination of the bank commenced. As of that examination, the bank had total assets of $1.7 billion, loans of $1.2 billion, and deposits of $1.3 billion. Assets subject to classification aggregated $233.5 million, or 156 percent of gross capital funds, of which $67.6 million was classified as doubtful and $24.2 million was classified as loss.

On January 8, 1975, another meeting was held with members of the Board of Directors and management to discuss the condition of the bank. The prospects for turning the bank around depended heavily upon the effect of the CPA report, which was to be out in the near future. Discussion commenced with our then current evaluation of the bank's loan portfolio. Our conclusions, which were not disputed by the bank's management, were that existing loan loss reserves plus year-end earnings would be competely wiped out by the likely loan loss chargeoffs. Since those facts would be revealed in the certified public accountant's year-end report, it was generally agreed that the bank's diminishing ability to attract short-term funds would be materially worsened. Short-term interest rates were continuing at a high level which adversely affected efforts to improve the bank's condition in two important respects: (1) operating expenses continued at an abnormally high level, seriously impairing the bank's ability to improve earnings, and (2) the discounting necessary to sell assets in that high-rate environment would have produced capital losses of such magnitude as to fatally impact the bank. Faced with that grim appraisal of the bank's prospects for the present and foreseeable future, it was the consensus judgment of this Office and the representatives of the bank's management and directorate that two courses of action were absolutely essential. First, the bank should form an executive recruitment committee to seek a new chief executive officer in the event that efforts to merge the bank were not successful. Additionally, I directed the immediate designation of a chief administrative officer from the present senior management staff. Second, the bank was directed to take immediate action to seek a merger and to form an officer/director committee for that exclusive purpose. In management's opinion, based upon previous discussions, Chemical Bank was deemed the most likely merger partner and this Office concurred in that judgment.

I do not want to leave the impression that the foregoing meetings represented my only communication concerning Security National Bank. In addition to those meetings, my senior staff was in daily communication with the bank from mid-November until the bank was successfully merged. Additionally, our office was in regular contact with the Federal Reserve, the FDIC and the Antitrust Division of the Department of Justice.

On January 19, 1975, Security National Bank accepted Chemical Bank's offer to purchase its assets and assume its liabilities. In view of the bank's serious condition, I waived shareholder approval pursuant to the provisions of 12 U.S.C. 181, which are explained below.

On January 19, 1975, the New York State Superintendent of Banks approved Chemical's acquisition of Security's assets and liabilities. The Federal Reserve Board on that date also approved the transaction pursuant to the provisions of the Bank Merger Act, 12 U.S.C. 1828(c), and found that an emergency existed so that the acquisition could be comsummated immediately. The transaction was consummated that day.

There is little doubt that Security's proximity to Franklin National Bank, as its principal competitor on Long Island, helped to aggravate an otherwise serious situation. The impact was felt more strongly than if the bank had been located elsewhere. But I think what also must be recognized is the swiftness with which Chemical Bank reacted to the situation and was able to consummate that large, complex transaction. As a bank regulator, I am personally gratified that the private sector was able to move so quickly, without the need for governmental financial assistance to alleviate a serious problem in the financial community.

Let me turn now to the procedure used to sell the bank. Section 181 of Title 12 of the United States Code provides *inter alia* that:

> Any association may go into liquidation and be closed by the vote of its shareholders owning two-thirds of its stock. If the liquidation is to be effected in whole or in part through the sale of any of its assets to and the assumption of its deposit liabilities by another bank, the purchase and sale agreement must be approved by its shareholders owning two-thirds of its stock *unless an emergency exists and the Comptroller of the Currency specifically waives such require-*

ment for shareholder approval. (Emphasis added)

That first sentence of statute has been in the law since the National Bank Act was passed on June 3, 1864. The second sentence was added to the section of September 8, 1959.

The report of the House Committee on Banking and Currency on the 1959 amendment indicated that if liquidation of a National bank is to be effected through the sale of any of its assets to another bank in consideration of an assumption of liabilities, approval of the purchase and sale agreement by shareholders owning two-thirds of the bank's stock must be obtained. Although it was the Comptroller's policy prior to that amendment to require shareholder approval of the purchase and assumption agreement, it was the belief of Congress that there should be a statutory requirement for such approval. The report goes on to indicate that the requirement of shareholder approval could be waived if an emergency existed (H.R. Rep. 694, 86th Congress, 1st Sess. 3, 1959).

The corresponding report of the Senate Comittee on Banking and Currency explained the purpose of the new statutory requirements respecting shareholder approval as follows:

> Section 15 would amend Revised Statutes Section 5520 (12 U.S.C. 181), relating to the liquidation of National banks by adding a requirement that shareholders must approve a purchase and sale agreement if any part of the liquidation is to be accomplished by the sale of any of the bank's assets, but excusing the need for such a vote if in an emergency the Comptroller specifically waives it. Existing law does not require shareholder approval of any agreement the directors may make for a bulk sale of bank assets to another bank as a preliminary step to voting the selling bank into voluntary liquidation. This new provision would provide for a shareholder vote in such cases, except in emergencies.

The reason for the exception to shareholder approval in the case of emergencies does not clearly appear from the legislative history of the bill but it seems obvious that it was inserted into the law because Congress thought it desirable to waive shareholder approval under extraordinary circumstances. The language of the statute contemplates two distinct shareholder votes; one respecting voluntary liquidation, as such, and the other concerning approval of the purchase and sale agreement. The Comptroller's power to waive shareholder approval in appropriate circumstances extends to that latter vote requirement.

Section 181 assumes a situation in which a board of directors first negotiates a purchase and sale agreement in contemplation of a voluntary liquidation. In an emergency situation in which the Comptroller validly waives the right of shareholder approval of the purchase and sale agreement, the validity of the contract does not depend upon shareholder approval.

The Comptroller's determination of the existence of an emergency is, however, reviewable by the courts. The standard of review applied by the courts has been characterized as the "reasonable man" rule. That is, would a reasonable man, on the basis of facts of which he was aware or should have been aware, conclude that an emergency existed (*Minichello* v. *Saxon,* 266 F. Supp. 729 (1967)).

Insolvency is not the test for application of Section 181. The Standard is emergency, which includes something less than insolvency. The term, as used in Section 181, has been held to mean a combination of circumstances less than an insolvency but sufficiently serious to require swift action to negotiate a sale. The section was designed to permit a troubled bank heading towards possible insolvency and in the midst of an emergency, to move swiftly through its directors, to sell its assets to another bank (*Minichello* v. *Saxon, supra*).

Turning to the subject of financial privacy, I appreciate this opportunity to respond to your request for our views on H.R. 550, as well as H.R. 7483 (a re-introduced version of H.R. 2752) and H.R. 1005.

All of the subject bills are designed to protect bank customers' records from being turned over to government agencies without notice to, or consent of, the customer. All contain limited exceptions designed to permit bank examiners to perform their normal functions.

Our Office fully supports the principle of the individual's right of privacy. The Treasury Department is working with other executive departments and the domestic council committee on the right of privacy to arrive at a balanced legislative proposal which would assure customers of financial institutions that their reasonable expectations of privacy in their personal financial transactions will be met, without unduly hampering legitimate law enforcement activities. The Comptroller of the Currency is actively particpating with the Treasury in that study.

However, as this Committee has asked for our comments on the subject bills, we would like to express the concern of our Office that the bank examination exceptions be sufficiently broad to cover our examination and enforcement functions. While we are not prepared at this time, especially in light of the ongoing Administration review, to engage in a definitive discussion of the bills, we recommend that Section 2(b) of H.R. 550 and Section 10 of H.R. 7483 and

H.R. 1005 be amended expressly to permit this agency to report violations of law to the Department of Justice or other agencies with jurisdiction over the subject matter.

Section 5(b) of H.R. 7483 and H.R. 1005 could be interpreted as preventing a bank, when notifying law enforcement authorities of violations of criminal laws, from including in its notification any information derived from its records. We do not believe that was the intention of the proponents and recommend that the language be clarified. While H.R. 550 contains no provision similar to Section 5(b), it is also ambiguous as to the extent to which banks may inform law enforcement agencies of possible criminal violations.

Remarks of James E. Smith, Comptroller of the Currency, before the Finance Club of Wharton School—Graduate Division, University of Pennsylvania, Philadelphia, Pa., Sept. 22, 1975

"An Effort at Improvement"

When the Wharton School of Finance and Commerce was established in 1881 as the first formal collegiate school of business education in this country, the Office of the Comptroller of the Currency was nearing its third decade of existance. At its founding, Wharton's cirriculum consisted mainly of traditional academic subjects. As a shortage of certified public accountants developed, more subjects of a business bent were added. The acuteness of the shortage, however, caused business school entrance standards to be lowered and, as one reference work relates, "lower standards of performance led to a degree of complacency on the part of the administrations of collegiate schools of business."[1]

Years followed in which there was no critical examination of the internal problems that had developed. Then, in the 1950's, complacent administrators finally were jolted from their reverie by the publication of two books[2] which severely criticized the prevailing attitude. The reaction to those works brought about radical changes in the courses and philosophy of business schools with the result that they are now able to adapt to the volatile changes in the business world.

The processes of analysis and adaptation are inherent in organizations which remain relevant. Just as business schools were liberated from their lethargy by well-founded criticism, the Office of the Comptroller of the Currency has been in need of an objective and knowledgeable assessment. An office which has been in existence for more than a century as the Nation's oldest regulatory agency is particularly obligated to reassess its role and the performance thereof.

As Peter Schuck of the Washington Office of Consumer's Union writes in *Harper's* this month, Federal regulation by its nature creates a protected situation for its regulated charges. That obviously can be counterproductive to the consumer who confronts a limited market.

I am in accord with Mr. Schuck that the burden of justification lies heavy on the regulator, for government regulation is fundamentally at variance with the philosophic assumptions underlying the American political system.

For over 100 years, the Office had regulated, as had other bank regulators in this country, its constituency in much the same manner. The banking environment had changed radically yet our examination methods seemed to yield begrudgingly to change. Given our power both to limit entry into the banking system and to control subsequent activity, it seemed to me that we were obliged to reassess our mission to insure that we were fulfilling our charge. Additionally, I felt it best to look to expertise outside this Office. The massive task involved would have demanded too much time from my senior personnel. I also wished to enhance objectivity.

So, in the summer of 1973, I decided to contract for an outside study that would determine what the Office was doing, what it *should* be doing, and how to do it. I felt that by taking this step, I could make sure the heavy burden that rests on us as regulators is justified. It is my hope that the study which has just been made will help us to do for bank regulation what the critics of the 1950's did for business schools.

The work of the study began in the late spring of 1974, when we commissioned a consortium headed by Haskins & Sells, an accounting and consulting firm, to scrutinize the Office and develop specific recommendations for improving its effectiveness and

---

[1] *Encyclopedia Americana, International Edition,* "Business Education," by Herbert A. Tonne.

[2] Gordon, R. A., and Howell, J. E.: *Higher Education for Business*; Columbia University Press; 1959. Pierson, F. C., et al., *Education of American Businessmen*; McGraw-Hill Publishing Co.; 1959.

efficiency. Not incidentally, that consortium included two professors from Wharton, Dean Samuel Sapienza, who aided in our professional development program; and Dr. Jack Guttentag, who aided the technical review committee of the study, and who had significant input in the area of corporate activity. Corporate activity refers to the issuance or denial of charters, branches, mergers, conversions, capital changes, name and location changes, trust powers, non-bank subsidiaries and ownership and management changes.

Haskins & Sells immediately proceeded to review our current policies, practices and procedures. They interviewed our personnel in Washington and in our 14 regional offices around the country to determine just how well those policies, practices and procedures were achieving their stated goals. In addition to opinions gleaned from our Washington and regional office personnel, the team sent out a questionnaire to the Chief Executive Officer of each of the more than 4,700 National banks. A questionnaire was also sent to each member of the examining staff, more than 1,800 people. The questionnaires were designed to ensure anonymity. The inquiries to bankers included such questions as: "How can the Office of the Comptroller of the Currency improve its services to National banks?"; "What objective criteria should be given the most emphasis in evaluating the performance of bank management (in order of importance)?"; "Could reports of examination be changed to be more helpful in the operation of the bank? If 'Yes,' list the suggested changes in order of importance to the bank." We felt it imperative to have feedback from bankers and examiners throughout the country for two reasons. First, we could find no better critics than the National banks which we regulate and, second, no one has a better grasp of the connection between the policies we make in Washington and the practical limitation of them in the field than the examiner.

Corresponding to the two principal activities of the Office, the review concentrated on two areas, the corporate regulatory function and the examination function.

The study was released to the press in August. We also sent a copy to the Chief Executive Officer of every National bank, to each member of our examining staff, to each member of Congress, and to various other interested parties. Even now we are continuing to fill requests for copies of the study from State-chartered banks, accountants, lawyers, students, Federal agencies, libraries and others. Perhaps some of you may have seen the stories in the press generated by the study. A number of the headlines contained the word "critical," and that is exactly what we wanted Haskins & Sells to do, criticize, constructively, of course. We did not look to the study to be an audit document, but rather to be an internal document that would spot weaknesses and simultaneously suggest methods to strengthen those areas. It was not our wish to have Haskins & Sells compliment us on those areas in which we were reaching our goal. Haskins & Sells came up with significant recommendations in each of the two areas of concentration. Those changes required a drastic altering of our internal organizational and operational structure. They were designed *not* to help us run banks better, but to enable us to better analyze how well banks are running themselves. Don't mistake me. That is not a semantic difference.

In line with the recommendations, the organizational structure of the Office has been redesigned on a functionally-oriented basis. That approach not only permits efficiency but it also allows for the formation of a senior policy group consisting of the Comptroller and senior executive level personnel. Under the new structure, that group will be relieved of daily line responsibilities so that it can consider more important but less perceptible changes in the banking environment and formulate policy accordingly.

In accordance with other recommendations by Haskins & Sells in the area of internal organization and operations, the Office is formalizing a structure to ensure ongoing analysis, implementation, and review of changes in our metamorphic industry. To accomplish that, we have inaugurated a program of strategic studies, which has the responsibility for discerning possible changes affecting the industry, and for presenting findings to our senior policy making group. Much of the discerning of change will emanate from discussions with the chief planning officers of the larger institutions in the country. While the examination process, by its nature, deals with the here and now, there clearly is the need for review and analysis of bank planning. Examiners tangentially discuss that function with management; however, it is normally related directly to a present activity, such as loan policy, liability management, liquidity, and so on. This Office has not joined in dialogue, though, with the individuals who actually plan the long range development for the big banks. From that source, we can often garner information which can be used in our own planning process. As an example, if this organizational structure had been in place in the early 1960's, the senior policy group might well have been informed that American banks would be drawing much of their earnings from abroad and that, as a result, our manpower and training activities in the international area would need substantial strengthening. Another example of the sort of issue which might have arisen as a result of early study by strategic planning would be in the electronic funds transfer area. Strategic planning, for example, might well have discussed with the senior group the necessity of training examiners to study bank systems for preventing criminal intervention with CBCT's.

The purpose of our new arrangement is to enable us to act, not react, in response to the dynamic changes taking place in the banking industry. The senior policy group will discuss the situations and possible alternatives presented by strategic studies, and determine the merit of suggestions made. If it is felt warranted, further research will be done by the Economics Department. Once any suggestions are adopted by the senior policy group, the Deputy Comptroller for Planning will supervise the implementation.

A new Deputy Comptroller for Operations Review has been appointed with the duty of providing an audit function for our traditional duties as well as of supervising and ensuring proper implementation of the plans adopted by the senior policy making group. That function will rely heavily on feedback from field examiners. Thus, ideas will spring from the field, will be brought into Washington for study, and then developed and placed back in the field for implementation. Once again, the examiner will have an opportunity to feed back his impressions to the Deputy Comptroller for Operations Review. Bankers also will be encouraged to discuss with the Deputy Comptroller for Operations Review any situations in which they feel they have been fundamentally aggrieved. That procedure is not to be used for individual complaints, such as loan classifications, but it will give the industry a person within the Office who is responsible for ensuring that the Office's approach is a realistic one. Though the Deputy for Operations Review is one of the most important members of the senior policy group, he reports directly to the Comptroller, as is absolutely necessary with any respectable audit system.

With the alteration of the examining and corporate functions, an additional area that Haskins & Sells felt needed attention was that of human resources. Obviously, the Office of the Comptroller of the Currency is labor intensive. In that area, Haskins & Sells has delegated the function to a special unit which initially will determine the requirements of the Office, identify new or changed needs, and then determine position descriptions and responsibilities. There will be an updated employee evaluation, taking into consideration development, continuing education and career paths. Also, we will implement a National recruiting program. The effectiveness of the civil service test now given to applicants for examination positions is of doubtful utility and education and background will play a more important role. We will become more flexible in the staffing level of a Region to permit employment of truly exceptional individuals when there might currently be no job openings in that particular Region. Having attracted quality people, we will stress continual professional education to allow individuals to further their knowledge and be of more value to the Office and the banks.

In the examination and supervision area, updating and streamlining are the order of the day, and we have made a lot of progress toward that end. The revision of the handbook and reports used by examiners is almost complete. New sections have been added, including guidelines which banks should follow with their internal audit procedures. One example of technical change in examination affects our analysis of investment securities. Previously, our examiners would analyze the portfolio by 100 percent direct verification. In the future, they will review a bank's internal control and management policies, and evaluate previous internal and external audits. If satisfied, they will accept previous conclusions or apply statistical methods to analyze the degree of reliability of previously performed audits.

A much needed change in the examination process will be uniformity. Until now, examiners from 14 offices, with their regional biases, have conducted the exams. In Washington, the Operations Review team will be charged with ensuring uniform compliance among the regions. In addition, our National recruitment plan should attract talented individuals who will be evaluated by merit and exposed to similar career planning, personnel development, and continuing education opportunities. We expect that to result in the surfacing of the most able examiners, who will analyze banks uniformly, nationwide.

Now, concerning the general thrust of the Comptroller's examinations, over the years, this Office has developed a staff of borrower specialists. Their forte has been in analyzing loan portfolios and the ability of borrowers to repay loans. The shift in approach is fundamentally to train the staff to be *bank* analysts rather than *borrower* analysts. The analytical talents are there now and we are merely broadening the scope of review.

Perhaps one of the most important recommendations made by Haskins & Sells in the examination and supervision fuction is the creation of a National Bank Surveillance System. Using a group of key indicators, specially trained personnel will be able to detect unusual or significantly changed circumstances which could adversely affect a bank or group of banks. Ratio calculations for a particular bank would be compared with the same data for that bank in prior periods. They also would be compared with the same data from a peer group for current and prior periods. A bank's peer group will be determined by size and other factors. We are experimenting with these ratios right now to determine the combinations that will produce the most useful results.

The comparison of data will be designed to point up variances that might show trends developing within the industry that should be brought to the attention of the Office's senior policy making committee. In addition, the data are expected to disclose anomalies in individual banks. Those quirks, if you will, will be referred to the National Bank Surveillance System staff in Washington during the initial stages of the system's operation. As the system is more fully developed, variances in individual banks will be examined by NBSS specialists. The National Bank Surveillance System is not meant to be a warning system which operates on the "red flashing light" approach. Rather, it will rapidly provide our senior personnel with the best bank data available. Even though the data will be compiled by a computer, human experience and perception will make the final analysis of the information. That is why the essential link in implementation is not just deciding what kind of information is needed for the system, but insuring that our best senior personnel are involved in interpreting the system's output.

It is important to realize that the National Bank Surveillance System is designed to be a growing, functional tool. It is not a hypothetical model but a viable system which will be introduced shortly. Initially, there will be banks that the system will not be equipped to analyze, such as the giant banks. They may have to be analyzed as a separate group, or even individually. But as the system is improved and modified, their eventual incorporation into the system will evolve.

I would like to emphasize that full implementation of the recommendations contained in the Haskins & Sells study is going to take a long time, probably years. In their documentation of the implementation phase of the study, Haskins & Sells has plotted an almost frightening number of man-hours that will be required, from both their staff and from ours, to meet the demands of the project. But more importantly, let me stress that we are not going to abandon procedures and practices that have served us well to adopt new systems unless we are absolutely certain that the new ones are better. That is why a large part of the implementation exercise is going to be devoted to market and field testing. A new procedure will be implemented much like the introduction of a new computer software package. It will run parallel to, with the results tested against, the existing method. Only after we are sure of the new procedure's unqualified success, will we eliminate the old method. For example, in our reporting requirements, we will not increase the burden on banks without looking long and hard at the value of the information to be gained. It also might be possible to eliminate some data-gathering as we have to increase reporting by banks in other areas. We may find that what looked great on paper just won't fly in practical application. If it doesn't, we'll discard it, perhaps try an alternative, and maybe even revert to the old method if it turns out to produce the best results.

Maybe it sounds like the National Bank Surveillance System and all the other revisions are going to give us such tight control over the more than 4,700 banks we supervise that a completely healthy banking system will result just by virtue of intense policing and prompt diagnosis of the sick. I want to go on record right now as being totally opposed to that approach, and I want to assure you that this is not the philosophy behind the entire effort. What we are attempting to do is to improve the supervisory sector of our organization, the side that deals with 4,700 National banks as separate and distinct corporate entities. These entities have different characteristics, different in both financial and human capacities. We must take cognizance of those differences and improve the defects as we find them.

That is in contrast to the regulatory approach under which you identify a problem in one unit or area and apply remedies or palliatives across the board, taking no notice of the different characteristics, or idiosyncrasies, of the components of the whole. That approach is acceptable if the object is to produce a "fail-safe" banking system. Believe me, I can screw down the National Banking System with enough regulations to prevent bank failures. But, under that regime, the banking industry would be financing the capital needs of the country and its citizens at about 60 percent of capacity, and that is not in the public interest. Equally important, it is contrary to the economic principles of our Nation. Instead, I would advocate that we free up the system to manage itself, loosen the bonds, and take the quite limited risk that some unit will slip through the supervisory net and founder.

As a result of the Haskins & Sells study, the Office of the Comptroller of the Currency will undergo various changes. There will be changes in the emphasis of our direction through changes in organizational structure. There will be changes in techniques through the examination process and corporate function area. To the degree that those steps produce a better job on our part, we will be able to abandon the old blanket approach to supervision. The blanket approach may be the easy way, but it is not the right way.

The published criticism of business schools in the

1950's led to their improvement to such a degree that today they are highly regarded, and widely recognized as doing a very creditable job. I expect the forces that are moving toward improving the Office of the Comptroller of the Currency will produce the same results.

Statement of James E. Smith, Comptroller of the Currency, before the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C., Oct. 18, 1975

I appreciate the opportunity to appear before you today to present a summary of the survey and analysis which my Office has conducted with respect to the impact which a default of New York City could have on the National Banking System.

During late summer and early fall of this year, our Office conducted a multi-faceted survey of National banks that hold obligations of New York City and New York State.

On July 24, 1975, I directed each of the 14 Regional Administrators to obtain from their examiners the name of any National bank investing in New York City obligations and the total par value amount of those obligations held by the bank. The examiners compiled that information through an internal review of their working papers relating to the most recent examination of each bank. The review was discreet in that National banks were not alerted to the compilation.

We determined, from the review, that 1,746 National banks held New York City obligations with par value of $1,753,525,000. We identified, within that list, 153 banks which were holding New York City obligations in excess of 20 percent of their gross capital funds. Those tabulations were verified during the week of August 18, 1975, by telephone inquiries to the banks. By September 5, 1975, we had analyzed each National bank which held New York City obligations in an amount exceeding 40 percent of gross capital funds. In addition, selected banks under that cut-off percentage were also analyzed. Altogether, 53 banks were reviewed by both regional and Washington personnel.

We attempted to appraise each bank's capacity to absorb the potential loss and to isolate those banks which could face insolvency or liquidity problems and which would require outside assistance from private sources or from the Federal Reserve and/or the FDIC. The banks analyzed were rated in four groups.

Group I banks were the most critical because insolvency was a distinct possibility in the event of a New York City default. In those banks, default would substantially impair capital. Liquidity support from the Federal Reserve would undoubtedly have to be sought, and FDIC assistance also might be needed in the form of a loan or an assisted sale.

Group II banks appeared financially capable of initially absorbing the write-down of New York City obligations, but most would be left seriously undercapitalized and would have to pursue recapitalization, sale, or merger possibilities. Many of those banks have serious asset problems, poor sales prospects, negligible support from owners, directors, or officers, and doubtful support from parent holding companies. During the period immediately following default, short-term liquidity assistance from the Federal Reserve might be necessary. Most of those banks appear to have good prospects for survival, but some may require extended assistance depending on local reaction and myriad other factors.

Group III banks should be able to absorb the initial write-down. Some might require additional capital, but others may be able to survive without outside assistance. In addition, most of those banks appear to have minimal asset problems combined with good prospects for sales and support from wealthy owners, directors, and parent holding companies. Losses to those banks, however, still will be significant and some liquidity assistance from the Federal Reserve might be necessary.

Group IV banks appear to be able to absorb the losses in their own right or with some help from financially capable and responsible parents or other ownership groups.

Our initial review indicated that a New York City default could have the following impact on the National banks analyzed.

Table 1
Fifty-Three Reviewed Banks

Group	*Number of banks*	*Assets of banks in group (Millions)*
I	9	$898
II	18	737
III	22	2,251
IV	4	145
Total	53	$4,031

A further breakdown shows distribution measured by holdings of New York City obligations against gross capital funds.

Table 2
Fifty-Three Reviewed Banks

New York City obligations to gross capital funds	*Number of banks*	*Assets of banks in category* (Millions)
Under 40 percent	5	$596
40 to 50 percent	8	1,232
50 to 100 percent	29	1,777
100 to 150 percent	9	383
150 to 200 percent	0	0
Over 200 percent	2	43
Total	53	$4,031

It is also helpful to note the geographical distribution of those holdings based on the September analysis.

Table 3
Fifty-Three Reviewed Banks

Region	*Number of banks*	*Assets of banks in region* (Millions)
1	3	$214
2	14 (all in N.Y.)	2,028
3	1	62
4	1	26
5	4	121
6	15 (all in Fla.)	687
7	4	113
8	1	39
9	3	120
10	3	361
11	1	10
12	1	33
13	0	0
14	2	217
Total	53	$4,031

National Bank Regions
Region 1 —Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
Region 2 —New Jersey, New York
Region 3 —Delaware, Pennsylvania
Region 4 —Indiana, Kentucky, Ohio
Region 5 —District of Columbia, Maryland, North Carolina, Virginia, West Virginia
Region 6 —Florida, Georgia, South Carolina
Region 7 —Illinois, Michigan
Region 8 —Alabama, Arkansas, Louisiana, Mississippi, Tennessee
Region 9 —Minnesota, North Dakota, South Dakota, Wisconsin
Region 10—Iowa, Kansas, Missouri, Nebraska
Region 11—Oklahoma, Texas
Region 12—Arizona, Colorado, New Mexico, Utah, Wyoming
Region 13—Alaska, Idaho, Montana, Oregon, Washington
Region 14—California, Hawaii, Nevada

Our appraisal of the impact on each bank was done on a pre-tax basis. Any of those banks with taxable income over an 8-year period, beginning 3 years before any losses are realized, will be able to mitigate substantially the effect, on the bank, of such losses through a reduction of Federal income taxes. That mitigation of possible losses has not been taken into account in our analysis.

On September 9, 1975, I directed National Bank Examiners to visit each of the 27 banks in Groups I and II to verify holdings of New York City obligations, to analyze each bank's exposure and financial capacity to absorb the substantial losses that would be evident in the case of default, to prepare a liquidity analysis, and to appraise the bank's ability to raise additional capital from inside and outside sources. Those special examinations were completed by September 16, 1975, and reviewed in Washington. However, the only material change made in the group ratings assigned was the moving from Group II to Group IV of one small bank with assets of $33 million, because most of its New York City holdings had matured in August and had been redeemed.

On October 3, 1975, a limited survey was conducted to ascertain the amount of New York State obligations and New York State Housing issues held within the National Banking System. That survey, conducted by telephone through the 14 regional offices, focused on the 50 largest National banks and all other banks whose holdings of New York City obligations exceeded 20 percent of their gross capital funds.

Following is a summary of the results of that survey. All figures represent book value.

Table 4
Telephone Survey of 93 Selected National Banks

Type of obligation	*Par value* (Thousands)
New York State Obligations:	
Bonds	$577,558
Notes	185,712
Total	$763,270
New York State Housing (11 issues):	
Urban Rental Housing	86,064
Non-Profit Housing	73,314
Hospitals & Nursing Homes	52,322
Medical Care Facilities Finance Agency	19,616
All Other	359,058
Total	$590,374
Grand total	$1,353,644

As additional information, the following table shows the number of National banks in each category when the combined holdings of New York City and

State obligations are taken as a percentage of gross capital funds.

Table 5
Telephone Survey of 93 Selected National Banks

New York City & State obligations to gross capital funds	*Number of banks*	*Assets of banks in category* (Millions)
40 to 50 percent	21	$861
50 to 100 percent	50	6,086
100 to 150 percent	17	1,083
150 to 200 percent	3	86
Over 200 percent	2	43
Total	93	$8,159

The geographical distribution of holdings by National banks of both New York City and State obligations is shown in Table 6.

Although we have made some initial qualitative judgments about the effect on National banks should New York City default, it is certainly more difficult, at this time, to assess the effect of potential default on various New York State obligations. Thus, our analysis to date is little more than an identification of those banks in which the combined holdings of New York City and New York State obligations are significant when related to capital. Should default occur in any obligations of the city or State, it seems reasonable to assume that efforts at debt restructuring might be undertaken. To provide some assistance in the task of holder identification, we are now conducting a universal survey of National banks' holdings of all debt issues of New York City and New York State. That survey includes issues held in trust and collateral accounts as well as those held in the investment and trading accounts. A copy of the survey questionnaire has been provided to the committee. We are now in the process of compiling results from the data.

Table 6
Telephone Survey of 93 Selected National Banks

Region	*Number of banks*	*Assets of banks in region* (Millions)
1	3	$214
2	23 (all in N.Y.)	5,626
3	3	121
4	1	26
5	8	198
6	26 (all in Fla.)	1,238
7	7	222
8	6	286
9	4	175
10	6	407
11	2	60
12	1	33
13	1	11
14	2	44
Total	93	$8,661

Obviously, no flat assertions can be made as to the impact of a New York City default. However, if the value impairment beyond the short-run is largely restricted to the New York City obligations, I believe that, for the National Banking System, the impact, while troublesome and unpleasant, would, nevertheless, be controllable without serious dislocation to the banking system.

Remarks of James E. Smith, Comptroller of the Currency, before the Bank Administration Institute, Oct. 27, 1975

On October 1, the three Federal banking agencies mailed all insured banks proposed revisions and proposed additional supplements to the Report of Condition and the Report of Income. Comments on those proposals will be received through November 1. Taking into consideration those comments, the three agencies intend to implement the revisions for the December 31 reporting date.

The purposes of the revisions are two-fold. First, and of foremost importance to our Office, is the need for improved and more comprehensive bank data for direct supervisory purposes. Second, the proposed revisions would provide shareholders, investors and depositors with better information in assessing the quality of individual bank securities, because the entire package will be available to the public.

There are several accounting changes proposed in the revised Report of Condition, and some are of major importance. One involves the reserve for loan losses. Currently, that bad debt reserve consists of three items, the valuation reserve portion, the deferred portion and the contingency portion. Under the proposed revisions, the valuation portion of the reserve, that is, the portion that has been reflected in past statements as a charge against income, would appear on the face of the Report of Condition as a deduction from total loans. The deferred tax portion, under the proposal, would be reflected in "other liabilities," and the contingency reserve would be included in undivided profits. As in the past, loans can be charged off *only* against the valuation reserve. Data from current records show that some banks on the reserve method have relatively low valuation reserves. Clearly, an inadequate or negative valuation reserve position must be remedied.

About 10 days ago, our Office sent all National banks special forms asking for a computation of valuation reserves. Each National bank has been asked to compute its year-end 1974 valuation reserve on the form, and then return it to our Office. Bank management will have to decide whether its current valuation reserve is adequate. If management concludes that it is not, then, as appropriate, an additional provision for the reserve must be made, either by restating past income (loss) for any fiscal period, or by a one-shot charge against 1975 income. The importance, and even necessity, of presenting fairly the financial condition and results of operation cannot be overemphasized.

Under another proposed change in the Report of Condition, unearned income on installment loans would be netted against total loans. Currently, for banks on the accrual basis, it is permissible to include unearned income in gross loans, with "other liabilities" increasing as a consequence. When a bank operates on a cash basis, it has been required to state in a footnote the amount of unearned income included in total stated capital. However, our examiners subtract unearned income from total capital as one of the steps in arriving at adjusted capital. The netting procedure that has been proposed will produce a more meaningful balance in the "loans" account and is in line with generally accepted accounting principles.

Another change would substitute "subordinated notes and debentures" for the term "capital notes and debentures" used at present. Subordinated notes would be suspended between total liabilities and equity capital, thus removing those notes from total capital, for reporting purposes. That is only a reporting change and does *not* represent any regulatory or supervisory change in the treatment of these notes by our Office.

Because of the 1969 revision in the Report of Income, reporting errors with respect to taxable items have increased noticeably. Under the major reporting change on the proposed Report of Income, the tax reporting would be simplified, thus decreasing, if not eliminating, the incidence of error.

Aside from those accounting and reporting changes, the proposed revisions would generate a significant amount of additional data. In the loan schedule, construction and development loans secured by real estate would be reported separately, as would loans to REIT's and mortgage companies. The revised Report of Condition would make provision for the newly permissible corporate savings accounts. Such accounts now can be established by corporations up to a maximum of $150,000.

Currently, Reports of Income are required annually for all insured banks. The proposal calls for quarterly Reports of Income for "large" banks, and for semi-annual Reports of Income for all other banks. We have proposed to define "large" banks as those having $300 million in total assets on a fully consolidated domestic-and-foreign basis. The proposed Report of Income also would separate interest on time deposits in denominations of $100,000 or more and other interest on time deposits.

The "large bank" supplements to the Report of Condition and Report of Income call for a considerable volume of additional data. The loan maturity schedule in the package is less comprehensive than the maturity schedule National banks have been submitting on a quarterly basis since October 1974. The proposed maturity schedule would contain a figure for total loans with a remaining maturity of 1 year or more. Such loans would be divided between those with fixed rates and those with floating rates. The latter category would be divided among those loans tied to the domestic prime rate and all other loans. The loan commitment table in the revision package is identical to a report already received semi-annually by the agencies from banks above a certain size. However, the current schedule is not subject to public disclosure, while the proposed schedule would be.

A separate table would contain maturity data for loans on the books of foreign offices. In addition, two tables would provide a breakdown of total assets, selected assets, total liabilities and selected liabilities among seven major geographic areas of the world, categorized by geographic location of customer. One table would supply those data for assets and liabilities on the books of domestic offices, while a parallel table would secure those data for items booked at foreign branches. We believe that geographic breakdown by location of customer would provide significant, improved information on bank exposure. We are optimistic that disclosure of the additional data called for in the proposed revision package will allow this Office, investors, depositors and creditors to make a better assessment of each bank.

A long series of discussions occurred between the Securities and Exchange Commission and the Federal banking agencies prior to the release of the banking agencies' proposals and the SEC's proposed guidelines for bank holding companies. Much of that discussion centered on the question, "What would constitute adequate disclosure of 'non-performing' or 'non-current' loans?" In its proposed guidelines, the

SEC has put forth three alternative methods for disclosure, two of which would require disclosure of the total amount of non-performing loans. The supplement to the banking agencies' package would require disclosure of the income effect of "non-current" loans, with two objective definitions for determining which loans are non-current; loans past due 60 days with respect to interest or principal and loans renegotiated as to reduced or deferred principal or interest terms resulting from payment difficulties of the borrower.

The banking agencies' proposal does *not* call for disclosure of the total amount of non-current loans. We continue to believe that disclosure of the total of non-current loans could be misleading. It would be too easy to leap to the conclusion that all loans in that category represent either current or future losses. Of course, that is not the case. The income effect of non-current loans is a factor which is relevant to an investor. Disclosure of the total amount of non-current loans could lead to a faulty extrapolation of future losses. Moreover, we have found no correlation between loan losses and loans placed on a non-current status. Such placement of loans by most banks does not reflect the safety of principal, the adequacy of collateral, or the existence of a guaranty or insurance.

The proposed changes in the Report of Condition and Report of Income, as I mentioned earlier, are open to comment through November 1. Included in the comments we have received so far is a suggestion to shift the past due loans report from a bimonthly, odd-month sequence, to a quarterly report basis. We are reviewing that possibility. With this more comprehensive and more frequent reporting format, we are looking at our other reporting systems to eliminate duplication.

The new and revised data we hope to be receiving from banks under the changes proposed in the agencies' package will provide us, and the banks themselves, with more timely information. In addition, our Office will be using the information contained in the Report of Condition and the Report of Income for two major new projects, both of which, I emphasize, are in the embryonic stages. In addition to the traditional processing of call reports involving the three Federal agencies, which usually is completed around mid-May, we are working on a parallel system which is expected to produce results 45 days from the call date.

Current aggregate industry data made available to us through the interagency process take so long to emerge that they are of little value when a current appraisal is required. That situation can be detrimental to the examiner, the supervisory agency, and to the bank itself. The agency is at a disadvantage when called upon to produce current data, and when attempting to formulate particular programs or steps for which current data are a requirement. Individual banks and the supervisory agencies may be making less than satisfactory decisions because an overview of a bank's condition based on untimely data may be incorrect, or at best only moderately misleading. In today's environment of almost instantaneous transactions, a data base several months old simply is not acceptable.

One of the main goals of the reorganization and restructuring of our Office is the shift in emphasis in our Washington Office from dealing with individual bank situations on an *ad hoc* basis to reviewing and monitoring the National Banking System as a cohesive unit. One of the prime vehicles for implementing that goal will be the establishment of an early warning system, part computer, mostly human, that will be able to spot changing patterns of behavior in the banking system and in individual banks. That early warning system which, as you probably know by now, we call the National Bank Surveillance System, or NBSS, using the data reported by banks, will employ a ratio analysis system comparable to those used by financial analysts. The basic elements of the NBSS would include a data collecting system, a computer-based monitoring system, an evaluation of that data by experienced examining personnel, and a review procedure to control remedial action. Some of the principal features of the system would include the use of key indicators, both financial and non-financial, to alert us to possible innovative or adverse developments; computer-produced, action-oriented reports; the use of specialists to interpret the data; and the use of limited field examinations.

By monitoring banks quarterly in that large sieve manner, we will be able to spot, rather quickly, any factors that may indicate the development of a seriously critical situation—in a bank, in a region, or in the whole system. We also expect to customize our examinations to these factors as they are sifted out.

Our National Bank Surveillance System will have two advantages over the systems used by financial analysts. First, information can be updated periodically to ensure its accuracy and timeliness; old data is one of the bugaboos of the financial analyst. Second, if we observe any variances, we have the authority to go right to the bank and track down the reason. Financial analysts, on the other hand, must speculate as to the reason for the sometimes erratic appearance of unusual financial information they are trying to use to assess the strengths and weaknesses of banking institutions.

I have said that the NBSS will utilize ratio calculations. Those ratio calculations for a particular bank would be compared with the same data for that bank in prior periods. They also would be compared with the same data from a peer group for current and prior periods. A bank's peer group would be determined by size and other factors. I emphasize that we have no intention of making banks conform like sheep to a theoretical average, or preconceived set of parameters. That is *not* the purpose of the National Bank Surveillance System. We want banks to try different approaches, but we want to be alerted to those perhaps innovative methods, as well as potential problem areas. The NBSS will assist us in this identification process.

The examiner also will benefit from the additional information we hope to obtain. You all are familiar with the traditional procedures of bank examination. The examiner comes to the bank with knowledge acquired from the previous examination report, and perhaps relevant correspondence that has been sent to the Regional Administrator and subregion since the last examination. But, with the addition of the new and more current data, in the future the examiner will have a much better picture, in advance, of the bank's condition, and will be able to pay particular attention to special areas if necessary.

Since loans constitute the major portion of each bank's assets, examiners traditionally have devoted most of their time to a detailed analysis of most of the bank's loan portfolio on a case-by-case basis. But, as we implement more modern examination techniques, the examiner's role will shift from reliance on his own verification procedures to more use of the bank's own efforts in that direction, when possible. That does not mean that examiners will discontinue evaluating each bank's assets. But we believe that process can be accomplished equally as well by testing and evaluating the bank's own internal credit review and audit systems. If those systems, when checked out by the examiner, prove to be adequate on an on-going, day-today basis, then there seldom is a reason for the examiner to repeat once each year procedures that already are being conducted satisfactorily by the bank. In other words, if the bank has its own continuous asset evaluation system that includes regular auditing, rating and pricing of its investment account, why go through it again? If the bank has its own internal loan review system requiring regular evaluation of collateral and ratings of loan by quality and performance, a sampling of the system should suffice; it does not have to be duplicated with an evaluation of 80 percent of the bank's loan portfolio.

We expect the National Bank Surveillance System to be a reality. It should produce a report for the examiner prior to his entry into the bank. That report should consist of a complete financial analysis of the bank. It should relate the condition of that bank to the condition of other banks in its peer group. The report should show how that bank is operating, and any indications of weaknesses shown by the report will be discussed in detail with the chief executive officer of the bank. The system will not be in full use tomorrow; it will not be applicable to all banks until it is a thoroughly tried and tested system. We intend to try it first in a few selected regions on medium-size banks and, as the system is developed, it also will be expanded to cover both the larger and smaller banks.

In addition to the more up-to-date information on particular banks that will be supplied to the examiners before they enter the banks for another go-round, the examination report itself is going to be modified to bring it more into line with other developments in the supervisory area. Traditionally, the examination report has been based largely on an evaluation of the bank's financial condition and its compliance with applicable laws and regulations. As the thrust of examinations has shifted and expanded and as new legislation has been enacted, new pages have been added to the report and old pages have been revised. Checklists of procedures performed and shortcomings in general internal control have been included along with statistical data and the examiner's comments and conclusions. With all the additions and revisions that have accumulated over time, the report not only has become unwieldy, but also has fallen short of its goal, namely to communicate meaningful information to both our Office and to the bank's directors and management. To achieve its purpose, the report of examination must identify clearly the situations that are of concern to the examiner, the factors that he believes have contributed to or caused those situations, and, where appropriate, suggested remedial action. In order to accomplish that purpose, the Office now is in the process of developing a revised report format and revised instructions to the examiners.

The new report of examination will be divided into three major sections that are designed to convey to the Office and to bank directors and management the relative importance that the examiner places on his findings.

The first section of the report will be directed to the board of directors, its examining committee and senior management. It will contain a summary of the examiner's critical comments, and, where appropriate, the remedial action he recommends. Those critical comments, which will be presented in narrative form, will be supported by the schedules and analyses that are required to document the examiner's conclusions. Such schedules and analyses will be in sufficient detail to enable the directors and management to take specific corrective action. Examples of comments that may appear in this section of the report include major deficiencies in earnings performance, internal controls, lending policies, liquidity, or an amount of classified assets that is significant. It has been my experience as well as that of others involved in the regulation and supervision of banks that the direct involvement of the board of directors in situations that require prompt remedial action greatly assists in ensuring that the appropriate action is taken on a timely basis. Accordingly, the Office will require the bank, through the chairman of the board of directors, to respond within a predetermined period of time, indicating the bank's agreement or disagreement with the examiner's comments. If the bank concedes the fairness of the critical comments made, the specific remedial steps to be taken to correct the situations reported and the procedures it proposes to adopt to prevent a recurrence of similar situations will be required to be reported. I might add that your thoughts or suggestions regarding the time period that should be allowed for responses to section one of the report are welcome. You should bear in mind, however, that the Office views timely responses by the bank as a critical part of the timely correction of the situations included in this section of the examination report.

The second section of the report also is designed for use by the bank. That section will contain additional deficiencies and technical irregularities that, in the examiner's judgment, individually do not constitute critical comments of sufficient importance to be included in the first section. Information that might typically appear in the second section includes minor deficiencies in internal control and the program of internal audit, collateral exceptions, and related matters.

The third section of the report is designed specifically for this Office. That section will continue to be called the confidential section. The significant change from the current report, however, will be in the information included in the confidential section. That section primarily will include subjective judgments by the examiner-in-charge. The examiners-in-charge have been selected for their capability, experience and judgment, and the Office long has recognized the value of their intuitive reactions to factual situations. The new report of examination will contain revised pages dealing with specific matters which must be completed by the examiner. That is similar to the present requirements. For example, the revised report will include a page on which the assets subject to classification would be summarized. The information presented would include the type, description and amount of all significant assets. Instructions will direct the reader to an appendix where the complete loan write-up would be presented. If the amount of assets classified substandard, doubtful or loss is significant, or if the classifications have deteriorated since the previous examination due to the failure of the bank to adhere to sound lending policies, the summary page would be included in the section requiring the attention and response of the board of directors. Section two would contain the summary if the amount of assets so classified was not considered significant. Accordingly, the inclusion of those pages in section one, requiring response by the board of directors, or section two, will depend on the examiner's evaluation of the seriousness of, or the support required for, his criticisms.

I expect the revised reports of examination to be introduced concurrently with the revised examination procedures in the summer of next year.

On the recommendation of the Haskins & Sells team which spent a year studying our Office's operations, our internal structure has been overhauled almost completely. Among the nine newly designated deputy comptrollers, we now have a Deputy Comptroller for Operations Review. In performing the operations review function, the Deputy Comptroller for Operations Review will rely heavily on feedback from field examiners. But, in addition, we are encouraging bankers to discuss with him any situation in which they feel they have been fundamentally aggrieved. That does not mean that we are creating a new arena for airing individual complaints, such as loan classifications, but it does mean that the industry now has a senior officer within the Office to whom it may address criticism of basic operating procedures. Furthermore, the Deputy Comptroller for Operations Review will report directly to the Comptroller.

I believe that the new or altered requirements that we have proposed, even though they may seem burdensome at first glance, will prove to be a more viable framework for contributing to a healthy banking system.

Remarks of James E. Smith, Comptroller of the Currency, before the Financial General Bankshares, Inc. Economic Forum, Washington, D.C., Oct. 29, 1975

"Banks and Capital Formation"

> A Nation with lagging capital investment, lagging economic growth, lagging plant modernization, and lagging productivity. This is a pretty fair description of a "backward nation" and I guess you know what country I'm talking about: Our Country, the U.S.A.[1]

That sentiment recently was expressed by one of our country's leading industrialists. He is not the only one concerned with capital formation in the coming decade. The Brookings Institute, First Boston Corp., economists, the N.Y. Stock Exchange, and a host of others have expressed equal concern. Perhaps an historic perspective would help illumine the potential severity of the situation.

> "A decade ago, U.S. business used only 60¢ of borrowed money for each $1 of internal cash. In 1974, the figures were $1.60 of borrowed money for each $1 of internal cash."[2]

Many projections for the coming decade have been made. Although the imperfection of estimates can be decided by history and should not concern us, the antecedent of those estimates is of vital concern. Does our present structure for capital formation contain the elastic capacity to expand with the capital needs of this country in the coming decade?

If the answer to this *might* be no, the future growth of our economy may be seriously curtailed, and today we must address ourselves to possible solutions. Some of the areas which deserve exploration may be restricted by the Glass-Steagall Act.

In the wake of the economic disaster of the early 1930's, a massive amount of legislation was enacted quickly, legislation with the very real purpose of protecting our country from a similar economic recurrence. To ensure the maintenance of stability in our banking system, the proponents of the Glass-Steagall Act proscribed banks from engaging in a number of financial areas and added criminal sanctions to ensure adherence to those proscriptions. Now, four decades later, I think it is time to reevaluate some of that legislation in a more tempered atmosphere, considering both economic and statutory changes. That conclusion apparently has been reached simultaneously by several different groups—the Treasury Department's Capital Markets Committee, the House Banking Committee in the FINE study, and the Senate Subcommittee on Securities. In addition, the SEC has been directed by Congress to investigate whether banks should continue to be exempt from the broker-dealer regulation administered by that agency. That is a far from complete list.

The fundamental reasons behind those reviews are apparent. In the 42 years following the passage of the Act, while our economy has been changing drastically, banks and bankers have continued to develop their financial expertise through the normal conduct of their business. That expertise has not been restricted to lending decisions but extends into the expanding area of financial management. The skills and expertise often have extended into areas prohibited by the Glass-Steagall Act.

Do not misunderstand me. The Glass-Steagall Act has done much to add to the stability of the banking system which is, by statute, my major concern. I am not advocating any changes that might jeopardize that stability. I am suggesting an objective review of that Act, with the cognizance that banks and bankers already have available skills and expertise which may be applied to many financial areas. That application would benefit not only the public but also our economy as a whole, yet would have no detrimental effect on the stability of the banking system.

One provision of the Act prohibits commercial banks from underwriting and dealing in corporate securities. Since 1933, banks have been subject to an increased amount of Federal regulation. Also, Federal and State laws further have restricted commercial bank fiduciaries in exercising investment discretion on behalf of public investors.

Despite that, the potential conflicts of interest and high risks inherent in general corporate underwriting by banks seem to outweigh the benefit of the expansion of capital formation which might result. While Federal Deposit Insurance might mitigate any adverse effects on public confidence, the risk remains that the fortunes of the bank and its securities affiliate might rise and fall together.

There are a number of situations where the areas are more shaded and the decisions more difficult. For instance, banks' expansion of money management services. The Supreme Court has held that commercial banks may collectively manage, in a commingled investment account, *only* assets which they have received for fiduciary rather than investment purposes. The result of that decision has been the restriction to only the wealthy of access to the financial expertise at bank trust departments. That is a highly debatable area. If banks were allowed to sponsor mutual funds, the small investor would be permitted easier access to sophisticated portfolio

[1] *Business Week*, "The Big Squeeze on U.S. Companies," Sept. 22, 1975, p. 50.
[2] *Ibid*.

management. That would increase capital formation significantly. Bank entry into that area would increase competition and, undoubtedly, raise the performance of existing mutual funds, and, perhaps, lower the fees to the public.

Arguments against bank entry must be contrasted to the benefits. Would this pose the risk of economic concentration in banks? Probably not. Would the promotional incentives and pressures incidental to a bank's sponsorship of a mutual fund create a conflict of interest situation? That is a very difficult question. If the answer is yes, then would it be possible under appropriate supervision and regulation to prevent it; as the Federal Reserve System has with the limitations it imposes on bank holding companies and investment companies for which it acts as investment advisor? Might the unsuccessful management of the fund be associated with the bank and result in a loss of public confidence in the bank itself? This is a possibility deserving careful consideration. Would the bank's vested interest distort its credit decisions? I doubt seriously that a bank would attempt to aid a fund in which it had an interest at the expense of granting questionable loans. Also, supervision and regulation effectively could curtail such potential dangers. The judicious weighing of the positive and negative arguments is most difficult, but necessary if we are to have our economy function at a more efficient level.

Another area of concern is banks acting as investment advisors to open-end and closed-end investment companies. Under the present Federal Reserve and the Comptroller's Office interpretations, banks may act as investment advisors to both open-end and closed-end mutual funds. In addition, present Federal Reserve rulings permit bank holding companies to sponsor and control closed-end mutual funds, but not open-end investment companies, or mutual funds. That has been challenged in the courts. Both the Federal Reserve and the Comptroller's Office rulings restrict transactions between banks and funds which they sponsor or advise.

Bank participation in mutual funds would give small investors greater access to sophisticated portfolio management services and could materially increase capital formation.

The arguments most frequently raised against bank management or sponsorship of commingled investment funds are (1) that having specific instruments to sell destroys fiduciary objectivity and (2) that the bank may be tempted to "shore up", by imprudent commercial lending, faltering companies in which the bank's mutual fund has an interest. The potential for almost identical conflict of interest situations exists within individual trust management and very few abuses have surfaced. There is no reason to believe that regulation and supervision would not provide adequate safeguards.

There are a number of areas, however, where banks could make significant contributions to the efficiency of capital formation without undue risk to themselves. For instance, commercial banks are allowed to underwrite and deal in general obligation bonds issued by states and their political subdivisions. Those who argued that that would lead to a concentration of financial power within banks have no facts indicating that banks have monopolized that business. On the contrary, studies have indicated that commercial bank entry into the field has promoted healthy competition.

With characteristics and marketability which are similar to general obligation bonds, the underwriting of revenue bonds offered by similar issuers seems a logical extension of a bank's expertise. Indeed, studies indicate the prohibition of banks' underwriting of revenue bonds has had a marked influence on the sale and distribution of such bonds, to the detriment of the issuers involved. That is, issuers of revenue bonds receive fewer bids from underwriting syndicates than do issuers of general obligation bonds of comparable size, maturity, and quality. That results in the issuers of revenue bonds paying relatively higher interest costs.

Opponents also have argued that it would give rise to a potential conflict of interest between a bank's investment banking and fiduciary functions. That issue was probed extensively in 1967 hearings before the Subcommittee on Financial Institutions of the Senate Committee on Banking and Currency. Opponents of commercial banks' underwriting of revenue bonds were unable to present a single instance where a bank had been guilty of a conflict of interest in underwriting and dealing in general obligation issues. That area appears to be a natural extension of banks' present authority without endangering bank stability.

Another logical extension for banks has been into the computerized retail brokerage type business, *e.g.*, automatic investment services and dividend reinvestment plans. Those plans provide customers with a convenient means of access to security markets at less cost than traditional odd-lot brokerage fees. They offer a viable alternative to the individual who cannot afford to purchase 100 shares of IBM and therefore uses his money for consumer expenditures. He now has the opportunity to automatically invest a small amount monthly. That is an excellent example of exchanging consumer expenditures for capital formation. The securities industry has chosen to fight that competition in the courts rather than the market place.

Bankers have always been a source of financial advice to borrowers, both corporate and private. Usually that has been rendered gratis as a by-product of commercial lending. It is a natural extension of such service to institutionalize it and to charge fees commensurate with its value. Financial advice could be rendered in connection with customers' borrowings for longer terms or in greater amounts than a bank now may provide. When such advice is coupled with acting as a middleman in finding a lender, some investment bankers feel that the Glass-Steagall prohibitions have been breached. My own view is that banks may provide such services either gratis or for a fee, but that the fee should not be contingent upon successful placement and the bank should not participate in actual negotiations between the lender and borrower.

There are numerous other areas which could be examined, but I hope my cursory coverage of the few I have mentioned will emphasize my point. Proponents of the continuation of the Glass-Steagall Act have argued that bank entry into heretofore prohibited areas should be deterred by severe sanctions, would create potential conflicts of interest, would concentrate financial power in a few large banks, and would lead to instability in our banking system. Because the Act has many gray areas, it seems illogical to use such severe sanctions as to discourage the testing and illumination of those areas. In areas of a potential conflict of interest, it must be determined whether adequate protection can be provided by regulation and supervision. Some critics argue certain reforms would lead to the abnormal concentration of financial power in a few large banks. However, there is a well established record of cooperation in the underwriting of general obligation issues but little evidence of either intent or opportunity for commercial banks to engage in predatory practices or to exclude investment bankers. In areas where entry would threaten the stability of the banking community, I concur that banks should not enter.

It is my hope that current investigations will focus their attention on the expansion of banks into financial fields in which the public and our economy would benefit, without threat to the stability of our banking system. If that does not occur, if the right questions are not asked, if interest groups use the all too human yardstick of self-interest to subjugate beneficial economic reforms, I regret that an opportunity for the emergence of a new source of capital formation will be lost—to the detriment of our economy.

Remarks of James E. Smith, Comptroller of the Currency, before the Savings Banks Association of New York State, New Orleans, La., Nov. 12, 1975

"The Role of Financial Institutions in Combating the Decline of Urban Housing"

The continuing spread of blight in urban America is most distressing and our seeming inability to stop it is frustrating. Increasingly, many of our urban neighborhoods are losing their sense of community—overrun with crime, choked by traffic congestion and air pollution, confronted by sudden racial and ethnic change, and disfigured by physical decay.

Spreading from neighborhood to neighborhood and from city to city, that blight has sparked a National debate over its causes and introduced a new word into our vocabulary—"redlining." In the current American idiom, "redlining" is reasonably defined as "disinvestment by mortgage lenders in neighborhoods showing physical and/or socio-economic decline." That definition makes no attempt to fix blame but only describes the condition. Some less temperate definitions imply outright geographic, racial, and economic discrimination; others connote only judicious credit policy by mortgage lenders unwilling to commit depositors' funds to real estate loans in declining neighborhoods. One's definition, of course, depends on one's view of the role of financial institutions in serving the public need.

Obviously, disinvestment by mortgage lenders in decaying urban neighborhoods is not a myth. But, close examination of the decline process reveals that disinvestment is only one of a series of factors which influence decay and, typically, it occurs late in the process. That observation has been established conclusively by at least two independent studies: The 1971 National Survey of Housing Abandonment; and a 1974 study by the MIT-Harvard Joint Center for Urban Studies conducted for the Federal Home Loan Bank Board. Though informed observers may disagree as to the exact sequence and relative impact of each factor leading to urban decay, no professional analysis I have seen suggests that curtailment of residential mortgage financing is the sole, or even principal, factor in the urban decay process. The conflict is, I suspect, more apparent than real. However, current public debate strongly suggests that the physical decline of many sections of our mature central cities, regardless of the causes, can be redeemed through the credit facilities of our private financial institutions. That popular, albeit mistaken, analysis has led some "redlining" critics to promote legislation compelling financial institutions to disclose the geographic sources of time and savings deposits and the geographic placement of mortgage loans, with the assumption, either naive or cynical, that such disclosure will produce substantial, new flows of mortgage funds to the decayed neighborhoods. That view is unfortunate in two respects. First, because it diverts National focus from the multi-faceted dimensions of the urban housing tragedy, suggesting instead a simplistic remedy, namely, disclosure. And, second, because it unfairly attributes major blame to mortgage lenders.

It is impossible to evaluate fairly a lending institution's service to its community by comparing the geographic source of its deposits with its geographic placement of real estate loans. There is not necessarily any correlation between the two. Those two services are, and should continue to be, separate, distinct, and valuable financial services. Moreover, in the case of commercial banks and mutual savings banks, such attempts at correlation ignore other important financial services which are significant contributors to the overall economic health of a community, such as business credit, consumer lending, purchase of debt securities of municipalities and other public bodies, interim real estate construction financing, and others. Additionally, mandated insistence upon a strict correlation between deposits and mortgage loans would seriously impede the free flow of credit from capital "surplus" areas to capital "shortage" areas—a necessary element in a *National* money market.

In the case of thrift institutions, especially, correlation ignores the fact that an institution's supply of money and its demand for money often comes from separate geographic areas. Branching limitations sometimes confine an institution to the inner-city, where it originated, while many of its customers move to the suburbs. Not infrequently, that results in a split customer base; the older more settled net-savers remain in the city while the younger more mobile net-borrowers settle in the suburbs. Nationwide, there is a growing disparity between the source of savings deposits and the source of real estate loan demand. There is nothing puzzling about that. It is a clear result of economic and social change which, though it affects lending institutions, should not be interpreted as having been caused by them.

Some see a dilemma between the lender's obligation to invest depositor funds wisely and its equally important obligation to serve the legitimate credit needs of its market. There is certainly a public obligation to both. The difference is one of emphasis, not of substance. For a lender services its depositors best when it prudently invests in the needs of the community in which both are located and, conversely, it serves the public best when it follows sound investment practices which add stability to the institution. An institution violates no public trust when declining a loan application from a decaying urban neighborhood for reasons of inadequate collateral security or an absence of applicant creditworthiness. It cannot be held responsible for myriad economic, social or other factors which created the circumstances about which it must render a judgment. Nor, in fact, can it contribute to their solution by imprudent approval of the loan request. The Comptroller of the Currency has no special expertise regarding urban problems. He is, however, charged with promoting soundness in the National Banking System. And, because "redlining" and its retaliatory opposite force "greenlining" could impair that soundness, I am compelled to enter the public debate.

I would urge that the Nation's financial institutions take an active role in stemming the tide of urban decay in their respective communities. To the extent that imaginative mortgage lending policies can help arrest decline in neighborhoods exhibiting only its early symptoms, it is incumbent on mortgage lenders to lend that financial expertise to organizations employed in local conservation programs. Many lenders are already busily involved in the task; others, unfortunately, are not. I know of some locally-initiated community programs in which lending institutions are playing a major role in cooperation with city officials and residents. I know of some banks and thrift institutions that have adopted their own programs of low-cost loan assistance for purchase and renovation of homes in designated neighborhoods afflicted with the early symptoms of decline. I applaud those of you who are contributing to the success of Neighborhood Housing Services, Inc. in its neighborhood preservation efforts now going on in dozens of cities across the country. That program, sponsored by the Department of Housing and Urban Development and the Federal Home Loan Bank Board, has clearly established the merit of a neighborhood approach to preservation, employing the talents and energies of municipal officials, neighborhood residents and local financial institutions *without* a massive infusion of Federal funds.

Although it may be too early in the life of those programs to render final judgment as to their respective worth, it is certainly fair to say that they are most encouraging. From a lender's standpoint, there is a lesson to be learned from these programs; there are creditworthy borrowers residing in those neighborhoods who are anxious to improve their homes. Timely remedial action by a broad-based coalition of residents, public officials, businesses, and financial institutions can create an environment in which the credit aspirations of individual residents become economically feasible for banks. That is the message of these neighborhood preservation programs. Those efforts at stemming the further erosion of urban residential neighborhoods are one area of activity in which the public may legitimately expect both participation and leadership from our financial institutions. But I believe that the public may expect an ever larger commitment from you, a commitment relating to the reclamation of neighborhoods already consumed by physical decay.

Of course, you and I understand the traditional business principles that underlie the decision of a mortgage officer in denying loan applications from blighted neighborhoods. I disagree vigorously with those who advocate any system of mandatory credit allocation that would prevent that mortgage officer from exercising his own judgment regarding the physical condition of the collateral security and the creditworthiness of the proposed borrower. But, though you and I understand and support those principles, apparently others do not, and their numbers may be growing. Many states and municipalities have now adopted mortgage disclosure legislation and regulations. Others have outlawed "redlining." Both Houses of Congress have now passed disclosure legislation. Rightly or wrongly, you and your colleagues have been chosen to bear the burden of cause and, possibly, correction of our decaying urban centers. And, I must confess my belief that some of the blame for that unfair and unfortunate situation lies in the inability of the private financial industry to educate the general public to a full awareness of the financial imperatives underlying sound and sustainable lending policies by private institutions. In my experience, few financial institutions have seemed able, or even willing to adjust to the increasingly difficult demands of a broadening public responsibility. Few feel the need to commit any but the most meager share of their funds to expenses for public education of the role of lending institutions in the community. I would strongly recommend that you do so—now! For the inaction of the private financial sector is inviting public sector response which can only result in legislative mandates that will drastically alter the conduct of your business in years to come. Obviously, the solutions required to restore the decayed areas of our central cities are of such a magnitude and complexity that financial institutions alone cannot provide them. But that does not mean you have no responsibility. You are the financial experts in your respective communities. To the extent that urban decay is a financial problem, you have the expertise to analyze that portion of the problem and to recommend the ingredients of solution. In all likelihood, the solution will require public resources. In some cases those public costs may be found to be unacceptable; but the public must have knowledgeable and objective assessments of its options. I believe that your "publics" have a right to expect your leadership participation in that architectural role. Your failure to perform it heightens the possibility of your being mandated to play roles inconsistent with the principles of sound banking.

If there is a sustainable, long-term answer to the Nation's urban housing ills, it must ultimately meet the tests of the marketplace. Most likely, the answer will emerge only when the private financial sector fully applies its knowledge and skills to the creation of new and innovative mortgage instruments and market techniques, in short, the financial tools necessary to refurbish our urban residential communities. The Nation's lending institutions can and, indeed, must participate in the development of ways to enable urban housing to compete for credit with other currently more profitable investments. If the industry does not contribute to the fashioning of some remedy to America's urban housing crisis, then the issue will be settled for you. It will be settled not by anyone knowledgeable of the problems of mortgage lenders, not by urbanologists, perhaps not even by the Congress. Unless you are willing to accept the consequences of the solution which may be imposed upon you, you must accept the leadership responsibilities available to you today.

Remarks of James E. Smith, Comptroller of the Currency, before the Carter H. Golembe Associates, Inc. Conference, Dec. 8, 1975

"Same Time, Next Year—A Call for Response to Years of Inaction"

> I believe in branch banking. Theoretically it is the best system, as it is more economical, more efficient, will serve its customers better. . . . If I were outlining a new system for a country in which there was none, I would adopt this system.

Although I endorse that view, the words are those of Comptroller of the Currency William B. Ridgely at the 28th Annual Convention of the American Bankers

Association in 1902. I often feel frustration at CBCT's being interpreted as branches. However, there is some solace in noting that certain of my predecessors dealt with a system which forbade National bank branches altogether!

Several recent court decisions trouble me, but no more than the case of *First National Bank of St. Louis* v. *Missouri* must have bothered unfortunate Henry M. Dawes. Comptroller Dawes, the 15th Comptroller of the Currency, was an adamant foe of branch banking. However, on assuming office in 1923, he inherited a statutory interpretation by the prior Comptroller which allowed National banks to have limited branches. I note, with interest only, that the year 1924 saw both the Supreme Court's decision nullifying the Comptroller's interpretation and Mr. Dawes' resignation.

The attitude which precluded legislation allowing National bank branching was not modified until the McFadden Act and the Banking Acts of 1933 and 1935. It exists today in a different, but still potent, form. In its extreme variety, it assumes the shape of a unit banking advocate. The less virulent strain ensnares electronic banking in the morass of geographic branching restrictions. But regardless of the degree of extremity, monopoly protection ill-serves the public.

Let me give you some idea of the degree and importance of the inconvenience which is occasioned by that policy. Convenience is not a matter of little significance to the public. In a study made by the Gallup Poll for the United States Savings and Loan League, now known as the United States League of Savings Associations, in 1972, which covered banks as well as thrifts, the *second* most important reason for choosing an institution in which to maintain a savings account was convenience. Thirty-eight percent of the survey population spontaneously mentioned convenience. Next to safety, convenience was rated as the most important factor in characteristics at which the public looked. It would seem then that the public opposes barriers which cause them greater difficulty in banking. The restrictions do not affect just a small portion of the population, either, according to a study the Office of the Comptroller of the Currency made of the 50 largest Standard Metropolitan Statistical Areas in the country.

Of the 98.5 million people residing in those SMSA's, there were 11.1 million citizens who could be defined as commuters. I should add though that that figure is low in that a "commuter" here is only so labeled if he crosses a governmental boundary on the way to work. In other words, many Chicago workers who reside *within* the city would not be designated as "commuters" by the study, despite the distances they may travel, because they do not cross a political boundary. Unfortunately, such figures are not readily obtainable. However, we do know that a 1972 study by the Department of Transportation shows that the average home to work trip by all modes of transportation equals 9.4 miles.

Even with the more limited context of those who cross governmental boundaries, the numbers are impressive. For example, 75.3 percent, or 3 out of every 4, workers cross a governmental line in the St. Louis area. Although that is higher than any other SMSA, it is still indicative of the inconvenience engendered by the restrictive branching laws.

Within the 50 SMSA's, 35 million people were gainfully employed and 11.1 million were defined as commuters. That means, assuming the 50 largest SMSA's are representative, that 3 out of every 10 workers in the United States cross a governmental line going to and from work. Many of those in that group are denied that aspect of banking which they deem the second most important factor in banking, convenience. Often, restrictive branching laws preclude those consumers from banking with the same institution both where they live *and* where they work. There are 16.5 million people within the 50 SMSA's living in states permitting only unit banking or countywide branching. Of that total, 5.3 million cross a governmental line in their commutes. Even in more liberal branching states, consumers often confront major convenience impediments. There are 8.2 million workers in the selected SMSA's where banks are allowed to branch in neighboring counties. We know that 3.2 million of those citizens are commuters as defined earlier. Of those, 646,000 commute from outside the SMSA's. The greater the distance of the commute, the greater the likelihood that the consumers cannot bank both where they live and where they work. Workers living in restricted or limited branching areas equal 48.4 percent of total commuting workers in the SMSA's. Almost half of the commuting work force in the 50 largest metropolitan areas may be precluded from equal rights in accessing the financial institution of their choice.

Much of that is engendered by State law, the McFadden Act, and the Banking Acts of 1933 and 1935. However, interstate workers are also at a disadvantage even if branching is permitted intrastate. In New York City, approximately 318,000 workers cross a State line to work. In the Washington, D.C. market area, 360,000 workers cross a District or State line to work. That means that almost 40 percent of the District of Columbia work force cannot bank in the same place both where they work and where they live.

Now let me rhetorically ask why the public encourages a system which is so clearly against the interests of many of them. The answer, of course, is that the consumer simply has either too small a voice or is not vocal on the issue. Though many bankers have shown farsighted leadership in the area of less restrictive branching laws, some continue to hesitate fearing the threat of more competition. Of course, aside from the merits or demerits of those fears, they ignore the expanding savings and loan industry. They forget the growing powers of S&L's as well as the fact that those institutions are not "McFaddenized" at the Federal level. The anti-branching banker may win the battle against his banking colleagues only to lose the war within the broader financial intermediary constituency.

Another argument one hears against branch banking is that it encourages a concentration of banking resources. I do not accept that view. First of all, the larger banks are often located in liberal branching states and those institutions have not devoured their markets. Tangentially related to that point is the share of deposits which they hold in National standings. The proportion held by the top 100 banks in the Nation in 1942 was 49.3 percent. After 32 years, the share was 45.6 percent, down almost 4 percent.

The small, effective community bank is good insurance that giants will not drive competition out of business. To verify that thought, our Strategic Studies Division asked each of our 14 Regional Administrators to identify for close analysis four or five dynamic or progressive smaller banks in their respective regions. We were especially interested in banks in the $25 to $100 million asset category that were performing well in highly competitive markets. We, of course, discounted banks located in markets which were monopolized environments. Sixty-five such banks were selected and their data subsequently examined by our financial analysts. The results support the view that sheer size is not necessarily a determinant of success.

Looking first at profitability, we see that, in each of the last 4 years, those 65 community banks fared better than the 58 National banks with over $1 billion in deposits, both in return on assets and in annual percentage change in net income. Let's first note the comparison of net income to average assets. In the community group, the 1971 ratio was 1.03 percent, compared to the 58 largest National banks' ratio of 0.84 percent. That difference continues in 1972, 1973 and 1974: 1.04 percent against 0.78 percent; 1.08 percent against 0.77 percent, and 1.09 percent against 0.74 percent.

The percentage change in net income is also more impressive in the community group for the 4-year period: 11 percent versus 6 percent; 17 percent versus 4 percent; 18 percent versus 12 percent; and 13 percent versus 10 percent.

Not only were the smaller institutions outperforming the largest banks in terms of earnings, but they also held their own with respect to growth during the period 1971 to 1974: 16.1 percent to 13 percent; 16.5 percent to 13.1 percent; 13.4 percent to 12.1 percent; and 9.6 percent to 10.0 percent.

Table 1
Profitability Measures of Selected Community and Large National Banks, 1971–74

	1971	*1972*	*1973*	*1974*
Net income to average assets for (in percent):				
65 community banks	1.03	1.04	1.08	1.09
58 largest National banks	0.84	0.78	0.77	0.74

Table 2
Profitability Measures of Selected Community and Large National Banks, 1971–74

	1971	*1972*	*1973*	*1974*
Percent change in net income for:				
65 community banks	11	17	18	13
58 largest National banks	6	4	12	10

Table 3
Annual Growth in Assets of Selected Community and Large Banks, 1971–74

	1971	*1972*	*1973*	*1974*
Percent annual growth for:				
65 community banks	16.1	16.5	13.4	9.6
58 largest National banks	13.0	13.1	12.1	10.0

Further, we determined that 15 of those 65 community banks compete most effectively in the same market as 17 of the 58 largest National banks. Interestingly, of those 15 smaller banks, 13 are in states which allow banks to branch.

In earnings performance, the 15 mentioned as competing against giants exceeded that of the large banks with which they competed each year since 1971. Moreover, the yearly percentage increase in their net income exceeded that of the large competing banks each year by a wide margin. The yearly gain in net income of those 15 smaller banks also exceeded that of the 65 smaller banks each year.

In return on assets the group of 15 smaller banks had the following results compared to their 17 large competitors: 0.99 percent to 0.80 percent; 0.94 percent to 0.74 percent; 0.97 percent to 0.74 percent; and, in the final year, the trend continued in the widening margin, 1.00 percent to 0.73 percent.

Table 4
Profitability Measures of 15 Community Banks and the 17 Large Banks with Which They Compete, 1971–74

	1971	1972	1973	1974
Percent return on assets for:				
15 competing community banks	0.99	0.94	0.97	1.00
17 competing large banks	0.80	0.74	0.74	0.73

The gap is also quite noticeable in percentage change in net income: 18 percent compared to 5 percent; 20 percent compared to 6 percent; 24 percent compared to 13 percent; and 17 percent compared to 10 percent.

Table 5
Profitability Measures of 15 Community Banks and the 17 Large Banks with Which They Compete, 1971–74

	1971	1972	1973	1974
Percentage change in net income for:				
15 competing community banks	18	20	24	17
17 competing large banks	5	6	13	10

Some community bankers seem particularly fearful of the electronic banking revolution. They feel that development would make competition with giants impossible. A survey just completed by this Office suggests again that progressive community bankers are capable of meeting challenge.

The survey, which had a response rate of 97 percent of 4,700 National banks, showed that fully 10 percent of the banks had at least one automated teller machine. As expected, a high proportion of large banks have an EFT system, 72.9 percent of billion-dollar banks and 48.4 percent of those in the half billion to billion-dollar range. However, more than half of all EFT systems are in banks with under $100 million in deposits. A third are in banks with less than $50 million in deposits. Interestingly, urbanization is not the key indicator of which banks will have the machines. Washington, Oregon, Virginia, Mississippi and West Virginia rank in the top 10 states having the highest proportion of banks with EFT systems. New York and Pennsylvania are 33rd and 38th in the Union, respectively.

Public need and desire for the new systems is also evident. In general, according to the survey, customer utilization of ATM's has been as great or greater than anticipated by the adopting National banks. Only 22 percent found that use fell below expectations. Most frequently banks reported that customer interest increased slowly, but steadily. Only 1 percent reported a decreased level of use after an initial period of time. As expected, banks that promoted their electronic services fairly heavily were likely to find that their results exceeded expectations. More than half of the banks that promoted the services more heavily than other bank services found that customer utilization was greater than anticipated. On the other hand, over half of the banks which were disappointed admitted to promoting the new services less heavily than other bank services. Thus, in both the traditional forms of delivery as well as the electronic field, we find public interest and the ability of smaller institutions to compete effectively.

It is my hope and belief that the next decade will see a lifting of archaic, anticompetitive barriers. And my long connection with banking makes me hope it will be with the assistance of, rather than over the opposition of the industry.

Remarks of James E. Smith, Comptroller of the Currency, before the Securities Subcommittee of the Senate Committee on Banking, Housing and Urban Affairs, Washington, D.C., Dec. 9, 1975

I am pleased to respond to your invitation to testify before the Subcommittee today on the securities activities of commercial banks.

This Subcommittee has before it the opportunity to modernize the banking laws in an area where it is most sorely needed. There exists a great need to establish modern guidelines to replace those of the Glass-Steagall Act. That Act was written 40 years ago to correct abuses which probably would not recur in today's climate and which, in some cases, bear only a tenuous relationship to activities banks presently seek to provide. It is my hope that this Subcommittee will report out legislation to rectify that situation. I urge, as the most important improvements, legislation which would permit banks to offer commingled agency account services, and which would permit banks to underwrite revenue bonds.

In the process, the Subcommittee should decide what regulatory controls should be applicable to those and other securities-related activities of banks. Basically, that means deciding the extent to which banks should be subjected to a system of supervision identical to that which is applicable to nonbank competitors providing similar services; the extent to which the bank supervisory agencies should monitor those services; and whether any specific additional limitations are necessary because of the unique status of banks. To assist in making those decisions, we would offer the following comments, based upon the experience of this Office in supervising bank securities activities to date.

The case for banks being able to offer some more comprehensive investment service to persons of modest means is in our opinion, a compelling one. For years bank trust departments have offered such services through acting as trustee of personal and employee benefit trusts, as executor, administrator, or guardian of estates, and in numerous and varied agency relationships. In the process they have acquired investment research capabilities which, at the least, compare favorably with those available elsewhere. We see no sound public policy justification for limiting the use of those capabilities to the wealthy or the corporations of this country.

It is recognized that, in offering those services, banks may be placed in situations where a conflict of interests might arise between the needs of the customer and that of the bank's commercial operation or of another customer. That is not a new circumstance in the life of banks, however. Conflicts of interest are present between those various parties in the present offering of investment management services by banks through their fiduciary activities. Being permitted to offer commingled investment accounts, for example, will not significantly increase the amounts of assets held subject to such conflicts. It will not create a new situation. Those conflicts have been the foundation of bank trust department supervision, as well as internal controls self-imposed by the banks for years.

Our Office annually conducts examinations of trust departments by specialized personnel in addition to the examinations conducted of the bank's commercial operations. Those examinations are not merely book balancing exercises, they are directed at ascertaining if the bank has acted improperly with respect to the assets being managed in those accounts. The permission to offer commingled agency accounts would fit into that existing system of banking operations, and banking agency supervision of those operations. It follows that a determination by this Subcommittee that banks should not be permitted to offer those services because of the conflicts of interest involved would reflect a conclusion that the present system of supervision is not doing the job. We do not believe that the record of the bank supervisors warrants that conclusion.

That is not to say that additional controls are inappropriate. There may be merit to the suggestion that banks be required to obtain the permission of the appropriate bank supervisory agency before offering commingled agency accounts. Further, we do not oppose the decision that such accounts should be subject to the protections of the Investment Company Act of 1940.

Much of the foregoing analysis has equal relevancy to the underwriting of revenue bonds. Banks have underwritten general obligation bonds for years, subject to the supervision of bank supervisors. That supervision has now been strengthened by the provisions of the Securities Acts Amendments of 1975 relating to municipal bond dealers. Once again, it may be that banks should be required to obtain the prior approval of the appropriate bank regulatory agency before engaging in that activity. With that added safeguard I am confident that the performance of that service by banks will be subject to all the necessary protections.

On the other side of the coin, the benefits to small municipalities which will result from the broadening of the market for their securities are obvious. In a day when revenue obligations have become one of the primary means by which municipalities can borrow, the enlargement of the group of potential underwriters should be of great benefit in facilitating the marketing of the securities, with the result of decreasing interest costs to the borrowers as well.

Another specific area where legislative guidance is needed relates to automatic investment services. While the Subcommittee should make it clear that Glass-Steagall does not prohibit banks from offering that service, we urge it not to fall into the trap of assuming that because a particular requirement of securities laws or regulations is not applicable, the conclusion should be that there is not similar protection available. Quite often, for example, a specific provision or rule of the securities laws is expressive of a principle of the common law of trusts, which will be enforced by this Office. The study outline prepared by the Subcommittee staff has set forth 10 specific concerns which were expressed by former SEC Chairman Ray Garrett relating to that service. We would suggest that most of those concerns assume lack of attention here on the part of bank supervisors, and may tend to exaggerate the effect of the securities laws or regulations which are inapplicable. A good example is point (f), the suitability requirement. Frankly, we do not believe that a significant benefit will ensue from the imposition of those specific requirements upon banks; however, if Congress deems this necessary, they can be enforced very effectively by bank examiners, and we perceive no need for concurrent jurisdiction with the SEC in that area.

It is inevitable, we believe, that the Subcommittee must in the process of this study, come to grips with the assertion that all parties performing similar services must be subject to identical regulation—the "evenhandedness" argument. We do not agree that that is so. We believe that the National interest is best served by utilization of the regulatory system which is most efficient and suited to the needs of the offeror of the service. Certainly the essential requirements and protections of the securities laws must be applied to all who offer services which are subject to them. But slavish imposition of a supervisory system designed for an essentially unregulated industry upon one that is already regulated is unnecessary and may serve only to prevent the latter group from efficiently and effectively offering the benefit of their special expertise to the public and to protect the former from effective competition.

One final area on which we wish to comment specifically is one not covered in the Subcommittee's study outline. That is the gray area that exists between investment banking and private placements. We believe that this Subcommittee should give some attention to the question of whether the use of private placements by banks can, in certain circumstances, be a securities underwriting operation subject to Glass-Steagall. Rather than leaving that determination to be made by a court at some future occasion, we ask that Congress provide the answer. In the process, we urge that the criminal penalties of the Act be repealed, as they seem disproportionate to the consequences of violation.

As to the remaining activities being scrutinized by the Subcommittee, we offer the following observations. It is misleading to characterize most, if not all, of the specific bank functions under scrutiny by the Subcommittee in securities industry terms. Much of the controversy that has arisen in the past 20 years between various segments of government and the affected industries has stemmed from the use of such characterizations, and the acceptance of the legal conclusions implied by those characterizations, without analysis of the more basic questions that the performance of those services by banks has presented.

What banks are doing in most, if not all, of the specific activities mentioned in the Subcommittee's study outline is offering, to a new group of customers, a service which they have historically performed. Usually that new group has been more numerous than that to whom the service was previously offered, requiring a much smaller investment on the part of the customer. That expansion of the range of persons to whom the service was being offered has brought those new potential customers an alternative means of investment or management of funds to that which was being provided, or sought to be provided, albeit not necessarily in the same manner, by members of the securities industry. As a result, both that industry and its prime supervisor, the SEC, began to equate bank offered services with those the securities industry was seeking to provide. That, although understandable, has had its unfortunate aspects, primarily that it tended to obscure the real issues behind more superficial ones. This Subcommittee is to be complimented for choosing, in its study outline, to examine the real issues resulting from that collision of bank and non-bank provision of similar services to the same segments of the public.

We would suggest to the Subcommittee that the only issues which should be examined here are:

- Are those bank offered services productive of a benefit to the public interest, and
- If so, are those services subject to proper governmental controls to protect that public interest?

In so doing, we respectfully submit that the Subcommittee should avoid the more technical and less rewarding aspects this inquiry can lead into. It is not relevant or even realistic, we believe, to attempt to resolve whether or not any of the activities under inquiry can be equated with those which were condemned by the provisions of the Banking Act of 1933. There are several reasons why we believe that.

First, the legislative history of that Act is quite unspecific. None of the banking activities presently under scrutiny are precisely duplicative of those noted in that legislative history. To make the equation, as the Federal Reserve and the Supreme Court did in the case of sponsorship of investment companies, requires the making of an intermediate conclusion that the activity fits in some manner within the words employed in the Act and is similar to some of the abusive activities of banks prior to 1933. Thus, each such conclusion represents an attempt to apply a legislative remedy which was fashioned with certain specific abuses committed at a certain period of history to a different service being carried out in a different historical period. As more and more such services come under such scrutiny, the intermediate conclusion that must be made increasingly runs the risk of becoming quite arbitrary and artificial.

Second, and more important, we must realize that in this process we are failing to consider the different climate in which we now exist compared to the which prevailed when the Glass-Steagall Act was passed.

To the extent that that is so, the degree of correlation between whether a service is permissible and whether it is desirable as a matter of public policy falls off proportionately. It is the latter inquiry which needs to be made at this time. Let me address myself to that question.

As noted above, as a part of trust department services which have developed over the past several decades, banks have provided investment services to the public as trustees of private trusts and employee benefit trusts, as executors, administrators, guardians, and in numerous and varied agency relationships. Traditionally, those services have been provided to those with estates of some size, although through the operation of pooled or common funds, economies have been realized which permitted the acceptance of accounts of more modest size. The banks have been frustrated, however, in making their investment capabilities available to even smaller accounts, largely because of the present interaction of the securities laws and the Glass-Steagall Act, as the history of the abortive commingled investment account of First National City of New York illustrates.

In that case, the bank had announced in 1963 that it would establish a common trust fund for agency accounts, as permitted by a then recent amendment to a regulation of this Office. As so authorized, the fund would have been operated like those maintained by the bank for trust accounts and would have provided a collective investment medium for agency accounts such as the bank had been accepting and investing singly. Indeed, only those agency accounts where the bank had investment discretion, which in effect were similar in fiduciary responsibilities to trust accounts, could be invested in the fund. Nonetheless, the SEC took the position that the difference between the labels "trust" and "agency" served to make such a fund an investment company which would have to conform to the Investment Company Act of 1940.

The bank yielded to the SEC position and undertook to amend that common trust fund to conform to the Investment Company Act. That required the establishment of a board of directors, the giving of the power to vote to persons whose accounts held interests in the fund, the establishment of an investment advisory contract between the bank and the fund, and registration with the SEC—to name a few of the departures from typical common trust fund operation. Accordingly, the bank had to obtain a special approval from the Comptroller to operate that fund in a manner not authorized by our regulations.

When the question of whether the operation of that fund violated the Glass-Steagall Act came before the Supreme Court, that body relied heavily upon the features added to obtain compliance with the Investment Company Act to support its opinion that it was one of the proscribed activities. It remains the opinion of our Chief Counsel that it is questionable whether the same result would ensue if the fund before the Court had been simply a common trust fund for agency accounts as was originally contemplated.

We do not recite that history for the purpose of claiming that the SEC or the Supreme Court was wrong, but rather to support our contention that that is not the optimum way to determine whether the public interest would be served by allowing banks to make available a service. Yet, unless we decide that the securities laws have no applicability here, which I am not going to suggest, that is the process which will continue to be employed to resolve those important questions. And that, in our opinion, is a strong indictment of the Glass-Steagall Act. We, therefore, urge its amendment and respectfully submit that this Subcommittee should do so in the manner suggested in our statement.

Remarks of David H. Jones, Special Assistant to the Comptroller, before the American Bankers Association's Workshop for Corporate Planning Officers, Reston, Va., May 5, 1975

The issue of capital adequacy instead of going away will likely assume even greater importance in the period ahead, both for banks and bank regulators.

Capital adequacy will be important to the banks for several reasons.

- The bank regulatory agencies are not going to appreciably alter their present positions on what constitutes adequate capital.
- For the low-capitalized, low-earning bank, capital adequacy requirements will increasingly act as a very definite constraint on growth.
- The inability of those banks to expand could result in a shift in market shares in some areas. Banks having capacity, *i.e.*, earnings and capital, to expand assets will gain market share relative to those lacking capacity.

Capital adequacy will remain important to bank regulatory agencies for other reasons.

- Many low-earning banks, faced with the pros-

pects of losing market share, will aggressively seek new methods of obtaining and/or utilizing capital. Banks will increasingly seek out non-capital sources of earnings. Those innovations will involve new, additional risks with which the bank supervisory agencies will necessarily be concerned.
- Some banks, unable to widen their margins and unwilling to accept slower growth, will be tempted to reach for quick income by acquiring risky assets or undertaking new extra-curricular activities about which they know little. That will also require close surveillance by the supervisory authorities.

The Comptroller of the Currency does not rely on ratios of capital to risk assets and to total deposits in assessing the adequacy of National banking associations. Rather, the capital position of the bank is analyzed and appraised in relation to the character of its management and its asset and deposit position as a going institution under normal conditions, with due allowance for a reasonable margin of safety, and with due regard to the bank's capacity to furnish the broadest service to the community. Those factors cannot be directly interpolated into any specific formula. The following factors are considered by the Comptroller in assessing the adequacy of capital: The quality of management; the liquidity of assets; the history of earnings and of the retention thereof; the quality and character of ownership; the burden of meeting occupancy expenses; the potential volatility of deposit structure; the quality of operating procedures; and the bank's capacity to meet present and future financial needs of its trade area, considering the competition it faces.

In looking at a bank's capital position, our Office considers preferred and common stock, surplus, undivided profits, debentures, and the reserve for contingencies and other capital reserves as capital. Depending on the bank's earnings posture and the maturity of the instruments, our Office will authorize a bank to issue debentures up to one-third of its total capital.

There is little likelihood that the Office of the Comptroller of the Currency will alter its position regarding either the adequacy of or the definition of what constitutes capital in the near term.[1]

Since the early 1960's, the earnings growth of the banking industry has increased from the 6 to 8 percent range to 12 percent in 1973. In addition, the return on equity for banks has risen from the 8.5 percent level of the mid-1960's to more than 12 percent in 1973, exceeding the return achieved by manufacturing industries.

To increase their return on equity to levels competitive with non-financial institutions, banks significantly increased the ratio of their assets to their capital. For example, whereas assets equalled 12.6 times capital in 1965, they equalled 14.4 times capital in 1973.

The reduction in capital to asset ratios was most pronounced among the larger banks. For example, the capital to asset ratio for insured banks with deposits of $100 million or more declined from 7.93 percent, in 1965, to 6.55 percent in June 1974. That compares with 8.0 and 7.95 percent for the banks with under $100 million.

Of course, a major reason for that significant reduction in capital relative to assets for the larger banks was the relatively low return they realized on their assets. After-tax return on assets, taking into account all operating costs, has traditionally ranged between 0.70 and 0.80 percent for all banks. But, for many of the larger banks, it has run well below that level during the past few years. Many of those banks simply did not earn enough to keep their capital positions intact.[2]

In the months ahead, the banking system will again be called upon to expand loans and deposits to facilitate economic recovery and to underpin sustained economic growth. That will require a significant increase in bank assets, especially if inflationary pressures are still present.

But those renewed demands on the banking system will come at a time when many banks are still trying to develop positive programs to improve their capital positions by reducing the pressures for more capital brought on by the last round of rapid loan demand and deposit growth.

If inflationary pressures can be brought under control so that bank assets may grow more slowly, the capital adequacy issue will remain important only for the poor earners. For example, a bank having assets equal to 16 times its capital, earning 0.70 percent on assets and paying a 40 percent dividend can expand its assets at a 7 percent rate without reducing its capital to asset ratio or acquiring external capital.

The problem arises when inflationary forces accelerate growth in bank assets. Our calculations show that, in the next 5 years, with asset growth at 12 percent, earnings growth at 8 percent, and an average

[1] For those interested in a more thorough treatment of the Comptroller's position on capital, please refer to Comptroller James E. Smith's speech entitled "Assessing the Capital Needs of Banking" delivered before the ABA National Correspondent Banking Conference, November 6, 1973 in the *Annual Report of the Comptroller of the Currency, 1973,* pp. 292–296. Also, see the remarks of Mr. Charles Van Horn, Regional Administrator of National Banks for the Second Region, in the *American Banker,* August 2, 1972.

[2] With a 0.70 percent rate of return on assets, a return on equity of 8 percent requires assets 11.4 times equity capital, whereas a 12 percent rate of return on equity requires assets 17.1 times equity capital. The formula is:

$$\frac{\text{Assets}}{\text{Equity Capital}} = \frac{\text{Percent return on equity}}{\text{Percent return on assets}}$$

dividend payout of 35 percent, banks would have to raise over $20 billion of capital externally. The average need for external capital for the next 5 years, about $4 billion a year, would be three times the amounts banks raised annually during the last 5 years.

I think it should be clear that that scenario would prove most undesirable for banks with low earnings and low capital to asset ratios. As a result of their inability to expand assets as rapidly as their competitors, many of those banks would actually lose market share or take undue risks.

It is obvious that the only solution to this problem is better earnings. Without good earnings, the bank will not be able to generate the required capital internally and will be unable to obtain it externally at reasonable cost. Clearly, strong earnings are essential for successful business operations. The bank that does not earn money in the years ahead will find it difficult to remain a competitive enterprise.

As you know, our Office has developed classified asset totals for National banks. Classified assets are those assets of an institution which our examiners find to be subject to some type of criticism. The volume of classified assets is related to the degree of potential loss in a bank's asset portfolio. There are several determinants of the overall classification of a bank, but a principal one relates to the ratio of classified assets to gross capital funds. Gross capital funds include total stated capital plus reserves on securities and loans. Banks with a ratio below 20 percent are A banks, those with a ratio of 20 to 40 percent are B banks, those with a ratio of 40 to 80 percent are C banks, and those with a ratio of 80 percent or more are D banks.

We have used the ratio of classified assets to gross capital funds in various ways to try to determine acceptable limits of certain capital ratios for different groups of banks. The approach assumes that the A banks, that is the banks with relatively low ratios of classified assets to gross capital funds, can safely reach higher loans to capital ratios than is the case for banks in the D category.

Of course, the very heart of an analysis of the soundness of a bank is its earnings picture. We are aware that sound, consistent earnings are the essential ingredient of successful business operations. We are paying much closer attention to the earnings pictures of the banks for which we are responsible, especially the larger National banks. We are taking a historical look at their earnings, dividend payout, and capital to asset pictures and assessing their options. We are getting into a position from which we can detect coming problems much earlier in the game. As you know, most problems we encounter in an examination of a bank emanate from an earnings problem.

In closing, I should like to say that the capital adequacy issue is real, which makes it even more imperative that banks plan for the future. We are concerned with the issue of capital adequacy but not because we believe that the banking system is undercapitalized. Rather, capital adequacy will remain an important issue with us because we believe the decline in capital relative to assets has gone about as far as it should. From now on, growth in capital will have to closely approximate growth in assets. Only banks with sound earnings positions will be able to achieve that without difficulty.

Our in-depth analyses of the larger National banks and their parents have convinced us of the rather high correlation that exists between strong, consistent earnings and strategic planning. With all the changes that are occurring in the financial services industries, it is imperative that banks plan for the future.

We at the Office of the Comptroller of the Currency would like to see bank management begin implementing positive programs aimed at preventing or removing capital-based problems. We would like to know that banks we are responsible for know where they are going. Whatever the solution, reduced growth while margins are being improved or better overhead control, it is clear that failure to initiate such programs can only result in an even more acute capital problem—declining investor interest and loss of position among their peers.

Remarks of David H. Jones, Special Assistant to the Comptroller, before the North East Regional Bank Card Conference, Pittsburgh, Pa., Mar. 6, 1975

I appreciate the opportunity to share some thoughts with you today about the Comptroller's regulations relating to bank card operations. Before we get into that subject, however, it might be helpful to look briefly at the broader subject of the purpose and functions of National bank examinations in general.

National bank examinations are designed to determine the condition and performance of banks, the quality of their operations, and the capacity of their management, and to enforce compliance with Federal laws.

Every facet of a bank examination, ranging from appraising assets and internal controls to evaluating the soundness of management policies has, as its end objective, the determination of liquidity and solvency, present and prospective, and the legality of the bank's acts.

The scope of an examination may embrace every phase of banking activity or it may concentrate on specific areas which deserve greater emphasis in relation to their bearing on the condition of the bank.

I should like to emphasize that a bank examination is not an audit. Examiners rely on the audit work performed by both internal and external auditors. If examiners perform any audit work, it is of a testing nature only. If either internal or external audits are performed in a satisfactory manner, little or no audit work will be performed by examiners.

The scope of the examination does not normally include a review of individual loans unless serious weaknesses are found in the overall operation of the credit plan. The nature of a credit card operation and the maximum limit placed on each cardholder by the bank result in a large volume of unsecured loans. The quality of those loans is judged by their performance. Thus the performance of the individual accounts and the bank's controls within the department are the main objectives of review when appraising the condition of a credit card department.

Credit card departments are usually computerized and the various printouts must be reconciled daily by an individual within the credit card department. They also should be verified at least monthly by an officer. The audit department should also occasionally reconcile the printout.

Particular attention is given to unposted items, suspense items, rejects and overline reports. The EDP listing is scrutinized for stagnant positions at or near the maximum line. The examiner also reviews the printout to determine the accounts which have not had recent payment activity. That procedure could turn up accounts that, either through error or manipulation, do not appear on the delinquency report.

All delinquencies in the credit card department are reviewed from the EDP listing. We consider any account 30 days or more in arrears to be delinquent. For any account with six or more zero billings (no activity), a charge-off is required. Since the cardholder has a grace period to make payment, the phrase "delinquent six or more zero billings" means those contracts that have had no payment action by the cardholder for over seven billings.

If the bank follows a more conservative chargeoff policy, the National bank examiner will also follow such a policy when reviewing the department. The mandatory chargeoff policy for those loans with six or more zero billings does not preclude a request for earlier chargeoff if the examiner considers the credit to be worthless.

Although the individual credit card lines are not reviewed, when a problem loan is found in the bank all loans to that individual from every department are combined and the quality of the overall loan judged.

The examiner reviews the bank's internal controls to assure that dual custody is provided for the cards. That is important for unembossed cards as well as those that have been embossed and are ready for distribution. Procedures are also reviewed to assure that returned cards are destroyed and records kept for all such activities. As you know, loss through the misuse of cards by numerous individuals is another area of concern to the bank.

An authorization system is an important control to prevent losses from lost or stolen credit cards. The Photo-card also aids in the proper identification of the user. A list of lost or stolen cards must be provided either electronically or in printed form.

Let us look at a few specific control practices.

Upon receipt of a new shipment of plastics all packages must be examined for tampering and placed in joint custody. The cards must be held in joint custody until issued for embossing and a receipt must be obtained for all cards issued.

Personnel embossing cards must maintain a record of received, embossed, spoiled or returned cards. The number of cards received must be verified to the number signed out, embossed cards must be verified to the issuance register, and spoiled cards must be counted and placed in joint custody. The

This paper draws heavily on an unreleased speech by Mr. Kenneth W. Leaf, Chief National Bank Examiner, on December 12, 1974, before the ABA Credit Card Division's Executive Committee. Ms. Bonnie Brown, Assistant to the Chief National Bank Examiner also provided valuable input.

records must be signed by persons having joint custody and initialed by all persons verifying counts and receiving cards.

The embossing must be done in an enclosed area with restricted access. Locked storage space must be provided for card storage while employees are on coffee breaks or out to lunch.

Repossessed cards should be under dual control. After booking the repossessed cards, they should be destroyed in the presence of both employees.

Computer printouts of delinquencies should include an aging of delinquencies by 30, 60, 90, 120, 150, 180, and 180 days and over. All charged off accounts should be reviewed and approved by an officer and the legitimacy of the original transaction determined. A chargeoff ledger should be maintained for all charged off accounts and the collection department should follow up on all such accounts.

No one in the credit card department should be permitted to make computer changes without the approval of an officer responsible for the overall computer operations. That is investigated by the EDP examiners.

Examiners require a complete printout of the credit card accounts and a delinquency listing as of examination date. Examiners also request exception, over line and other reports that are available. At the present time, examiners have no extract programs of their own to secure that information.

The policies and operations of the credit card department are the most important elements the examiner looks at in that area. Senior management should review all reports frequently and should always be informed on over-line and delinquent accounts.

General information regarding the bank's credit card operation is presented in the examination report. The examiner determines the number of credit cards outstanding, the number of active cards, the number of merchants under the plan, and the dollar volume outstanding. The total delinquency under the plan will be shown as well as the amount charged off at the examination.

A brief description of the bank's plan is shown in the report and, if the plan is operated through a licensing arrangement, the name of the licensor and the terms of the agreement are included. The bank's collection policies and methods of retrieving cards are summarized. Policies regarding the merchants under the plan are also summarized. The bank's net chargeoffs on credit card accounts for the last 2 calendar years are recorded.

The examiner also calculates the contingent liability of the bank under its credit card plan. Although that contingent liability has, in the past, been limited to the total of the unused portion of cardholders' lines of credit, the passage of Public Law 93-495 last October altered that position. Under the new law the bank, as card issuer, is subject to all claims and defenses arising out of any transaction in which the credit card is used as a method of payment or extension of credit if the obligor has made a good faith attempt to obtain satisfactory resolution of a disagreement or problem relative to the transaction from the person honoring the card, if the amount of the initial transaction exceeds $50, and if certain jurisdictional and situs requirements have been met. The amount of the claim may not exceed the amount of credit outstanding with respect to such transaction at the time the cardholder notifies the card issuer of the claim. The new law clearly indicates that banks now face additional liability in the issuance of credit cards.

The development of more sophisticated computerization would not alter the fact that the credit decision and proper operating controls are the two most important functions of the credit card department. A National on-line system for credit authorization and electronic transmission of data and other operating improvements do not alter the basic concept of the system. However, those developments will call for additional controls to prevent errors and manipulation. Bank credit cards are vulnerable to fraud and embezzlement and the more advanced the system becomes, the greater the need for effective controls.

A good loan policy is essential for a sound credit card department. A delinquency rate of 5 percent or more would be subject to criticism. Interaction between the various loan departments is also essential. Each loan department must be aware of a borrower's loans in other lending dimensions or it is possible that the bank could permit the borrower to become overextended.

The bank's exposure is mainly in two areas, the misuse of credit and the misuse of the card. Credit extension and good operating procedures are the vital points for control. At the present time, the Comptroller's examination of a bank's credit card department places more emphasis on evaluating policy than examining individual accounts.

At year-end 1973, credit card loans represented 1.8 percent of all loans, up from 1.7 percent a year earlier. On June 30, 1974, 847 National banks had $5 billion outstanding, about the same as at year-end 1973. In many banks, the credit card is a far more important factor in the loan portfolio.

Since our examination is primarily a credit examination, those many small loans are far below the line normally reviewed. Perhaps with the growing importance of the credit card, examination procedures will have to be modified. It is quite possible that new procedures will be recommended by Haskins & Sells, the firm that is currently evaluating the examination procedures of the Comptroller's Office. In the interim, any input from your group and from banks regarding the issues and problems associated with credit cards and better examining techniques will be appreciated.

Our Office has recently established a Consumer Affairs Division to work in a broad area affecting consumerism as it relates to banking. The area of concern will include the refusal to grant credit on the basis of sex or race, violations by banks of various statutes designed to protect consumers' interests, improvement of banking's public relations in helping individual borrowers understand extensions of credit, and encouraging banks to establish a system whereby customers' questions about credit can be answered satisfactorily.

We also desire that banks educate their officers and employees about consumer laws and regulations so that erroneous or unlawful information is not given the banking public.

The Consumer Affairs Division has been established specifically to uniformly enforce both Federal and State consumer protection laws as they relate to banks. That commitment extends beyond answering Congressional criticism and courteous cooperation with various State enforcement agencies. National banks must understand that it is our policy to enforce those laws and to encourage their cooperation with the spirit of the law. A worthwhile result will be that the public will have increased confidence in the banking system and the Office of the Comptroller of the Currency.

Remarks of David H. Jones, Special Assistant to the Comptroller, before the American Bankers Association's National Marketing Conference, Chicago, Ill. Mar. 25, 1975

"Marketing and Capital Adequacy"

If there is one lesson we should have learned from the events of the last year or so, it is that continued successful banking operations demand strong internal discipline and effective coordination of efforts. Within the bank or bank holding company, the left hand must be aware of, and take account of, what the right hand is doing. No longer can each division or function afford to do its own thing; all banking functions have become too interdependent. Planning and control have become central elements of the profitable and well-managed organization.

It is especially important that the marketing function coordinate its efforts with those of other functions within the banking organization. In my opinion, the marketing group can and, in fact, will be expected to play an increasingly active role in making and implementing the strategic policy decisions of the organization. But to do that effectively, marketing people must become more knowledgable about the constraints under which those decisions operate. Let us look at some of those constraints.

The rate of growth in a bank's assets depends on, is constrained by, three basic considerations; the capital adequacy requirements of the various bank regulatory agencies, the profitability of the bank's operations, and the bank's dividend and earnings retention policies.

Given the capital to asset ratio, the average earnings on asset figure, and the retained earnings to net income ratio, the rate of growth in the bank's assets is determined by the formula:

$$\frac{\text{Average assets}}{\text{Average capital}} \times \frac{\text{Net income}}{\text{Average assets}} \times \frac{\text{Retained earnings}}{\text{Net income}} = \text{Percent change in assets}$$

For example, if the ratio of assets to capital is, say, 20, *i.e.,* capital amounts to 5 percent of assets, the return on assets is 0.8 percent, and the earnings retention rate is 50 percent, then assets must grow at an 8 percent annual rate. Given those earnings and dividend rates, assets can grow at a faster rate than 8 percent only by reducing the capital to asset ratio or by going outside the organization and acquiring additional capital. The point is that given the earnings and earnings retention ratios, there is only one rate of growth in assets that is consistent with a particular capital to asset ratio.

To emphasize the importance of our "growth equation," let's look at the data for the 58 largest National banks. Those are the National banks which had year-end 1974 deposits of $1 billion or more. For those of you who are interested in such an analysis for all banks, I recommend an excellent article on the subject by Professor George H. Hempel in the March issue of *The Magazine of Bank Administration.*

Over the last 5 years, the assets of the 58 largest National banks grew at an annual compound rate of 11.7 percent. However, the rate of growth of their capital during that period was only 7.8 percent. Thus, the rate of growth in their assets significantly outpaced the rate of growth in their capital. As the result, their capital as a percentage of their assets dropped from 7.6 percent, in 1970, to 6.3 percent, in 1974 (Table 1).

Table 1
Growth in Assets and Capital of the 58 Largest National Banks, 1969–1974
(dollars in millions)

Year	*Average assets*	*Average capital*	*Capital to assets* (percent)
1969	$148,860	$11,277	7.6
1974	258,607	16,414	6.3
Growth:			
Dollar amount	$109,747	$5,137	
Annual percentage rate	11.7	7.8	

One factor which had a significant negative impact on the capital ratios of those banks was the persistent decline in the profitability of their operations. For example, in 1970 the net return on average assets for these banks was 0.9 percent. However, that figure dropped steadily throughout subsequent years, reaching 0.74 percent in 1974 (Table 2).

Table 2
Net Income as a Percent of Average Assets of the 58 Largest National Banks, 1970–1974

1970	*1971*	*1972*	*1973*	*1974*
0.90	0.84	0.78	0.77	0.74

When you stop to consider that a drop of 0.01 percent in average net earnings on $1 billion in assets amounts to $100,000 after taxes, you can see the tremendous negative impact that the 0.15 percent drop in average earnings on assets had on those banks' capital positions.

An increase in the other constraint in our equation, the earnings retention rate, can have a positive impact on the capital to asset ratio. However, during the past 5 years, the earnings retention ratios of the 58 largest National banks have held quite steady, averaging 52 percent for the period.

In summary, over the past 5 years the rate of growth in those banks' assets has been inconsistent with the three constraints in their growth equations. Unable, perhaps, to issue stocks or bonds on reasonable terms, the banks found that something in the equation had to give and it was the capital to asset ratio.

I do not mean to imply that that decline in capital vis-a-vis assets has reduced those banks' ability to remain strong, viable institutions. There are many subjective factors such as quality of management that are equally significant in assessing the soundness of a bank. What I am trying to show is that the downward trend in the capital to asset ratio has virtually eliminated one of the alternatives banks have had over the years. There is little room left for banks to allow the inconsistency between asset growth and capital growth to be absorbed by a reduction in the capital to asset ratio.

Recent decisions regarding proposed acquisitions and/or mergers lead one to believe that the bank regulatory agencies think that the decline in capital relative to assets has proceeded about as far as it should. If that is the case, then the ratio of assets to capital in our equation may be viewed as a fixed quantity or an absolute constraint. It would thus have to be treated in much the same manner as one would treat a reserve requirement.

For the sake of this exercise, let us suppose that over the next 5 years, those 58 largest banks could not allow their capital to fall below 6.3 percent of their assets, their 1974 ratio. How much additional capital would be needed to enable the banks to expand assets at the 11.7 percent pace of the last 5 years? How would they raise this capital?

In Table 3, we have assumed a return on assets of 0.7 percent, a 50 percent dividend payout, and the 6.3 percent capital to asset ratio. The first two of those figures, return on assets and dividend payout, are

Table 3
5-year Capital Requirements for the 58 Largest National Banks Resulting from 0.7 Percent Return on Assets, 50 Percent Dividend Payout and 6.3 Percent Capital to Asset Ratio
(dollars in billions)

Annual percentage rate of asset growth	*New capital required*	*Capital generated internally*	*Capital acquired externally*
8	$7.7	$6.6	$1.1
9	8.8	6.8	2.0
10	10.0	7.0	3.0
11	11.2	7.2	4.0
12	12.5	7.3	5.2

roughly the same as those that prevailed in the previous 5 years. The figures show that, to expand assets at an 11 percent pace over the next 5 years under those constraints, those 58 largest National banks will have to raise $11.2 billion in new capital. Of that, $7.2 billion would be generated internally and $4.0 billion have to be acquired externally. However, $4 billion of external capital, representing 36 percent of the total, is hardly a realistic figure.

In Table 4, we have assumed the same rate of return on assets, 0.7 percent, but have reduced the dividend payout to 40 percent, a 60 percent retention rate. Those figures show that of the $11.2 billion in capital that would be required assuming an 11 percent growth rate, only $2.6 billion would have to be generated externally. Thus you can see that, while there may be drawbacks, a reduction in dividend payout is one alternative the bank has to generate additional capital.

Table 4
5-year Capital Requirements for the 58 Largest National Banks Resulting from 0.7 Percent Return on Assets, 40 Percent Dividend Payout and 6.3 Percent Capital to Asset Ratio
(dollars in billions)

Annual percentage rate of asset growth	*New capital required*	*Capital generated internally*	*Capital acquired externally*
8	$7.7	$8.0	—
9	8.8	8.2	$0.6
10	10.0	8.4	1.6
11	11.2	8.6	2.6
12	12.5	8.8	3.7

The bank can also try to improve its earnings picture. In Table 5 we have assumed an 0.8 percent return on assets, a 50 percent dividend payout and, of course, the 6.3 capital ratio. By raising the earnings on assets rate to 0.8 percent from 0.7 percent, we have increased the amount of the new capital that would be generated internally to $8.2 billion from the $7.2 billion in Table 3. That change also cut the amount of capital that would have to be acquired externally by $1 billion.

Finally, in Table 6 we increased the earnings rate to 0.8 percent *and* lowered the dividend payout to 40 percent, again requiring the capital to asset ratio to remain constant at 6.3 percent. That action results in $9.8 billion of the necessary $11.2 billion of new capital being generated internally.

I think it is apparent that, in the years ahead, banks are going to be more concerned with the capital adequacy question. When banks are again called upon to provide vast amounts of credit to an expanding economy, large amounts of additional capital will be required. The question is, of course, where will it come from? For one thing, we have seen that the bank might reduce its dividend payout so that greater amounts of capital may be generated internally. However, the proper balance between decreasing the dividends payout and increasing internally generated capital funds versus paying out more dividends to enhance common stock prices and the ability to finance externally depends on an individual bank's situation.

Ideally, the bank's dividend policy should be to maximize the total return to its common shareholders over the long run. That may dictate a cash dividend

Table 5
5-year Capital Requirements for the 58 Largest National Banks Resulting from 0.8 Percent Return on Assets, 50 Percent Dividend Payout and 6.3 Percent Capital to Asset Ratio
(dollars in billions)

Annual percentage rate of asset growth	*New capital required*	*Capital generated internally*	*Capital acquired externally*
8	$7.7	$7.6	$0.1
9	8.8	7.8	1.0
10	10.0	8.0	2.0
11	11.2	8.2	3.0
12	12.5	8.4	4.1

Table 6
5-year Capital Requirements for the 58 Largest National Banks Resulting from 0.8 Percent Return on Assets, 40 Percent Dividend Payout and 6.3 Percent Capital to Asset Ratio
(dollars in billions)

Annual percentage rate of asset growth	*New capital required*	*Capital generated internally*	*Capital acquired externally*
9.5	$9.5	$9.5	—
10.0	10.0	9.6	$0.4
11.0	11.2	9.8	1.4
12.0	12.5	10.1	2.4

policy that produces the highest market price for its common stock, or it may call for emphasizing how much the bank can earn on the additional retained earnings. If the additional return on the retained earnings exceeds what the shareholders can earn on alternative investments of equal risk, the shareholders will benefit by the bank retaining the funds rather than increasing the dividend payout. In any case, that method of increasing internally generated funds should be analyzed carefully.

Perhaps a more important method of increasing the bank's capital funds is through improved earnings. The decline in earnings on assets we looked at earlier is not confined just to the 58 banks we studied; rather that decline was experienced by many banks. For years now, many banks have been on a give-away spree. Over the past several years, bank marketing people have initiated services whose marginal returns have been barely positive, free checking, for example. Show me a bank making money on free checking and I'll show you several who are losing on it.

Banks must improve their spreads. Over the next 5 years you must know your costs and price your services accordingly. You must also take the longer view. Once a service is offered, *i.e.*, free checking, it is difficult to drop when costs escalate.

Finally, the bank has the alternative of raising additional capital externally. However, many banks cannot go into the money centers to sell stock. Those who cannot may have to become active in selling the stock themselves in their own localities. Bank marketing people can play a vital role in publicizing the virtues of their banking organization in their communities. This could be especially important for the smaller banks whose shares are closely held by a small group of investors.

No doubt in the years ahead, the banking community will again be called upon to play a significant role in providing credit to our expanding economy. But, to accomplish that, banks must take care of their capital requirements. Therefore, the challenge to you as bank marketing people is to work with your senior management to provide services that will not only be desirable to the community but will also enable your banks to remain viable financial institutions.

Remarks of David B. Jacobsohn, Director, Securities Disclosure Division, Office of the Comptroller of the Currency, before the Tenth Annual Banking Law Institute, New York, N.Y., May 9, 1975

"Banks and Securities Laws: Impact of Changing Law and New Regulations"

As mentioned in the program announcement, I was originally scheduled to be the final speaker at this conference and I intended to discuss a wide variety of changes in the securities laws which impact on banks. The program materials distributed in support of those topics should be of value to you but, in light of some recent developments, I would like to focus attention instead on one particular aspect of banking and the securities laws.

Of course, these remarks represent my personal opinions, and do not necessarily represent the views of James E. Smith, the Comptroller of the Currency, or other members of his staff, some of whom are here today.

For the past year or two, and especially recently, the Securities and Exchange Commissioners and staff have been publicly showing an ever increasing interest in the application of the Federal securities laws to the banking industry. In particular, they have on many occasions stressed the viewpoint that banks should be regulated under the securities laws to the same extent as any other type of corporation, implying that the banks are subjected to lesser standards by the Federal bank regulatory authorities. I do not agree with that implication. Banks, except where specifically exempted from the securities laws by Congress, and bank holding companies are subject not only to the same Federal security law standards as are others, but they are also subject to a very comprehensive level of supervision and regulation, including additional disclosure requirements, by one or more of the Federal bank supervisory agencies.

Banking agencies are often in confidential communication with the banks under their jurisdiction, and such activities are similar to the activities of the Securities and Exchange Commission with respect to the registered brokers and dealers which it regulates. Such communications must not carry any adverse connotations, but in fact are mandated by the Federal statutes, at least with respect to the Comptroller of the Currency's contacts with National banks, and are necessary and appropriate measures used to insure the continued safe, sound, and efficient operation of our financial institutions.

Most recently, articles in the *Wall Street Journal*, *American Banker*, *New York Times* and other publications have reported an increased special interest on the part of the Securities and Exchange Commission in disclosures made by financial institutions. What is this all about? The Federal securities laws, as you know, require full and fair disclosure of the material and meaningful facts necessary for informed investment decisions. It is hard to argue with this concept, taken by itself. However, in the real world, as Deputy Comptroller of the Currency Dean Miller and other responsible commentators have pointed out so well, that concept may sometimes conflict with other equally important and virtuous bodies of law designed to protect the public interest.

The Federal statutes place the responsibility for the maintenance of a safe and sound banking system upon the Comptroller of the Currency and other banking agencies. Therefore, the Comptroller is vitally concerned with changes in the Federal securities laws or in their implementation which can impair the confidence in the banking system, prevent its efficient operation, or obstruct it from entering the capital markets when necessary without being placed at a competitive disadvantage. Today some of the country's strongest financial institutions are paying up to 100 basis points more in the public capital markets than many weaker industrial borrowers.

Many of you might lustily applaud were I to recommend the total removal of banks and bank holding companies from the purview of the Federal securities laws. I do not intend to do that. The Office of the Comptroller of the Currency, under the direction of Jim Smith, has been acutely aware of both the public need for meaningful disclosure and the requirements of the Federal securities laws. Mr. Smith has been responsible for implementing new and better disclosure requirements for the banks under his supervision. He has recognized the need for full disclosure by National banks which seek additional funds from new investors and for those banks whose securities trade publicly. He has promulgated innovative disclosure requirements for bank trust departments and has increased the public accessibility to reports filed with his Office.

The Office of the Comptroller of the Currency, with its experience and expertise, and with its extraordinary powers of examination and supervision, is in a unique position to know what information it is necessary for a National banking association to disclose. This Office vigorously pursues disclosure as an integral part of protecting the confidence in and the efficient operation of the National Banking System. Why, then, is there any controversy? Let me give you a little background.

Bank holding companies have been selling securities to the public through registration statements declared effective by the Securities and Exchange Commission for a long time. Notwithstanding the "boilerplate" disclaimer that the Securities and Exchange Commission has not passed upon the adequacy or accuracy of the disclosures, it is to be presumed that the disclosures in such registration statements were sufficient. If not, the Securities and Exchange Commission would have been required to get additional disclosure or take appropriate enforcement action.

On December 23, 1974, the Securities and Exchange Commission issued its Accounting Series Release No. 166 entitled "Disclosure of Unusual Risks and Uncertainties in Financial Reporting." ASR 166 stresses the need for substantial and specific disclosure of risks and uncertainties which, in extreme cases or unusual circumstances, may not be apparent from the information contained in conventional financial statements. I strongly agree. The release suggests that disclosures may be necessary as to delinquencies, concentrations in loan and investment portfolios, economic conditions, sensitivities to specific economic variables, information to give "insight" into investment policies and lending practices, "changed" risks, and a variety of other ambiguous and complex topics. However, the release does not indicate what should be considered as an "extreme case" or as "unusual circumstances" which would trigger additional disclosure. ASR 166 indicates that the Securities and Exchange Commission expects issuers to consider whether disclosure of the types of matters I just listed or of other factors should be made. Notwithstanding the above, the Securities and Exchange Commission's staff has been forging ahead on its own, making comments which require the same substantial ASR 166 disclosure from virtually every bank holding company as a condition for the effectiveness of their registration statements. Requiring the same additional disclosure, regardless of materiality or of the peculiarities of individual institutions, is inconsistent with the stated purpose of the release and may be counterproductive.

Other basic issues that have been raised with respect to the Commission's staff implementation of ASR 166 include whether the additional disclosures have been meaningful, material, or, whether by the over-emphasis on information of questionable validity, just plain misleading. In addition, some feel that the relatively sudden insistence on additional disclosure by only those bank holding companies who are trying to raise funds now, places them at severe competitive disadvantage. Only certain banks are being forced to air a profusion of data while other banks may be permitted to remain silent for the time being. Several contemplated offerings may be cancelled because of these new questionable disclosure requirements.

Those problems are fast becoming critical because of the plans of the Nation's financial institutions to raise capital in the near future. Many economists have forecast a strong recovery and an expansion of the economy in 1976 and 1977. It is generally understood that the commercial banks must play an instrumental role if the forecast is to be realized. Banks need the capacity to extend loans in a period of expansion and must prepare in advance of the recovery by building up their capital bases. The only way a bank can expand its capital in the magnitude required within the expected time frame is through public financing. It is my understanding that more than half of the 125 financial institutions in this country with assets in excess of $1 billion presently hope to be able to enter the capital markets in the next several months. I think it no understatement that the recent experience of Chemical New York Corporation's aborted offering of $100 million in debentures left the entire market place somewhat shaken.

As many of you here may not be aware, the Commission's staff has implemented its interpretation of ASR 166 in letters of comment on bank holding company registration statements. The comments, which appear to be standardized, include requests for tabular presentations of REIT loans and loans on non-accrual status, the ratios of non-accruals to subsequent chargeoffs and to many other statistics, all for the last 3 to 5 years and the current and comparable interim periods. The comment letters also have requested the amount of loans to industries which are troubled, and aggregate loans to borrowers in any particular industry which could be material in amount in relation to shareholders equity. Those requests are lengthy and, in part, of questionable validity; I even find some of them difficult to understand. For example, I am aware of one comment which requested disclosure concerning borrowers "whose present operations are bleak and whose future prospects are not rosy." The Chemical prospectus has also been cited as a guide. I agree with the general concept of ASR 166. I favor meaningful disclosure, but I do not think the Securities and Exchange Commission's staff, as in the examples above, is asking for or getting it.

I would like to talk for a minute about the Chemical situation. Chemical New York Corporation filed a registration statement with the Securities and Exchange Commission in March of this year and circulated its preliminary prospectus. At the insistence of the Commission's staff, an additional two and one-half pages of disclosure was prominently included indicating Chemical's REIT and non-accrual status loans. Subsequently, the offering was withdrawn. Let me briefly summarize and analyze that additional disclosure. Chemical disclosed that approximately 6 percent of its total loans were to REIT's, a fact that had been disclosed already in two other places in the prospectus, and the amount of such loans on non-accrual status was set forth. Chemical also stated that its expected losses from the non-accrual REIT loans would not be material in relation to total REIT loans. An amount not material to the 6 percent cannot be material to the total loan portfolio. In addition, Chemical was required to indicate the impact on income of the non-accrual REIT loans. As an absolute dollar amount, that seemed large. However, by my sketchy calculations, that figure presented about 0.6 percent of Chemical's interest and fees on loans. A change of less than 0.5 percent in the interest rates paid by Chemical for Federal funds, securities sold under agreements to repurchase, and commercial paper would have had a greater effect on income.

The implementation of ASR 166 has produced disclosures that are not material and, because of the excessive emphasis placed on the new information, not only were the readers of the prospectus misled, but an apparently successful offering was withdrawn.

I would like to touch on just a few other problems that I see with ASR 166 and then turn away from criticism toward some constructive suggestions. Through the release, the Securities and Exchange Commission staff has expressed a great deal of interest in loans banks place on non-accrual or other similar status. Each bank has its own internal procedures for determining when to place a loan on non-accrual status. Thus, because of differences of definition and procedure, that type of disclosure would not be consistent from bank to bank. Moreover, there is generally no correlation between loan losses and loans placed on non-accrual status. Such placement of loans by most banks does not reflect the safety of principal, the adequacy of collateral or the existence of a guaranty or insurance. Section 109 of the New York State Banking Law recognizes that point when it permits exclusion from the non-accrual category of those loans which are secured fully by collateral whose ascertained value is at least equal to the unpaid principal and all accrued interest thereon. For those reasons, the value of disclosing non-accrual loans as a measure of quality of the loan portfolio is not only questionable but possibly misleading.

It should be noted that once a bank becomes aware of a problem loan, it takes a variety of steps to minimize adverse consequences. Such measures include careful monitoring of the borrower, acquiring additional collateral, altering the repayment schedule, and providing regular additions to reserves. An SEC policy which would result in banks striving to minimize internal loan classification systems would be obviously detrimental to sound management. Generally, it is not the problem loans which the bank has been able to identify that cause severe and surprising ill effects, it is the Penn-Centrals, the Equity Fundings, the loans which until the last minute appeared healthy. Unfortunately, there is no way to predict those surprises, and no disclosure can do what the bankers themselves cannot in this respect.

ASR 166 also suggests that disclosure might be made of troubled industries. First, let me point out that a well-managed bank which diversifies its loans and therefore its risks by making loans to borrowers in a wide variety of industries will most assuredly have loans in every major troubled industry. Boiler-plate language listing the same group of troubled industries would serve no useful purpose. It could give the impression that the bank is subject to the same risks as each of those industries, which would not normally be true; nor would such disclosure inform the investor as to the value of the bank's securities nor give the depositor any meaningful basis on which to have increased or decreased confidence in the bank. Of course, if a bank has a material amount of its loans in an industry, troubled or otherwise, or in a single geographic area, appropriate disclosure should be required.

The third point I will specifically raise is the discussion in ASR 166 on the valuation portion of the reserve for loan losses. The release notes that the ratio of the valuation portion to total loans has been decreasing since 1969. However, it does not state that by agreement between the SEC, the banking agencies and the accounting profession, the valuation portion for most banks, in 1969, was fixed initially at an artificially high level. As a consequence, the amounts shown by banks as valuation reserves for 1969, 1970 and, for some banks perhaps even to the present, were too high, and it was expected that the valuation portion would gravitate toward its appropriate level. The Commission's release reports conclusions based on numbers whose genesis was overlooked.

Finally, as the *American Banker* stated in a recent editorial:

> SEC staffers have been making demands for exposure of some of the most sensitive data on bank lending positions—the very mix which senior management, in the highest exercise of its responsibility, adjusts each day.

Shortly thereafter, it adds:

> For, quite simply, as every banker knows but as many in the SEC apparently do not, taking risks is essential to creative lending, and working out weak loans is a specialized and productive skill —and assessing loan risk exposure in advance, in public, would result in banks' retreating to making only 100 percent safe loans, and diminish significantly the purpose for which the public chartered them.

A bank which eliminated risks would have as assets only cash and short-term U.S. Government securities, and would have no loans to companies or individuals.

Let us turn now to possible alternatives that may provide additional meaningful disclosure by banks and bank holding companies. I think disclosures can be developed for banking institutions which will better indicate not only management's track record, but its continued ability to maintain that record. How can we measure how well a bank has done, other than by looking at bottom line figures? I think that the trends in two ratios, earnings to assets and to a lesser degree, earnings to equity, give us a starting point. By viewing the trends in those ratios or, in a more complex form, by viewing the changes in the rates of growth in earnings, assets and capital, an analysis can be derived which indicates the bank's experience through its ability to generate growth in earnings and assets while preserving an appropriate equity cushion against the major unforeseen adverse occurrences. I think that many bank analysts and bank managements have been using an analysis of that type for some time, and with their help a reasonable and meaningful disclosure requirement could be finalized.

But, of course, the past is not always indicative of the future. The key to predicting future performance should begin with a look at the bank today and how it is operating at the margin. At what rate, from whom, and for what term are funds being received by the bank today; and at what rate, to whom and for what term are funds being invested today? We can compute a bank's liquidity today, but what is a bank doing that will affect its liquidity, and therefore its flexibility, in the forseeable future? How dependent is the bank on "hot money" and how dependent is the bank on a cash flow from fixed-rate long-term investments? What is its interest margin on the funds it is receiving and lending out, and is that margin going to increase or decrease? And, in that connection, can the investment portfolio be reduced to cash without substantial loss? Can the bank continue to grind out touchdowns by plunging the fullback up the middle, or is the bank down by 6, fourth and 25, on its own 10 yard line, with 12 seconds left? I think that a discussion by every bank and bank holding company under the caption "Marginal and Expected Sources and Uses of Funds and Liquidity" would provide the investor, the analyst, and the regulator with a much more meaningful indication of a bank's prospects than does a ratio of renegotiated REIT loans to total loans or a ratio of historical net chargeoffs to loans within a so-called troubled industry.

I do not intend to give you the impression that I believe the types of disclosure that I have suggested are in final form or will be the perfect solution to the disclosure problems facing banking institutions. In fact, I know that they are not. But I do believe that they represent steps in the right direction. Those of you in attendance here, the members of the banking community, and even the casual reader of prospectuses who may become an investor will hopefully come forth and contribute to furthering the cause of better and more meaningful disclosure. Meaningful disclosure is, without question, in the public interest. The Securities and Exchange Commission is not the only agency charged with protecting the public interest, nor is the Comptroller of the Currency.

So far, the SEC staff appears to have treated ASR 166, as implemented by its letters of comment, as if it were a regulation that had been adopted only after it had been proposed and commented upon. As you may have read, the three Federal banking agencies and the SEC have recently formed a high level interagency group whose first task was to have been the establishment of guidelines under ASR 166. At prior organizational meetings, the SEC conceded its lack of expertise in the banking area and asked the banking agencies for assistance in establishing meaningful disclosure guidelines. Representatives of all the banking agencies stated that much of the new disclosure requested of bank holding companies in the last few weeks is neither material nor meaningful and, in fact, may be misleading and damaging to the interests of investors and depositors. The SEC staff has apparently continued to make the same questionable comments. Chairman Garrett has stated that he expects there will have to be some compromise between his agency and the bank regulators. I agree.

I strongly recommend that the SEC direct its staff to reconsider some of their present thinking with regard to the implementation of ASR 166. I suggest that the inter-agency group produce some guidelines for disclosures, and that those guidelines be proposed for public comment. After a full consideration of the comments, all four agencies should adopt clear requirements for meaningful disclosure for use in annual reports, registration statements, and offering circulars. That, I believe, will lead to better disclosure in the public interest and will also promote equality in regulation and competition. The SEC will benefit from the banking agencies' expertise, and the banking agencies will benefit from the SEC's experience in the area of disclosure.

I know of no urgency which justifies experimental new disclosures for bank holding companies entering the public capital markets now, especially if such disclosure is not meaningful. Banks and bank holding companies have raised capital from the public in good times and bad, and certainly with better disclosure than is currently being insisted upon.

In conclusion, I do not wish you to misinterpret my statements as an obstinate defense of the adequacy of the historical disclosures made by financial institutions, or as an argument with the Securities and Exchange Commission over which is the agency responsible for regulations protecting related aspects of public interest. My concern is how the public interest can best be served. Problems surrounding access to the capital markets, confidence in the banking system, and the protection of the investing public are interrelated and are topics of widespread concern, and many can contribute beneficially to the solutions. Open-mindedness and cooperation among interested parties are essential ingredients in reaching the best solutions.

I thank you very much for your time, and look forward to receiving suggestions as to how our mutual goals can be attained.

Remarks by David H. Jones, Special Assistant to the Comptroller, before the South Carolina Bankers Association Annual Convention, Myrtle Beach, S.C., May 23, 1975

I am delighted to be with you at the 75th Annual Convention of your South Carolina Bankers Association. As mentioned in the program announcement, I will discuss the changes that are underway at the Office of the Comptroller of the Currency. Before getting into that subject, however, I think it might be helpful to review briefly the role of the Comptroller of the Currency in our regulatory system.

The Office of the Comptroller of the Currency was created by Congress in 1863 as an integral part of the National Banking System. The Office of the Comptroller of the Currency is dedicated to assuring the solvency and liquidity of National banks.

The Comptroller, as the Administrator of National Banks, is responsible for the execution of laws relating to National banks and promulgates rules and regulations governing the operations of some 4,600 National banks. The Comptroller's approval is required for the organization of new National banks, conversions of State-chartered banks into National banks, consolidations, or mergers of banks where the surviving institution is a National bank, and the establishment of branches by National banks.

The Office of the Comptroller exercises general supervision over the operations of National banks, including trust activities and international operations. Each bank is examined periodically through a nationwide staff of approximately 1,850 bank examiners under the immediate supervison of 14 Regional Administrators.

Those examinations serve to assist the Comptroller in appraising the financial condition of the banks, the soundness of their operations, the quality of their management, and their compliance with laws, rules, and regulations.

As all of you know so well, commercial banking has been undergoing dramatic change during the past decade. From 1960 to 1973, the U.S. commercial banking system more than tripled in size, with assets jumping from $256 billion to $837 billion. The most significant growth came in loans, which grew at a compound annual rate of 11.2 percent. Loans represented 47 percent of bank assets in 1960, and 59 percent in 1973.

Accompanying that rapid growth in assets was a significant change in the way banks were acquiring funds. Confronted with sluggish growth in demand deposits and constrained by the interest rate ceilings on savings deposits set by Regulation Q, banks increasingly turned elsewhere for additional sources of funds to meet the burgeoning credit demands. That can be seen in the more intensive use of large negotiable certificates of deposits (CD's) and also in the development of new sources of purchased funds, such as Federal funds, Eurodollar borrowings, bank-related commercial paper, and so on.

In 1960, for example, banks held $156 billion in demand deposits, no CD's, and only $73 billion in time and savings deposits. But, at the end of 1973, banks held $309 billion in demand deposits, $64 billion in large negotiable CD's, and $308 billion in time and savings deposits other than large CD's. In other words, demand deposits just about doubled during the period, while the more costly time deposits and CD's increased five-fold. Moreover, during the same period, borrowings as a percentage of total liabilities, reserves and capital increased from less than 3 to more than 10 percent, while debt capital rose from virtually nothing to 0.5 percent.

In other words, during the late 60's and early 70's, the emphasis in banking shifted from the management of assets to the management of liabilities. Banks changed from concentration on the composition of their assets to assembling outside sources of funds, that is, borrowing funds as needed to meet the demand for loans from present customers, to accommodate new borrowers, or to adjust to reserve drains.

While the emphasis in banking was shifting to the management of liabilities, the basic structure of the banking industry was being significantly altered. In the 3 years after Congress, in 1970, passed major amendments to the Bank Holding Company Act of 1956, which permitted multibank holding companies to enter bank-related businesses, bank holding companies have gone outside the banking industry and acquired or started such financially related businesses as mortgage companies, commercial and consumer finance companies, factoring companies, small loan companies, and so on. Leasing, mortgage banking and finance companies are examples of activities in which bank-related companies have become a significant force.

The expansion of new banking subsidiaries also has been pronounced, and today more than two-thirds of the deposits held by commercial banks are controlled by holding companies. Truly, bank holding companies have become the dominant force in the banking industry.

A third significant trend that should be mentioned is the movement toward international banking. Recent figures show that 98 National banks have 652 branches in other countries. State-chartered banks have 78 foreign branches. At the end of 1973, those foreign branches of U.S. banks had $125 billion in assets. Moreover, American banks now face a challenge in the form of mounting foreign competition. Competition for U.S. banks is not only mounting in overseas markets, but it is becoming increasingly visible here in the United States. At the end of 1973 there were about 60 foreign banks in the United States with $38 billion in assets. There are 430 foreign-controlled banks, agencies, branches and representative offices in the United States, up from 171 in 1966. Total assets of agencies and branches of foreign banks operating in the United States have increased 600 percent since 1965.

There are presently no Federal limitations or approvals required for foreign banks to expand in the U.S. Foreign banking activities are presently largely a matter of State action. Within the United States, foreign banks may establish branches or subsidiaries in more than one state, depending upon State law.

As I mentioned earlier, the Comptroller exercises direct on-the-spot supervision of National banks through a nationwide staff of National Bank Examiners. At least three times in every 2 years, examiners visit each National bank and subject it to a thorough analysis. The essence of a bank examination is the appraisal of the bank's assets and its management, the verification of its liabilities and a determination of its adherence to the law and to sound banking principles. The object of every bank examination is the appraisal of the soundness of management and of the bank's solvency and liquidity positions.

In the past, when banks mainly took in deposits of and made loans to businesses and individuals within their own communities that task was not so difficult. But with banks now extending substantial amounts of credit through subsidiaries engaged in mortgage banking, factoring, consumer finance, leasing, and other specialized activities; with banks having branches all over the world; and with banks practicing liability management, the magnitude of the task takes on a different light.

For example, what is meant by sound management practices? How do you measure the quality of the management of a bank having non-bank subsidiaries and overseas branches? What are the liquidity requirements of banks practicing liability management? Banks practicing liability management generally assume that additional funds can always be acquired in the markets whenever there is a need for them. However, recent experience has shown that these funds can be quite volatile, especially short-term funds, and therefore may result in banks incurring temporary liquidity problems.

How should bank holding companies be supervised? Should bank-related subsidiaries be as closely controlled as banks on the basis that, if a subsidiary failed, it might precipitate unfavorable action on the bank? What should be the role of the Comptroller in regulating bank holding companies? Who should charter and supervise the U.S. branches of foreign banks? Who should supervise the foreign branches of U.S. banks?

Those are but a few of the multitude of questions that the recent sweeping developments have posed for the Office of the Comptroller of the Currency. Clearly, the barriers to statewide and even nationwide banking are falling. Banks are becoming financial conglomerates, and are spreading out both geographically and in terms of services provided to their customers. Tremendous asset growth, widespread structural changes, new banking legislation, centralization or decentralization of banking functions, greater sophistication in asset and liability management and the development of new and specialized services have all resulted in a new and complex challenge for the Office of the Comptroller of the Currency and for the individual National Bank Examiner.

To ensure that the Office of the Comptroller of the Currency is capable of not only participating in but leading the rapid evolution the banking industry is currently undergoing, the Comptroller has engaged the nationally-known firm of Haskins & Sells to conduct a comprehensive review of the Office of the Comptroller, its policies, management practices, and the statutory and regulatory framework within which it operates.

As you may know, the study commenced last spring and includes the firm of Carter Golembe and Associates, as well as two professors from the Wharton School. The Comptroller will receive the final report in June.

At the outset, the Comptroller emphasized that this evaluation was not meant to be a criticism of past efforts. The objective of the study is to provide our examiner force, which is the backbone of the Office, with the best organizational framework and the best tools and procedures available for dealing with an increasingly complex banking industry.

To get at the heart of the issues to be dealt with, Haskins & Sells sent out two questionnaires, one to our examiners and one to the chief executive officer of each of the 4,600 National banks. The response from the examiners was quite good. The majority were candid, some were self-critical, and together they made some extremely valuable recommendations and contributions.

Another example of the heavy involvement of examiners that the Comptroller has insisted on throughout this study is the examiner task force we have in Washington. The major function of that task force is to work closely with Haskins & Sells in the areas of the examination and the examination report to be sure that the recommendations are workable.

As you are well aware, the study has taken on added significance due to U.S. National, Franklin, and Security National. No doubt, Congress will be taking a close look at our Office in the months ahead. Moreover, it has been proposed that the three bank regulatory agencies be combined into one agency. So, there are two additional reasons why we want this study to be a good one and why we are striving to make sure the recommendations and changes will help our examiners do their jobs more effectively and efficiently.

Let us look at some of the proposed changes in the examination area, as that is where some major changes will occur.

In the future, the emphasis will be on the larger as opposed to the smaller banks. The emphasis will be on where our risks are and on special situations that require additional time and effort.

We will start making much greater use of the computer in our examinations. There will be a lot more information gathered, and all of it will go into our new information system. Of course, the way we look at these new data will be different, too. We are developing an early warning system to spot unfavorable trends in the early stages of development. In using that system, we will rely on various ratios and statistics rather than doing everything as an "as of" date.

As the result of using techniques quite similar to those employed by financial analysts, the old examination procedures will be significantly revamped. For example, if a certain combination of ratios appear to be out of line, a new kind of examination will be called for.

It is contemplated that there will be one regular examination for a bank each year. How that regular examination is done will depend to a large extent on the size of the bank being examined, and the examination will be very streamlined. We are completely rewriting the procedures for examination. The new procedures will relieve examiners of many humdrum clerical activities, and will place much greater reliance on their evaluation of the operating policies and procedures of banks, the bank's internal controls, and their evaluation of management's abilities. In addition, the streamlined examination will make greater use of testing as opposed to complete verification.

In addition to making greater use of the new information system in the examination, the system will also be used to obtain more efficient utilization of staffing our examinations.

Another examination recommendation involves the formation of a task force of specialists in each region to work on special situations. Given the dynamism of banking, it has become essential for the Office to remove any green eye shades it might have. It is obvious that the industry will not pattern its activities around our capabilities. Therefore, it is our responsibility to re-examine our regulatory purpose. The H&S study is a step in that direction.

We are now witnessing the emergence of a totally new financial environment, the EFTS environment. In that new environment, local orientation will no longer assure insulation from a competitive market place. As you know, through his interpretation of the National Bank Act regarding CBCT's the Comptroller has assumed an active role in giving direction to the rapid evolution the banking industry is currently undergoing. The Office is committed to a leadership role in that area, and has employed Mr. Russell C. Browne as advisor to the Comptroller on payments systems matters.

Regarding the CBCT ruling, on Tuesday of this week the Comptroller sent the presidents of all National banks a copy of the policy address on EFTS he delivered before the Pennsylvania Bankers Association on May 19.[1] In that policy address, the Comptroller lists the major provisions of the modified ruling that was announced on May 9.[2] Those provisions state that:

- CBCT's are definitely not branches. The electronic delivery of limited banking services through CBCT's supplement rather than replace conventional relationships at traditional facilities.
- A mileage limitation has been imposed on CBCT's intended for the exclusive use of the customers of a single bank. A National bank is forbidden to establish a CBCT more than 50 miles from its main office or nearest chartered branch unless the CBCT is available for sharing at a reasonable cost with one or more deposit taking institutions already serving the trade area of the proposed CBCT.
- Consumer protection procedures including disclosure to customers of their rights and liabilities and safeguards against wrongful or accidental disclosure of confidential consumer information are now required by the notification process.
- Permission has been granted for National banks to use CBCT's installed and owned by another bank or third party. The modified ruling also permits National banks to participate in statewide networks such as those legislatively permitted in Nebraska and Kansas, and contemplated in Missouri and Minnesota.
- Specifically excluded from reporting requirements are those terminals whose sole function is to accomplish a verification or authorization function, a funds transfer for payment of goods or services, and through which neither cash is dispensed nor cash or checks left for subsequent deposit.

In the letter accompanying the speech, the Comptroller urged those bank presidents to review the policy address as a part of their evaluation process.

There are other significant changes underway at the Office of the Comptroller that I could mention. For example, we have established a policy planning group that is developing techniques to gain a much better understanding of the problem areas in banks. The group has also been quite active in the capital adequacy area.

Our office has recently established a Consumer Affairs Division to work in a broad area affecting consumerism as it relates to banking. That area of concern includes the refusal to grant credit on the basis of sex or race, violations by banks of various statutes designed to protect consumers' interests, improvement of banking's public relations in helping individual borrowers understand extensions of credit, and encouraging banks to establish a system whereby customers' questions about credit can be answered satisfactorily.

We also desire that banks educate their officers

[1] See text on pp. 171–174 of this *Annual Report.*

[2] See text on pp. 235–241 of this *Annual Report.*

and employees about consumer laws and regulations so that erroneous or unlawful information is not given the banking public.

The Consumer Affairs Division has been established specifically to enforce uniformily both Federal and State consumer protection laws as they relate to banks. That commitment extends beyond answering Congressional criticism and courteous cooperation with various State enforcement agencies. National banks must understand that it is our policy to enforce those laws and to encourage their cooperation with the spirit of the law. A worthwhile result will be that the public will have increased confidence in the banking system and the Office of the Comptroller of the Currency.

In closing, I would like to say that there is a new vigor in the Office of the Comptroller of the Currency, as it positions itself to stay abreast of the sweeping change that continues to characterize the banking industry. By modernizing our operations now, the Office will be in a better position to fulfill its significant and growing responsibilties in the future.

Remarks of David H. Jones, Deputy Comptroller of the Currency for Strategic Studies, before the 1975 American Bankers Association Correspondent Banking Conference, Los Angeles, Calif., Nov. 10, 1975

"Obtaining External Capital for Small and Medium Sized Banks"

The rapid inflation of the late 1960's and early 1970's exerted considerable pressure on our Nation's financial intermediation mechanism to provide the funds required to keep our inflated economy going. To meet the demands placed upon them, banks as well as other depository intermediaries expanded their loans and assets at a very rapid rate. But those additional assets were placed on the books of many banks at prices which were inconsistent with profitable long-run growth. Thus, with declining profitability adversely impacting internal capital generation and with the equity markets becoming somewhat distressed, growth in banks' capital positions failed to keep pace with loan and asset growth. As a consequence, many banks today, though adequately capitalized at the moment, are not positioned to take on another round of rapid loan and asset expansion. Those banks need capital, especially external capital.

One source of external capital available to banks is subordinated debt. By their very nature, subordinated notes and debentures cannot fully serve the function of equity capital. Because they must be paid off at maturity, capital notes cannot provide a cushion against loss as long as the institution is a going concern. Nonetheless, it is the view of the Comptroller of the Currency that the availability of note and debenture issuance adds needed flexibility to bank management.

During the 1960's, the Comptroller's Office issued a ruling encouraging banks, under appropriate conditions, to issue long-term notes and debentures. The Office continues to encourage the issuance of subordinated debt for National banks for two reasons. First, debt instruments add to the basic regulatory purpose of bank capital; they provide additional protection for bank depositors and others who would be adversely affected by bank failure. A second reason is that the Office recognizes that some market situations would penalize existing bank stockholders if regulators were to insist on an injection of new equity funds. In any event, the issuance of subordinated notes and debentures is carefully circumscribed by our Office. In the first place, we apply a general rule-of-thumb that limits debt capital to one-third of a National bank's capital accounts. In addition, we hold to a minimum one institution's sale of its debentures to another, usually larger, bank. Although we recognize that interbank debt may be the only source of debt capital available to smaller banks, such interbank transactions do not represent a fresh commitment of funds by those outside the banking system. A round-robin of interbank debt only waters down the system's capital.Generally speaking, small banks do not need debt capital because their earnings will not support it. If they need capital, they should raise equity capital.

At this point, it might be helpful to examine the procedures employed by the Comptroller's Office in determining whether to approve a subordinated debt issue for a National bank.

The first step in obtaining authorization for a new subordinated note or debenture issue is for the National bank to submit to the Comptroller's Office a completed "Application for Subordinated Capital Notes or Debentures by a National Bank." Copies of the application are available at the regional office of the Comptroller. The application form requests detailed information on the:

- Purpose of the issue
- Principal amount
- Interest rate
- Details on arrangements involving correspondent balances
- Maturity
- Redemption provisions
- Subordination provisions
- Sinking fund provisions, if any
- Dividend restrictions, if any
- Rights of holders in event of default
- Negative covenants, if any, to be entered into by the bank
- Identity of the purchaser(s)
- Sale arrangements, including identity of the underwriter and fee, if any
- Pro forma projection of earnings, dividends, and expenses giving effect to the proposed issue, for a 3-year period; plus a statement of earnings for the current year
- Annual mortgage payments and lease expense paid on bank premises for the preceding year, if any
- Capital notes or debentures of other banks held by the bank

The Office also requires that the following be submitted with the application or shortly thereafter:

- Proposed notice of shareholders' meeting, proxy and proxy statement
- A copy of the Note and Note Purchase Agreement, if any
- A copy of the Offering Circular, if other than a private placement
- A copy of the underwriting agreement, if any
- A copy of the underwriter's confidential memorandum, if any

Following tentative approval by the Administrator of National Banks and approval by the bank's shareholders, the certified resolution of the shareholders or the Board must be forwarded to the Administrator of National Banks.

An examination of the sources of capital funds raised by National banks during the past 5 years shows the importance of subordinated debt in the capital funds picture. As Table 1 shows, roughly half the $3.1 billion in new capital acquired externally by National banks during the 5-year period 1970–74, was through sales of subordinated notes and debentures.

As expected, sales of both equities and subordinated notes and debentures expanded and contracted with changes in money and capital market conditions. For example, in 1970, a year of sluggish economic activity and relatively tight money and capital markets, only $215 million was raised in the equity and subordinated debt markets. But with economic recovery and improved capital market conditions, new equity and debt issues expanded rapidly. In 1972, $1.2 billion of new capital was acquired externally by National banks, with about two-thirds coming through sales of subordinated debt instruments.

Table 1

Number and Amount of Equity and Subordinated Debt Issues Sold by National Banks, 1970–1974

(dollars in millions)

Year	*Equity Issues*	*Subordinated Debt Issues*	
	Total amount	*Number*	*Total amount*
1970	$144.5	67	$ 70.5
1971	308.7	151	355.9
1972	466.2	245	722.6
1973	311.5	211	262.3
1974	342.7	113	108.8
Total	$1,573.6	787	$1,520.1

Since 1972, National banks have annually raised about $300 million in new equity capital, but sales of subordinated debt instruments have dropped sharply. In 1974, only 113 subordinated debt issues were sold by National banks for a total of $109 million in new capital.

It might be helpful to those of you who would like to tap the debt markets to review the record on subordinated debt over the last 18 months. Specifically, let us look at who is selling and buying subordinated debt, and on what terms.

Table 2 shows that, from January 1974 through September 1975, 199 subordinated debt issues were sold by National banks. Of those, 112 or 56 percent were sold by banks with assets of $10 to 49 million. Only 41 issues, or about 20 percent of the total, were sold by National banks with assets of $100 million or more.

A breakdown of subordinated debt issues according to purchaser, Table 3, shows that in each case the general public was the largest purchaser of the issues. Of the 199 issues sold by National banks since January 1974, 80 were purchased by the general public. As for other purchasers of bank subordinated debt, other banks were important for the smaller banks, taking about a third of the total. As I stated earlier, other banks are often the only source of debt capital available to smaller banks. But as size of bank is increased, bank holding companies replace banks as the second most important purchaser of subordinated debt. Of the 41 issues sold by National banks with assets of $100 million or more, only 3 were purchased by other banks but 14 were purchased by bank holding companies.

The average size of the subordinated debt issues sold by National banks in the four asset size categories are shown in Table 4. They are as follows: banks with assets of less than $10 million, $102,000; banks with assets of $10 to 49 million, $328,000;

Table 2
Distribution of Subordinated Note Issues Recently Sold by National Banks

Year and month of sale		Less than $10 million	$10 to 49 million	$50 to 99 million	$100 million and over
		Issued by banks with assets of:			
1974	January	—	4	1	—
	February	—	8	—	5
	March	1	5	—	3
	April	1	4	—	1
	May	1	4	1	2
	June	1	3	2	1
	July	—	8	3	1
	August	1	3	2	1
	September	—	9	—	1
	October	1	7	2	3
	November	—	2	1	1
	December	2	11	2	4
Total for year		8	68	14	23
1975	January	2	4	—	1
	February	—	7	—	1
	March	—	4	1	3
	April	1	6	4	4
	May	1	3	4	1
	June	2	9	2	3
	July	2	6	2	2
	August	1	2	1	1
	September	—	3	1	2
Total, part year		9	44	15	18

Table 3
Purchasers of Subordinated Note Issues Sold by National Banks, January 1974 to September 1975

Purchaser	Less than $10 million	$10 to 49 million	$50 to 99 million	$100 million and over
	Issued by banks with assets of:			
General public	7	43	12	18
Individual	2	2	—	—
Bank	6	41	8	3
Holding company	1	17	8	14
Institutional investor	1	5	1	6
Other	—	4	—	—
Total	17	112	29	41

banks with assets of $50 to 99 million, $772,000; and banks with assets of $100 million or more, $3,138,000.

Table 5 shows the average weighted yields of the subordinated debt issues sold by National banks since January 1974. No noticeable upward or downward trends in yields are apparent for any size category of banks, nor does there appear to be a significant difference in the rates they had to pay. For the period from January 1974 to September 1975, the average weighted yields were, from the smallest asset size category to the largest, 8.48 percent, 8.28 percent, 8.21 percent, and 8.87 percent.

It is interesting to note that 25 issues, or 12.6 percent, had yields tied to the prime. Of those that were tied to the prime, 19 were issues of banks in the $10 to 49 million asset category. In addition, 20 of the issues whose yields were tied to the prime were issues that were purchased by other banks. Thus, of the 58 debt issues purchased by other banks, approximately a third had yields tied to the prime. A breakdown of the issues whose yields were tied to the prime is as follows: at prime, 6 issues; prime plus one-half, 5 issues; prime plus one, 12 issues; and prime plus one and one-half, 2 issues.

The average weighted maturities of the subordinated debt issues sold by National banks during the period of January 1974 to September 1975 are shown in Table 6. For the period, the average weighted maturities were as follows: banks with less than $10 million in assets, 11.1 years; banks with assets of $10 to 49 million, 9.6 years; banks with assets of $50 to 99 million, 14.7 years; and banks with assets of $100 million or more, 11.7 years.

Of the 199 individual subordinated debt issues sold by National banks during the 21-month period, only 25 had maturities of 15 years or more. However, 21 of those had maturities of at least 20 years. The

Table 4
Average Size of Subordinated Note Issues Recently Sold by National Banks
(dollars in thousands)

Year and month of sale		Less than $10 million	$10 to 49 million	$50 to 99 million	$100 million and over
		Issued by banks with assets of:			
1974	January	—	$238	$ 225	—
	February	—	368	—	$1,115
	March	$175	360	—	11,850
	April	45	375	—	2,300
	May	100	225	500	4,500
	June	100	110	1,410	6,000
	July	—	469	696	5,000
	August	100	483	413	5,000
	September	—	239	—	1,500
	October	75	253	153	1,311
	November	—	375	600	3,000
	December	75	305	173	3,563
1975	January	125	502	—	3,082
	February	—	254	—	750
	March	—	413	2,500	2,010
	April	50	181	1,050	703
	May	100	305	583	207
	June	94	322	1,350	1,421
	July	175	374	750	7,500
	August	50	338	950	2,500
	September	—	607	500	1,451

longer-term debt issues were fairly equally distributed among the three largest asset, size categories of banks.

As you know, on July 2, 1975, the Board of Governors of the Federal Reserve System and the Comptroller of the Currency jointly issued for comment guidelines to be applied by these agencies in evaluating requests for approval of new subordinated debt issue proposed by banks as an addition to their capital structure. The comment period has ended and the two agencies are presently evaluating the comments received. In general, the comments appear constructive and are providing a valuable input in drafting the final version. The proposals receiving the greatest number of comments were those pertaining to the retained earnings test and interbank debt.

As was stated in the release, application of the guidelines is intended to assure that a bank's earnings are adequate to service additional debt, to protect against undue concentration of maturing debt in any one year, and to prevent the inclusion of terms in such issues that could be regarded as being in conflict with the public interest. In addition to those guidelines, the Office will continue to weigh carefully each request to issue debentures. We will continue to examine the terms of the issue to assure that that manner of raising capital is in the best interest of the bank, its customers, and its shareholders.

Table 5

Average Weighted Yield of Subordinated Note Issues Recently Sold by National Banks

(percent)

Year and month of sale		Issued by banks with assets of: Less than $10 million	$10 to 49 million	$50 to 99 million	$100 million and over
1974	January	—	8.13(1)	7.50	—
	February	—	6.62	—	8.71
	March	8.00	7.93(1)	—	8.59
	April	7.50	7.33(1)	—	9.25
	May	8.00	8.00(1)	8.12	10.02
	June	8.50	8.45	8.77	6.00
	July	—	8.08(2)	8.36	7.00
	August	8.00	8.50(1)	7.15	8.63
	September	—	8.02(1)	—	10.00
	October	*	8.25(2)	6.63	9.53
	November	—	9.63(1)	10.00	8.88
	December	9.50	8.67(2)	6.78	8.47(2)
1975	January	8.95	9.30	—	8.75
	February	—	8.57(2)	—	9.50
	March	—	8.95	*	9.84
	April	9.00	8.63(2)	8.81(1)	8.45
	May	8.00	8.84	8.80	8.00
	June	8.80	8.47(1)	9.00	8.91
	July	8.07	8.78	7.50(1)	9.45
	August	8.00	8.39	8.00	8.75
	September	—	8.50(1)	9.00	8.75
Average weighted yield for period		8.48	8.28	8.21	8.87

* Only one issue, and that yield is tied to prime.

Note: Numbers in parentheses indicate the number of issues tied to the prime lending rate.

Table 6

Average Weighted Maturity of Subordinated Note Issues Recently Sold by National Banks

(in years)

Year and month of sale		Issued by banks with assets of: Less than $10 million	$10 to 49 million	$50 to 99 million	$100 million and over
1974	January	—	9.8	7.0	—
	February	—	7.1	—	9.7
	March	12.0	8.1	—	15.2
	April	7.0	9.0	—	10.0
	May	10.0	11.5	10.0	16.0
	June	7.0	7.3	8.7	15.0
	July	—	12.5	14.8	20.0
	August	10.0	8.3	16.7	7.0
	September	—	9.5	—	9.0
	October	12.0	9.3	29.6	17.4
	November	—	7.0	20.0	20.0
	December	9.0	11.1	25.9	10.3
1975	January	7.0	7.8	—	10.0
	February	—	8.6	—	7.0
	March	—	10.8	7.0	7.5
	April	10.0	11.0	11.3	8.5
	May	10.0	7.0	8.5	10.0
	June	24.2	10.9	28.0	17.9
	July	10.6	8.4	14.0	9.3
	August	9.0	8.7	6.0	8.0
	September	—	11.3	7.0	8.5
Weighted average maturity for period		11.1	9.6	14.7	11.7

APPENDIX D

Selected Rulings of the Comptroller of the Currency

Selected Rulings

Modified Customer-Bank Communications Terminal Ruling

May 8, 1975

Title 12—Banks and Banking

CHAPTER I—COMPTROLLER OF THE CURRENCY

DEPARTMENT OF THE TREASURY

PART 7—INTERPRETIVE RULINGS

Customer-Bank Communication Terminals

On December 12, 1974, the Comptroller of the Currency issued an interpretive ruling, 12 C.F.R. 7.7491, Customer-Bank Communication Terminals* (39 F.R. 44416, Dec. 24, 1974) stating his opinion that:

(a) It was a part of the banking business authorized to National banks by 12 U.S.C. 26, 27, and 24 Seventh, to communicate through computer terminals with customers of the bank concerning transactions in the customers' accounts; and

(b) Such customer-bank communication terminals, if established off premises, would not constitute "branches" within the meaning of 12 U.S.C. 36 (f).

On December 19, 1974, Senator McIntyre, now Chairman of the Subcommittee on Financial Institutions of the Senate Committee on Banking, Housing & Urban Affairs, wrote the Comptroller suggesting several considerations of public policy which the Comptroller might have overlooked in announcing his interpretive ruling, and suggesting that it would have been useful for the Comptroller to convene a public hearing to consider these matters prior to the issuance of the ruling. 120 Cong. Rec. S.22548(Dec. 20, 1974). A similar suggestion as to the usefulness of a public hearing was received also in December 1974 from the Independent Bankers Association of America in connection with a petition filed by the IBAA seeking a recision of the Comptroller's interpretation.

After receipt of those suggestions, the Comptroller on January 16, 1975, published notice that a public hearing would be scheduled on April 2, 1975, to consider whether 12 C.F.R. 7.7491, as amended in December 1974, should be further modified or amended (40 F.R. 2836). The announced purposes of the hearing were to determine whether equitable considerations indicated further policy statements with regard to the interaction between the Comptroller's ruling and the laws of the various states, and to afford any interested person an opportunity to make his views known to the Comptroller.

Following an unsuccessful attempt by the IBAA to enjoin the holding of the hearing, the hearing was held as scheduled on April 2 and 3, 1975. Thirty-five witnesses appeared including 11 who appeared on behalf of the IBAA. Representatives of the IBAA and at least one other witness advocated complete recision of the Comptroller's December 12, 1974 ruling, and their arguments, both written and oral, were received.

Based upon the testimony received at the Comptroller's hearing; upon written statements submitted in response to the January 16, 1975 notice of proposed rulemaking; and upon other facts which have come to the Comptroller's attention, both through hearings held on March 14, 1975, before the Senate Subcommittee on Financial Institutions and otherwise, the Comptroller has found no reason to alter his legal conclusions contained in his December 1974 ruling and explained at length in a statement accompanying that ruling. The Comptroller has, however, determined to adopt several modifications in the ruling as set forth below. These modifications reflect the experimental nature of CBCT development, and are designed to allow such developments to continue under appropriate monitoring by the Comptroller's Office.

Additional testimony and evidence has been presented since the December 1974 ruling confirming the Comptroller's conclusion that a CBCT is not a "branch" within the common understanding of that term. The President-elect of the American Bankers Association, for example, testified in the Comptroller's hearing:

* Carried in *Annual Report* for 1974, pp. 316–326.

> Electronic banking is new only in method of delivering the services, not in the services themselves, or in the fact that they are initiated away from the bank. Many banking services have traditionally been accessible from outside the conventional banking offices—either through mail service or telephone. I would seriously doubt whether any banker anywhere has not utilized such mail and telephone services in conducting the basic business of banking, irrespective of geographic boundaries. CBCT's would do no more or no less—only faster, safer, more efficiently and with more convenience to the public.

Chairman Bomar of the Federal Home Loan Bank Board testified before the Senate Subcommittee on Financial Institutions, ". . . [I]f they are branches, so are post office boxes, so are grocery stores and department stores. . . ." Deputy Assistant Attorney General Baker of the Antitrust Division similarly told the same Subcommittee: "I don't see these CBCT's being the equivalent of branches. I think they are much more limited facilities." It also came to light during the Comptroller's hearing that as early as 1969 the Attorney General of Kentucky formally had opined: "We do not view the operation of the Lectro-Teller Automatic Deposit Machine as being a 'branch bank'." Finally, since the December 1974 ruling, the states of North Dakota, Maryland, Kansas and Nebraska each have passed statutes authorizing the equivalent of CBCT's to be established and used by State banks and declaring that such terminals are not deemed to be branch banks.

One of the witnesses testifying before the Comptroller on behalf of the IBAA was an engineer who had helped to invent one form of so-called automated teller machine. He exhibited a certain amount of natural and understandable pride in these machines and stated that, in his opinion, the consumer banking functions provided by an automated teller are essentially those provided by a traditional manned branch. A State Banker also appearing on behalf of the IBAA agreed at the Comptroller's hearing with this conclusion that an automated teller machine was the equivalent of a branch; yet that same State banker on September 19, 1974, testified at a hearing before the Michigan Commissioner of Financial Institutions as follows:

> Legal arguments exist that branch banks imply the use and presence of human beings as representatives of the bank having contact with the public. However, the ATM is a mechanical device which permits programmed segmented transactions to go to the bank for existing customers. This device, it seems, falls into the same category as the U. S. mail, telegraph, telephone, and other forms of data communication devices which have existed for many years. The ATM's cannot open a new account, cannot initially establish a credit relationship, cannot verify receipt of currency, or cannot respond to the many financial problems and inquiries of the customer. Obviously these functions occur at the normal definition of a branch bank.
>
> In essence we have nothing more than a data-input device coupled with a box of cash whereby certain programmed transactions between the financial institution and its customers can go forward. They should not be described as automated teller machines which imply the human element, but rather a financial communication device.
>
> Since this device is not a teller, it is not a bank, then these machines should not be considered as a branch of a bank.

Similarly, the legislative counsel of the IBAA conceded at the Comptroller's hearing that

> . . . there is a distinction between the structure as we now know it, brick and mortar structure and that kind of market construction, and the problem of a technology that has just arrived on the scene. . . .

Thus the evidence made available to the Comptroller supports the conclusion he announced in December 1974 that a CBCT is not a "branch" within the common understanding of that term.

When the December 1974 ruling was issued, the type of CBCT most prominent in the Comptroller's mind were so-called "exclusive" or "dedicated" terminals established and owned by a single bank and operated principally for the benefit of its own customers. The December ruling thus was written in terms of National banks establishing and operating such devices.

In the intervening months, additional emphasis has been placed on networks of CBCT's owned by a third party and shared by a number of banks or other financial institutions. Legislation recently has been enacted in Nebraska under which it is expected that a statewide network, sponsored by the Nebraska Bankers Association, will be operational by the end of 1975. Credit Systems, Inc., a membership corporation which is the Master Charge processor for its member banks, recently has announced plans looking toward a shared EFTS network in the 5-state area of Missouri, Kansas, Illinois, Kentucky, and Iowa. The proposed CSI network would have 130 financial convenience centers, which would be so-called automated teller machines, available for use of any customer of any bank belonging to the network, and 6,000 point-of-sale terminals through which vendors of goods and services could be paid by electronic transfer for such goods and services. The system will be available at cost to each of 1,200 banks in the 5-state area served by CSI, and may be operational as early as July 1, 1976.

The Comptroller's ruling has been modified to make clear that National banks are permitted, in the Comptroller's opinion, to participate in such networks, whether or not the bank itself owns or operates the terminals. It is the Comptroller's opinion that National banks may receive and act upon instructions received from customers through such networks, just as National banks have for many years received and acted upon customers instructions received by mail or telephone. The bank need not necessarily own or operate the communication device itself in order to take advantage of this communication tool, although it may do so if it so chooses.

There has been a great fear expressed, mostly on behalf of smaller banks, that the Comptroller's ruling will permit a few large banks to dominate the banking structure of a state or, indeed, of the entire country. The Comptroller and his staff have received frequent comments from small banks located in various parts of the country that the Comptroller's ruling would permit a giant bank, such as Bank of America of San Francisco or First National City Bank of New York City, to establish terminals throughout the country and gain a virtual monopoly on the Nation's retail banking business.

The Comptroller believes that such fears are unfounded. A CBCT is useful only to a bank which has an existing customer base. Only customers who have a preestablished account at the bank and a card issued by the bank to gain access to that account through a CBCT may use a CBCT. The testimony at the Comptroller's hearing supports the conclusion that a CBCT is not a particularly useful competitive weapon for geographic market penetration. Thus it is unlikely that any National bank, whether big or small, which is interested in profitability would establish these terminals where there was no preexisting customer base, and several banks have so testified.

One witness representing a public interest group suggested at the Comptroller's hearing that, since it was unlikely that CBCT's would proliferate in the manner feared by the small banks, it might be useful for the Comptroller to impose a geographic limitation simply to allay these fears. The Comptroller believes there is much merit to that suggestion.

Much of the public discussion of the Comptroller's ruling has been in terms of big banks versus small banks or State banks versus National banks. It is not the Comptroller's intention to attempt to establish a competitive advantage for any particular group of banks. The Comptroller believes instead that electronic technology has made possible a reliable system by which rudimentary banking services can be delivered with greater locational and time convenience than before; that the limited experience available—such as that of First Federal Savings and Loan Association of Lincoln, Nebr.—with such services shows there is a great public demand for them; that savings and loan associations already are providing such services under regulations of the Federal Home Loan Bank Board (39 F.R. 23991, June 28, 1974) and that other institutions not normally thought of as financial institutions, such as nationwide retailers, are in an excellent position to begin providing such services; and that the banking industry should be more concerned with attempting to meet this competition from non-banks and less fearful about hypothetical possibilities that CBCT's may permit one bank to gain some sort of competitive advantage over another. Even if such considerations were relevant, the Comptroller believes that the electronic transfer of funds through CBCT's will be of most advantage to small banks. Small banks will be offered an economical way to provide meaningful competition to larger banks with established geographically convenient branches. Indeed, networks such as those contemplated in Nebraska and in Missouri and its surrounding states will offer to small bank customers and to large bank customers exactly the same time and location convenience.

The Comptroller's power to impose regulatory restrictions is not precisely defined in any statute. The courts, however, apparently have upheld reasonable legislative type regulations even in the absence of specific statutory authority. See, e.g., *American Trucking Associations* v. *United States,* 344 U.S. 298 (1953); *National Broadcasting Co.* v. *United States,* 319 U.S. 190 (1943). The Comptroller is charged with the execution of all laws relating to the National Banking System. That broad supervisory power, when coupled with the so-called "housekeeping" statute now found at 5 U.S.C. 301 giving the head of an executive department power to prescribe regulations "for the government of his department" and the "distribution and performance of its business" has been held to authorize the Comptroller to issue rules and regulations. *Cooper* v. *O'Connor,* 99 F.2d 135, 140 (D.C. Cir.), *cert. denied,* 305 U.S. 642 (1938); *Altman* v. *McClintock,* 20 F.2d 226 (D. Wy.), *appeal dismissed,* 28 F.2d 1007 (1927). See also *Norris* v. *United States,* 257 U.S. 77 (1921). It recently has been held that the Federal Trade Commission had such rulemaking authority based upon its power to adjudicate on a case-by-case basis what constitutes an unfair or deceptive trade practice and its power to make rules and regulations for the carrying out of its statutory duties. *National Petroleum Refiners Association* v. *FTC,* 482 F.2d 672 (D.C. Cir.), *cert. denied,* 415 U.S. 951 (1973). Under Section 202 of the Financial Institutions Supervisory Act of 1966, 12 U.S.C. 1818 (b), the Comptroller is given authority to issue cease and desist orders against a bank which is engaging, has engaged, or is about to engage in an unsafe or unsound practice in conducting the business of the bank. Under the reasoning of *National Petroleum Refiners* and the other cases cited, the Comptroller would seem to have statutory authority to promulgate reasonable regulations for the sound and safe development of the banking system.

No evidence has been presented that the use of CBCT's is inherently unsafe or unsound. One witness appearing at the Comptroller's hearing and strongly supporting the Comptroller's ruling, however, suggested a modification to insure that CBCT's are installed first in a bank's own market area. If, in the opinion of the Comptroller, the bank did not prove its ability to operate CBCT's in its own market place, then it should not be permitted by the Comptroller to expand geographically into other areas. That suggestion has much merit. It will permit each National bank to experiment with CBCT's in the geographic area with which it is most familiar, and to which it has the easiest access should difficulties arise. Such a limitation also would help to allay fears expressed on behalf of small banks, and thus promote the healthy development of the banking system, both State and National, by focusing the attention away from an unproductive intra-industry dispute and toward the development of techniques to meet competition from other industries and to serve better the banking public.

The Comptroller thus has adopted a 50-mile radius as a rough and easy to apply measure of the natural market base of a banking office. Under the amended ruling issued herewith, no National bank may establish for its exclusive use a CBCT further than 50 miles away from its main office or its branch nearest to the CBCT. This prohibition does not apply, however, to CBCT's which are available on a shared basis at a reasonable cost to one or more financial service institutions located within the trade area of the CBCT.

Witnesses at the Comptroller's hearing and others have criticized the Comptroller's December 1974 ruling upon the grounds that it did not provide a full panoply of consumer protections. Representatives of consumer groups have pointed out that an instantaneous electronic funds transfer might eliminate the stop payment privilege which customers enjoy when paying by check. Another witness criticized the Comptroller's ruling because it did not protect against complete system failure due to windstorms, lightning, and accidents disabling the telephone and telegraph lines connecting the CBCT's to the computer. Both of those matters are beyond the Comptroller's province.

The legislative counsel for the Independent Bankers Association suggested that the Comptroller's Office could undertake regulation concerning disclosure of consumer rights so that a customer is informed, for example, of his liability for a lost or stolen debit card or other medium of access to a CBCT, and thus does not unwittingly obligate himself to unknown liabilities when he opens a checking account and receives such a card. Representatives of consumer groups have made similar suggestions. These suggestions are well taken, and the Comptroller advises all National banks to disclose clearly and meaningfully to its customers all rights and liabilities in connection with both authorized and possible unauthorized transactions involving a CBCT. The Comptroller will monitor developments in this area through a requirement that banks notify the Comptroller of their consumer disclosure practices. Similarly banks are being required by the amended ruling to notify the Comptroller what protection is provided against wrongful or accidental disclosure of confidential customer information.

The other fears concerning electronic fund transfers are unwarranted. While no system or machine is perfect, the evidence at the Comptroller's hearing demonstrated undisputably that electronic funds transfers are more accurate, reliable, and less subject to fraud than transfers using the existing paper-based system. The Comptroller is not now aware of any operational difficulties or any potential for fraud or other misuse of a CBCT which would warrant elaborate regulatory safeguards.

The Comptroller's December 1974 ruling contained the following limitation:

> National banks are urged prior to July 1, 1975, not to establish a CBCT in any State in which State law would prohibit a state-chartered bank from establishing a similar facility.

The stated purpose of this urging was to give the legislatures of such states an opportunity to consider whether they wished to place their state-chartered banks on an equal competitive footing with National banks and with savings and loan associations. As already noted, one of the announced purposes of the Comptroller's rulemaking proceedings was to determine whether equitable considerations warranted further policy statements in this regard.

A representation that there should be further delay in the implementation of the Comptroller's ruling was made on behalf of only one state. The General Counsel of the Kentucky Bankers Association appeared to testify that the Kentucky legislature had not met since the Comptroller's December 1974 ruling was issued, and would not meet before January 1976. He thus urged, on behalf of the Kentucky Bankers Association, that the Comptroller's limitation on the establishment of CBCT's by National banks in Kentucky be continued until after the legislature had met.

A Kentucky statute authorizes the Commissioner of Banking and Securities to authorize, by regulation, State-chartered banks to engage in any banking activity in which National banks may engage, provided that such activities are not ". . . expressly prohibited or limited by the statutes of the Commonwealth." KRS §287.020. The Comptroller's attention was called to a 1969 opinion of the Kentucky Attorney General interpreting KRS §287.180, which permits state-chartered banks to exercise their banking powers "only at their principal office," as prohibiting a state-chartered bank from establishing an automated teller machine. The president of a state-chartered bank in Kentucky, however, testified that, notwithstanding this statute and the 1969 Attorney General's opinion, a number of banking transactions routinely were accomplished off premises by state-chartered banks in Kentucky. The Comptroller thus is not persuaded that the Commissioner of Banking and Securities could not issue a regulation under KRS §287.020 authorizing state-chartered banks to establish CBCT's, if the Commissioner believed that it was wise to do so. Similarly, the representative of the Kentucky Bankers Association could offer no guidance as to what the association's position would be when the Kentucky legislature met in January 1976, and no indication that, at the end of this legislative session, the statutes of Kentucky might be any different than they now are. In these circumstances the Comptroller does not believe that he would be justified in urging National banks located in Kentucky further to forbear from engaging in activities which the Comptroller believes are authorized by the National Bank Act and beneficial both to National banks and their customers.

No appearance was made on behalf of any particular state official or state bankers association other than Kentucky. The President of the Conference of State Bank Supervisors submitted to the Comptroller a written statement on behalf of the Conference stating in part:

> Because the Conference believes that each state should have the right to determine the financial services to be provided by state-chartered financial institutions operating within their borders, I wish to take this opportunity to reassert the position of CSBS that the decisions of the respective states as to the legality of off-premises electronic banking facilities are as binding on national banks as on state banks under provisions of the National Bank Act which incorporate state branching law. This conclusion is required by the Congressional policy of competitive equality between state and national banks based on state law as reflected in *First National Bank of Plant City, Florida* v. *Dickinson*, 396 U.S. 122 (1969). Where a facility of a national bank is "an additional place of business" at which "deposits are received or checks paid or money lent" and where state law forbids state banks from operating comparable facilities *Dickinson* clearly requires a finding of "branchness." State law, of course, is also applicable with respect to the establishment of an electronic banking facility in a state by a bank headquartered in another state.
>
> * * * *
>
> In order to avoid uncertainty by banks and to maintain a regulatory environment at the state level that will promote efforts to examine the pros and cons of an evolving electronic funds transfer system, the Conference of State Bank Supervisors requests that effective July 1, 1975, your Interpretive Ruling be modified to specifically *prohibit* national banks from establishing a CBCT in any state in which state law would prohibit a state chartered bank from establishing a similar facility.

The Comptroller respects this position of the CSBS and, as already stated, is aware of the concerns about CBCT's of many of the state-chartered banks supervised by the CSBS members. The Comptroller must disagree, however, with the CSBS contention that CBCT's are branches and thus bound by State law. The Comptroller believes that it would be unwise to defer generally to State law in the absence of a legal requirement to do so because: (a) the National Bank Act is intended to operate without regard to State law, except where Congress specifically has stated otherwise; and (b) the various State laws tend to be vague or difficult to interpret concerning what off-premises activities are permitted to State banks, and a blanket adoption of these vague standards would generate needless controversy as to what actually would be authorized to National banks. Such considerations must be approached on a state-by-state basis, and Kentucky is the only State as to which the Comptroller was asked to undertake such an inquiry.

The information required to be submitted to the Comptroller's Office 30 days before the establishment or use of a CBCT has been modified. The information regarding consumer protection already has been noted. Additional information is required about the insurance and security provisions protecting the CBCT and its users. The reporting requirements also are altered in the case of shared CBCT's so that, in most instances, one notice listing all of the banks involved would be sufficient.

The Comptroller's original ruling excluded: (a) devices whose sole function was to verify credit for purposes of cashing a check or approving a credit card transaction; and (b) devices which were a part of a bank's authorized banking premises. An additional exclusion has been added to the amended ruling. The Comptroller does not require notice of, and is not undertaking to regulate, an off-premises terminal which is used solely to accomplish a funds transfer in payment for goods or services received, and through which neither cash is dispensed nor cash or checks left for subsequent deposit.

The amended ruling issued herewith will be effective June 1, 1975. Both this ruling and the one issued in December 1974 require 30 days' advance notice prior to the establishment or use of a CBCT. The restrictions relating to State law expire on July 1, 1975, as discussed above. This amended ruling is timed to be effective 30 days before the expiration of this restriction, so that any bank previously limiting its activities in accordance with the urging of the December 1974 ruling may give 30 days' notice under this amended ruling and commence operations any time after July 1, 1975.

The ruling issued herewith has no expiration date, and no substantial modification is planned within the next 18 months. Nevertheless, the ruling is dealing with experimental developments, and the Comptroller will continue to monitor these developments to determine whether they warrant a change in the Comptroller's policies. In particular the Comptroller intends to review with great care any reports or recommendations of the National Commission on Electronic Funds Transfers, and to consider whether these reports or recommendations should result in modifications to the Comptroller's ruling.

Part 7 of 12 C.F.R. Chapter I is amended by revising Section 7.7491 to read as follows:

7.7491 Customer-Bank Communication Terminals.

(a) A National bank may receive and act upon communications from its customers transmitted through electronic devices or machines requesting the withdrawal of funds either from the customer's deposit account or from a previously authorized line of credit, or instructing the bank to receive funds or to transfer funds for the customer's benefit. The device or machine may be established and operated by the bank, by the customer, or by a third party. In accordance with the customer's request or instruction and subject to verification by the bank, cash or checks may be received and cash may be dispensed at the location of the device or machine. The device or machine may not be staffed by a bank employee, except that the bank for a reasonable period of time may provide an employee to instruct and assist customers in the operation of the device or machine. Any transactions initiated by such a device or machine shall be subject to verification by the bank either by direct wire transmission or otherwise. A bank may provide insurance protection under its bonding program for transactions involving such a device or machine.

(b)(1) If, at the location of a device or machine described in paragraph (a), a customer may leave cash or checks for subsequent deposit or receive cash in connection with a debit to any of his accounts, then such a device or machine may not be established or used by a National bank until 30 days after the bank has sent to the Comptroller's Office and to the appropriate Regional Administrator of National Banks written notice of the proposed establishment or use of such device or machine. The notice shall describe with regard to the device or machine:

(i) the location;

(ii) a general description of the area where located (e.g., shopping center, supermarket, department store, etc.) and the manner of installation at that location;

(iii) the manner of operation, including whether the device is on-line;

(iv) the kinds of transactions that will be performed;

(v) whether the device will be manned, and if so, by whose employee;

(vi) whether the device will be shared, and if so, under what terms and with what other institutions and their location;

(vii) the manufacturer and, if owned, the purchase price or, if leased, the lease payments and the name of the lessor;

(viii) consumer protection procedures, including the disclosure of rights and liabilities of consumers and protection against wrongful or accidental disclosure of confidential information;

(ix) the distance from the nearest banking office and from the nearest similar device of the reporting bank;

(x) the distance from the nearest banking office and the nearest similar device of another commercial bank, which will not share the facility, and the name of such other bank or banks;

(xi) insurance and the security provisions protecting the installation and its users.

(b)(2) Written notice must be given to the Comptroller's Office and to the office of the appropriate Regional Administrator of National Banks 30 days before changing any of the operations described in a notice previously given pursuant to this paragraph (b).

(b)(3) One or more National banks sharing one or more devices or machines may give a single notice to the Comptroller's Office, provided that such notice is given also to the office of each Regional Administrator of National Banks who supervises one or more of the National banks involved, and provided that the notice includes the information listed in subparagraph (b)(1) for each shared device or machine. The Comptroller reserves the right to adopt different reporting procedures as warranted by the circumstances of a particular network of devices or machines.

(b)(4) No notice need be given for any device or machine which:

(i) is used only to transfer funds for goods or services received, and through which neither cash is dispensed nor cash or checks left for subsequent deposit;

(ii) is used solely to verify a customer's credit for purposes of check cashing or of a credit card transaction; or

(iii) is a part of a bank's authorized main office or branch.

(c) No device for which notice must be given under paragraph (b) may be established or used by a National bank at a distance greater than 50 miles from the bank's main office or closest branch, whichever is nearer, unless such device or machine is available to be shared at a reasonable cost by one or more local (*i.e.,* within the trade area of the device or machine) financial institutions authorized to receive deposits, such as a commercial bank, a mutual savings bank, a savings and loan association, or a credit union.

(d) A device or machine established and used in accordance with this section at a location other than the main office or a branch office of a National bank does not, in the opinion of the Comptroller, constitute a "branch" within the meaning of 12 U.S.C. 36(f).

(e) To the extent consistent with the antitrust laws and with this section, National banks are permitted, but not required, to share devices or machines established or used in accordance with this section with one or more other financial institutions.

Effective date: This section becomes effective June 1, 1975.

Index