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Present Banking Structure in Florida and Branch Banking

William J. Sheppard

John D. McKey

PRESENT BANKING STRUCTURE IN FLORIDA AND BRANCH BANKING

Commercial bank deposits in the United States exceed $386.5 billion. In Florida alone, banks possess over $7,710 million in deposits. Presently the banks have outstanding loans to the public totaling over $4 billion and over $2 billion in other investments.[1] Because of this substantial public investment, banking is necessarily subject to regulation by the government under its police power.[2] Currently under the "dual banking system" both the federal and state governments charter and regulate banks. Under dual banking — a reflection of the dual sovereignty concept of federalism — the citizens of the individual states may choose what is most appropriate for their own economies, and yet, at the same time, the federal government may carry out its fiscal function as provided by the Constitution.[3]

A dual banking system inevitably has produced competition between state and federally chartered banks. If either type were to dominate, the value of the dual system would be defeated. To prevent such unilateral domination, several regulatory measures have been enacted. First, provisions for the voluntary transfer of charter from national to state bank status and vice versa are in force.[4] Reciprocity of conversion restrains both systems because both are aware that conversion could be accomplished if one system were to gain more beneficial operating advantages than the other. Second, equal competition statutes provide that: (1) national banks may exercise any fiduciary power available through state law to state banks;[5] (2) national banks are prohibited from paying interest on time and savings deposits at rates in excess of those permitted by state law for state banks;[6] and (3) national banks may establish branch banks only to the extent that state law permits them for state banks.[7]

National banks are required to belong to the Federal Reserve System.[8] Consequently, they also hold membership in the Federal Deposit Insurance Corporation.[9] Regulation is accomplished primarily under authority of the

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1. U.S. BUREAU OF THE CENSUS, STATISTICAL ABSTRACT OF THE UNITED STATES 457 (1966).

2. Shallenberger v. First State Bank, 219 U.S. 114 (1911); Noble State Bank v. Haskell, 219 U.S. 104 (1911); Canfield v. United States, 167 U.S. 518 (1897).

3. U.S. CONST. art. I, §8 provides in part: "The Congress shall have power . . . to coin money, regulate the value thereof, and of foreign coin . . . ."

4. FLA. STAT. §661.08 (1965) provides for conversion from state bank to national bank and the reverse.

5. Federal Reserve Acts, 12 U.S.C. §248 (k) (1964).

6. *Id.* §§371 (a), (b).

7. National Bank Act, 12 U.S.C. §36 (c) (1964).

8. Purposes of the Federal Reserve System, as announced by its founders, are to give the country an elastic currency, to provide facilities for discounting commercial paper, and to improve the supervision of banking. BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THE FEDERAL RESERVE SYSTEM PURPOSES AND FUNCTIONS 1 (1963).

9. The purpose of the Federal Deposit Insurance Corporation is to insure deposits of all Federal Reserve member banks and other banks that voluntarily become insured by the Corporation. *Id.* at 262.

National Bank Act,[10] which is administered by the Comptroller of the Currency, the Board of Governors of the Federal Reserve Board, and the Federal Deposit Insurance Corporation. National banks are also subject to those state laws that do not conflict with their functions and duties as federal agencies and instrumentalities.[11]

A state bank, on the other hand, is subject both to the laws of the state that charters it and to certain federal banking statutes under which the bank may elect to bring itself. In this regard state banks may be divided into three distinct classes. If the bank elects to become a member of the Federal Reserve System, it is known as a "state member bank."[12] But, if the bank wishes only to take advantage of the Federal Deposit Insurance Corporation and does not care to participate in the Federal Reserve, it is known as a "nonmember insured state bank."[13] Finally, if the bank chooses to join neither the Federal Reserve nor the Federal Deposit Insurance Corporation, it is known as a "noninsured state bank."[14]

UNIT AND BRANCH BANKING

One way to insure sound banking is through governmental regulation of bank expansion so that the number of banks does not outstrip the demand.[15] Many different regulatory schemes have emerged as solutions to the expansion problem. At one pole is the unit bank system, which represents the more traditional view.[16] Each bank is completely autonomous and operates in only one place of business. Each unit bank possesses its own capital and has its own board of directors.

The branch bank system, at the opposite pole, envisions multiple offices wholly owned by the same stockholders and controlled by the same boards of directors; all offices, wherever located, constitute a single legal entity. Each branch is run by a manager in accordance with the policies and regulations promulgated by the parent bank, and behind each office stand the resources of the parent. According to federal law, a branch is "any branch bank, branch office . . . or any branch place of business located in any State . . . at which deposits are received, or checks paid, or money lent."[17]

Thirty-seven states permit some form of branch banking and fifteen of

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10. 18 Stat. 123 (1874) (codified in scattered sections of 5, 12, 18, 19, 28, and 31 of U.S.C.).

11. *E.g.*, First Nat'l Bank v. Missouri, 263 U.S. 640 (1924); First Nat'l Bank v. California, 262 U.S. 366 (1923); Easton v. Iowa, 188 U.S. 220 (1903).

12. Federal Reserve Acts, 12 U.S.C. §§321-38 (1964).

13. Federal Deposit Insurance Corporation Act, 12 U.S.C. §1815 (1964).

14. Federal Deposit Insurance Corporation Act, 12 U.S.C. §1813 (h) (1964).

15. Stokes, *Public Convenience and Advantage in Applications for New Banks and Branches*, 74 BANKING L.J. 921 (1957).

16. R. LAMB, GROUP BANKING 6 (1961). Unit banking is peculiar to the United States and has developed completely without rational foundation. Its development has not paralleled other segments of the industry it serves. *Id.*

17. National Bank Act, 12 U.S.C. §36 (f) (1964).

these allow statewide branching. Twelve states, including Florida,[18] expressly prohibit branch banking of any kind.[19] Florida has not always prohibited branch banking, however. Fifteen branch banks were once established, and eight were in existence when prohibitory legislation was enacted in 1913.[20] Since that time there has been almost constant controversy in Florida concerning the desirability of branch banking. An analysis of some of the arguments should be helpful.

The threat of monopoly represents the basic argument against branch banking. Opponents of branching fear that a few large banking corporations would replace the majority of small private banks. A congressional committee that adopted this point of view put the argument cogently:[21]

> [T]he destruction of the American unit banking system, resulting in further concentration of credit facilities, would have revolutionary effects upon our free enterprise system. Ultimately, monopolistic control of credit could entirely remold our fundamental political and social institutions.

Concentration would inevitably increase with the advent of branch banking; it seems likely, however, that territorial restrictions could prevent monopoly while the economic advantages of size could still be made available to the state.

Opponents of branching also argue that a branch bank would be less responsive to local needs because of both the absence of a local board of directors and the existence of a duty to adhere to home office policies. Yet, a recent New York study indicates that this result does not necessarily follow.[22] In the majority of cases a branch manager was found to have as high or higher loan limit than an equivalent unit bank. Large loan applications frequently were referred to the home office, but the local manager's recommendation was usually followed.[23] Although there is evidence that unit banks give more favorable treatment to small business borrowers than do large branch banks[24] and that branch managers are occasionally "guilty" of overlooking the "character" of borrowers, unit bankers, because of personal involvement, sometimes seriously misjudge the "character" of loan applicants. Furthermore, large banks can make branch facilities available in areas

18. FLA. STAT. §659.06 (1) (a). "Any bank or trust company shall have only one place of doing business . . . ."

19. 1 CCH FED. BANKING L. REP. 3106 (1966). Wyoming has no legislation on the subject. *Id.*

20. J. DOVELL & J. RICHARDSON, HISTORY OF BANKING IN FLORIDA 1828-1954, at 106 (1955). The existing branch banks became independent banks subsequent to the legislative enactment prohibiting branch banking. *Id.*

21. H.R. REP. No. 609, 84th Cong., 1st Sess. 2 (1955).

22. NEW YORK STATE BANKING DEPARTMENT, BRANCH BANKING, BANK MERGERS AND THE PUBLIC INTEREST 84-87 (1964).

23. *Id.*

24. *See* Morvitz, *Concentration and Competition in New England Banking*, in FEDERAL RESERVE BANK OF BOSTON 153 (1958). This New England study found average rates of unit banks lower than those of comparable branch banks and a greater willingness to lend by the unit banks. *Id.*

where unit banks could not operate profitably,[25] an advantage that is especially important in view of suburban population increases in Florida.

The definite advantages of branch banking outweigh the arguments of monopoly and lack of autonomy at the local level. One of the most important advantages is the development and use of better quality bank management, a product of larger resources and more adequate training facilities. Branching makes possible an increased facility for specialization since a branch, through its home office, can offer a wider variety of services than can a single unit bank. Diversification resulting from size is also possible because branching lowers the risk to the individual bank. Stability in interest rates due to the mobility of funds between banks is yet another advantage. When one branch needs money for loans, it is more economical and convenient to use the idle funds of other branches rather than to depend on outside resources. The ability of branch banks to lend larger amounts by calculating their loan limits on the basis of the assets of the system as a whole, rather than on a bank-to-bank basis, is also a distinct advantage.[26] It has been argued that mobility of funds and loan participation could adequately be secured through correspondent relationships with other banks. The result of correspondent banking, however, often is the removal of excess funds from the local bank to the money centers, where they frequently earn a lower return instead of remaining to profit the local bank and citizenry. A branch system, on the other hand, transfers funds to rural areas where they are needed rather than automatically channeling them to metropolitan areas. Finally, since branch banks generally handle their funds more efficiently than unit banks, there is less fluctuation of rates in the local markets.

Several studies in states that have both unit and branch banks have reached some noteworthy conclusions. Unit banks make more business loans, while branch banks are more individual-consumer and mortgage oriented.[27] Branch banks show a higher average yield on loans because they make more higher-yielding installment and small-consumer loans.[28] Branch banks appear willing to make automobile loans on more liberal terms, both as to maturity date and ratio of loan to car value,[29] and usually charge lower rates for mortgage loans.[30] Finally, branch banks pay higher interest rates on savings accounts, but generally charge higher service charges for checking accounts.[31]

An argument frequently leveled against branch banking is that it has led to a declining number of banks (individual banks — not offices). This

25. D. ALHADEFF, MONOPOLY AND COMPETITION IN BANKING 232 (1954).

26. C. Rice, The Desirability of Branch Banking in Florida, 43-45 1964 (unpublished thesis in Rollins College Library). The inability of other forms of banks to meet demands of large borrowers has caused difficulty and at times loss of business to large commercial centers. *Id.*

27. Schweiger & McGee, *Chicago Banking*, 34 J. BUS. 226 (1961).

28. For an example of this type comparison see P. HORVITZ, ECONOMICS OF SCALE IN BANKING table 6-11 (1963).

29. NEW YORK STATE BANKING DEPARTMENT, *supra* note 22, at 126.

30. Shull & Horvitz, *The Impact of Branch Banking on Bank Performance*, 1 NAT'L BANKING REV. 143, 172 (1964).

31. *Id.* at 177. Unit banks generally match branch bank interest rates when they are in the same community. *Id.*

trend, however, has slowed in recent years in spite of the rapid expansion of branching. In fact, in nonmetropolitan areas there are no fewer banks with branching than in unit-banking states. It is generally easier to establish a branch office than a new unit bank. One must conclude, therefore:[32]

> [N]either in terms of numbers of competitors, nor concentration (measures of actual competition), nor in terms of the condition of entry (potential competition) have the structure of local banking markets been adversely affected by branch banking in the United States. The weight of evidence suggests that, to the contrary, market structures are adversely affected by restrictions on branch banking.

Former Comptroller of the Currency, James Saxon shares the same view:[33]

> "It is perfectly clear that [restrictive branch banking] laws show little regard for the public interest, that they are designed to protect the selfish interests of the less energetic or competent segments of the industry which cannot abide the prospect of competition. It is unfortunate that such laws do not meet the economic needs of the people and of the industries, but serve instead the determined opposition of parochial interest."

Some states allow statewide branching but at the same time impose limiting provisions. Several, for example, prohibit the establishment of branches in any political subdivision where a state or national bank is already operating.[34] Others prohibit branching but allow an exception when the branch is established through merger or consolidation with an existing bank.[35] Finally, some states permit branching only in a city, county, or other geographically defined area, such as a trading area where a metropolitan center spreads over several counties.[36]

Nonlegal matters are of primary consideration in a legislature's decision to allow or prohibit branch banking.[37] Economic factors often play a major role, but political pressure groups also significantly influence the determination. After the choice is made, however, the system chosen is inevitably a component of an extensive legal framework. If branch banking is permitted, its extent must be determined; if it is prohibited, ways of circumventing the prohibition are frequently sought.

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32. Shull & Horvitz, *Branch Banking and the Structure of Competition*, 1 NAT'L BANKING REV. 301, 340 (1964).

33. Comment, *Branch Banking — Restrictive State Laws Considered in Light of the Public Interest — Extension of National Power Over Banking*, 38 NOTRE DAME LAW. 315 (1964).

34. IDAHO CODE ANN. §26-1001 (Supp. 1965); LA. REV. STAT. ANN. §6:54 (1950); ORE. REV. STAT. §714.050 (1965); S.D. CODE §6.0402 (Supp. 1960); UTAH CODE ANN. §7-3-6 (Supp. 1965); WASH. REV. CODE ANN. §30.40.020 (1965).

35. For a complete statutory breakdown by states see Shull & Horvitz, *supra* note 32, at 341 (Appendix A).

36. *Id.*

37. Unit banking should be the starting point in analysis. All states permit unit banking, and it is the trunk from which other forms of banking have grown. Unit banking exists at the same time as all other types of banking except branch banking.

It is the purpose of this note to analyze the Florida banking structure, which presently prohibits branch banking,[38] and to consider the problems that have resulted in states where branch banking is permitted.

PRESENT FLORIDA STRUCTURE

A majority of banks in Florida currently seek to band together in groups rather than to operate completely alone and without intimate ties with other banks. It has been said that "banks like firms in other industries seek to merge [concentrate] because it is profitable to do so . . . ."[39] Concentration is becoming widespread in business and industry today — this is an era of chain supermarkets, drug stores, and jewelry stores.

The commercial banking system is faced with keen competition from non-banking financial institutions. The functions traditionally performed exclusively by banks increasingly are being absorbed by insurance companies, savings and loan associations, and mutual savings associations, all of which can offer depositors more attractive returns on investments.[40] A general absence of strict control of branch offices of these institutional competitors has forced banks to concentrate in order to compete.[41] Because of its prohibition of branch banking, concentration in Florida necessarily entails affiliate, chain, or group banking — the most important means of concentrating banks without violating the anti-branching statute. Each of these methods concentrates its bank members to a different degree.[42]

Chain Banking

Chain banking is the concentration of two or more commercial banks controlled by one or more individuals.[43] Control usually is accomplished by

38. FLA. STAT. §659.06 (1965) provides in part: "Any bank or trust company shall have only one place of doing business, which shall be located in the community specified in its original articles of incorporation, and the business of the bank or trust company shall be transacted at its banking house so located in said community specified, and not elsewhere."

39. Smith, *Research on Banking Structure and Performance*, 4 FED. RESERVE BULL. 488, 493 (1966).

40. *Supra* note 33, at 315.

41. J. DOVELL, HISTORY OF BANKING IN FLORIDA, FIRST SUPPLEMENT (1954-1963), at 43 (1964).

42. Of the 448 banks in Florida, over one-half are related in some form with other banks within the state other than by correspondent relationships. J. DOVELL, HISTORY OF BANKING IN FLORIDA, FIRST SUPPLEMENT (1954-1963), at 45 (1964); Florida Bankers' Ass'n, Florida Bank Statistics, Dec. 9, 1966. "Correspondent banking may be said to consist of a series of relationships between banks, whereby the large ones generally render service for the smaller ones in return for balances left on credit. Such services have, from time to time, taken several forms: extending lines of credit upon which the smaller banks could draw or borrow from the city correspondents; facilitating foreign exchange transactions, providing a liquid outlet for balances of excess reserves that the country bank may choose to leave on deposit in the city." W. FRAZER & W. YOHE, THE ANALYTICS AND INSTITUTIONS OF MONEY AND BANKING 135 (1966).

43. Individual control is contrasted with "corporate" control. The latter indicates bank holding company status discussed in the text accompanying footnotes 52-93 *infra*.

stock ownership and may be acquired either by purchasing controlling interests in existing banks or by forming new banks. A bank's stock is frequently used as collateral to secure loans, the proceeds of which are used to buy up the stock of other banks.

Chain banking occupies a somewhat ambiguous position in Florida. Little is known about existing chains because of the absence of formal requirements to report chain relationships. It is thus quite difficult to determine the existence of a chain and even more difficult to ascertain which individual banks are in a chain. Although Florida does, pursuant to section 659.14 of the Florida Statutes, require approval by the State Commissioner of Banking[44] when a majority of the stock of a state bank is acquired, this statute does not address itself to other methods of building a chain.[45] Newly established chain banks, for example, escape its scrutiny altogether. Neither does the statute apply to national banks,[46] although both state banks and national banks may be in the same chain.[47] Moreover, the statute is not applicable unless at least a majority of the shares of an individual bank is acquired, yet control can be effected by the acquisition of much less stock. Finally, the statute does not apply where several individuals acquire controlling interest in a bank, if no one individual acquires a majority. It is apparent, therefore, that the statute does not provide a basis for comprehensive control of chain banking.

A bank within a chain is an individual corporate entity. Although no responsibility for financial aid exists among banks in the chain, there are several methods of control exercised by the owners of such banks.[48] Control is frequently exercised through directors and key officers who actively participate in the affairs of each bank in the chain by traveling regularly to each

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44. FLA. STAT. §658.04 (1965) provides in part: "The comptroller shall be ex officio the state commissioner of banking . . . ."

45. FLA. STAT. §659.14 (1965) provides: "In any case where a person, a group of persons, or a corporation proposes to purchase or acquire the majority of the outstanding capital stock of any state bank or trust company and thereby to change the control of said bank or trust company, such person, shall first make application to the commissioner for a certificate of approval of such proposed change of control of said bank or trust company and said application shall contain the name and address of the proposed new owner or owners of the controlling stock and the said commissioner shall issue said certificate or approval only after he has become satisfied that the proposed new owner or owners of the controlling stock is qualified by character, experience and financial responsibility to control and operate said bank or trust company in a legal and proper manner, and that the interests of the stockholders, depositors, and creditors of the bank or trust company and the interests of the public generally will not be jeopardized by the proposed change in ownership and management."

46. FLA. STAT. §659.14 (1965) refers to "state banks." A letter from the Florida State Commissioner of Banking also indicates "state banks." Letter from Fred O. Dickinson, Jr., State Commissioner of Banking to William J. Sheppard, Feb. 10, 1967, filed at University of Florida Law Review.

47. R. LAMB, GROUP BANKING 57 (1961).

48. These methods normally are utilized only in chains exceeding two or three banks where strict control becomes significant. Florida chain concentrations usually consist of two to five banks. These chains generally are referred to by the name of the controlling individual followed by the word "group." The term "group" used in this sense in no way relates to "group banking" discussed in the text accompanying footnotes 52-93 *infra*.

member bank, supervising its transactions, and attending directors' meetings. In other cases, control is exercised by absentee director-owners who act through a local board of directors. The local board theoretically sets the policy, but it is actually a mere dummy controlled by the absentee owner.

An example of a large chain of banks in Florida was the "McNulty Group," which consisted of eleven central Florida banks.[49] The McNulty chain maintained control through the use of an executive committee which set uniform policies and procedures followed by the member banks. Since either the chairman or executive vice-chairman of the executive committee served as chairman of the board of each of the eleven banks, a close watch could be maintained over the chain's individual members. Uniformity of procedure was maintained by a number of devices, the clearest example being a single chain auditor for the installment loan departments of the banks.[50]

Many of the small chains in Florida contain only two or three banks, which are owned substantially by a single individual or family. In such chains, control is achieved in essentially the same manner as in larger chains — the owner, or someone he designates, serves on the board of directors of each member bank.

Speculative investments and overinvestments in particular ventures that appeal to the controlling owners of the chain are the most apparent potential hazards of chain banking. Such "personal indulgence" defeats one of the cardinal principles of sound banking — diversified investment portfolios — and possibly could result in the failure either of individual banks within the chain or of the chain itself. The loss is then borne by the customers of each bank. The failure of the "Witham-Manley Chain" (175 banks in Florida and Georgia) in 1926, for example, was caused directly by the overfinancing of real estate purchases at inflated prices.[51]

In addition to this danger, several practical limitations render chain banking less effective than group banking for accomplishing branching-type concentration. The size of a chain is limited by the available resources of the individuals building the chain. Furthermore, the life of a chain of banks is limited by the possibility of disposition of the stock of the constituent banks during the owner's lifetime or at his death.

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49. The McNulty Group of Banks included: De Soto National Bank of Arcadia (Arcadia); First State Bank (Ft. Meade); State Bank of Haines City (Haines City); Bank of Lake Alfred (Lake Alfred); National Bank of Melbourne and Trust Co. (Melbourne); Bank of Mulberry (Mulberry); Okeechobee County Bank (Okeechobee); Florida State Bank of Sanford (Sanford); United States Bank of Seminole (Sanford); National Bank of West Melbourne (Melbourne); Bank of Zephyrhills (Zephyrhills). Combined Statement of Condition for the McNulty Group of Banks in Central Florida, Dec. 31, 1966. This chain is in the process of becoming a bank holding company and has acquired the requisite approval from the Board of Governors of the Federal Reserve Board, 31 Fed. Reg. 10343 (1966), pursuant to the Bank Holding Company Act of 1956, 12 U.S.C. §§1841-49 (1966).

50. Combined Statement of Condition for the McNulty Group of Banks in Central Florida, Dec. 31, 1966, at 1.

51. G. CARTINHOUR, BRANCH, GROUP AND CHAIN BANKING 84-86 (1931).

Affiliate Banking

Affiliation is the ownership of a majority of the stock in the affiliate bank or banks by the shareholders of the parent bank. In contrast to the relationship in chain banking, the stock of affiliate banks is held by a much larger group of individuals. This widespread ownership consequently results in much less control than is found in chain banking.

The term "affiliate banking" has two accepted definitions. It sometimes denotes all relationships between banks that occupy intermediate positions between unit banking and branch banking, such as chain and group banking. At other times the term is used to designate all relationships between banks other than chain, group, branch, and corresponding relationships. The latter meaning is intended in this discussion.

One of the primary purposes for establishing an affiliate bank is for investment speculation by the stockholders of the parent bank. An intermediary frequently is utilized to acquire the stock of the affiliate bank in order to conceal the real party in interest. Affiliate banking is most prevalent in the metropolitan areas of Florida, probably because of the demand for more suburban banks and the facility for investment speculation offered by this structure.

Group Banking

Group banking is the control of two or more banks by a corporation or trust, often in the form of a bank holding company.[52] Unlike chain and affiliate banking, group banking is readily amenable to public examination because member banks are controlled by a corporation or trust, both of which are subject to considerable government regulation. The corporation or trust usually achieves control by assembling and holding the stock of constituent banks. The holding company itself does not conduct the banking business; it merely owns and controls the banks in the group. It is, moreover, incorporated under the Florida corporation statutes[53] rather than under the Banking Code.[54] Ordinarily, corporations — which includes bank holding companies — have no inherent power to hold stock in another corporation;[55] but this power is provided by Florida statutes.[56]

Bank holding companies are widespread. In nine states they control more than thirty-five per cent of all commercial bank deposits, in Nevada they control over seventy-three per cent of the deposits, and in Minnesota, sixty-

52. The terms "group" and "bank holding company" are sometimes used synonymously.

53. FLA. STAT. ch. 608 (1965).

54. FLA. STAT. §659.02 (1965).

55. G. MUNN, ENCYCLOPEDIA OF BANKING AND FINANCE 327 (1962).

56. FLA. STAT. §608.13 (9) (a) (1965) provides in part: "Every corporation shall . . . have power to . . . guarantee, endorse, purchase, hold, sell, transfer, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bonds, securities or other evidences of indebtedness created by any other corporation of this state or any other state or government; while owner of such stock to exercise all the rights, powers and privileges of ownership, including the right to vote such stock."

one per cent.[57] In Florida, bank holding companies control twenty-six per cent of the state's bank deposits.[58] Because of the extensive and rapidly expanding use of this method of concentration, federal legislation has been enacted to regulate and prevent its abuse. The Bank Holding Company Act of 1956[59] brings within its purview all bank holding companies in the United States, regardless of the type of bank — national or state[60] — held by the company. The Act is administered by the Board of Governors of the Federal Reserve System.[61] There is no Florida legislation that applies exclusively to bank holding companies,[62] but other states directly regulate them and fourteen prohibit them altogether.[63]

Group banking, like chain and affiliate banking, accomplishes concentration without running afoul of the branch banking prohibition. It is a more widespread method of concentration,[64] though, because of the relative ease with which a bank holding company is formed and its functional method of operation after formation.[65] Because group banking would provide "readymade" branches, if branching were to be legalized, some feel that the formation of a group-bank structure frequently is motivated by anticipation of a repeal of the branch banking prohibition.[66] There are, however, other more concrete reasons for unit bank shareholders to choose to associate with bank holding companies. A desire to acquire a more liquid security or to realize a profit upon an exchange of stock often is the motivating factor. When the stock is exchanged, the unit bank shareholder usually accrues a profit because he receives the equivalent of the adjusted book value of his unit bank stock in return for the bank-group's stock.[67]

The Bank Holding Company Act of 1956 provides two basic means of forming a bank holding company: (1) direct or indirect ownership or con-

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57. BUS. WEEK, Feb. 9, 1963, at 54.

58. FLA. TREND, Jan. 1967, at 6.

59. Bank Holding Company Act of 1956, 12 U.S.C. §§1841-43, 1845, 1848, 1849 (Supp. II, 1966), *amending* 12 U.S.C. §§1841-49 (1964).

60. *Id.* §1841 (c); W. FRAZER & W. YOHE, THE ANALYTICS AND INSTITUTIONS OF MONEY AND BANKING 245 (1966).

61. 12 U.S.C. §§1841-43, 1845, 1848, 1849 (Supp. II, 1966), *amending* 12 U.S.C. §§1841-49 (1964).

62. *But see* FLA. STAT. §659.14 (1965), which possibly applies to bank holding compaines: "In any case where a person, a group of persons, or a *corporation* proposes to purchase or acquire the majority of the outstanding capital stock of any state bank . . . such person, shall first make application to the commissioner for a certificate of approval . . . ." (emphasis added). The Commissioner's office states, however, that "Florida Statutes do not contain any laws relating to holding companies." Letter from Fred O. Dickinson, Jr., State Commissioner of Banking, to William J. Sheppard, Feb. 10, 1967, filed at University of Florida Law Review.

63. BUS. WEEK, *supra* note 57, at 54.

64. J. CHAPMAN, CONCENTRATION OF BANKING 353 (1934).

65. The limited information available on chain or affiliate banking, however, weakens this conclusion.

66. FLA. TREND, Nov. 1962, at 15.

67. The stockholder of a small unit bank receives a comparable equity interest in the holding company, which is a more marketable stock at a price more accurately reflecting the book value of the security.

trol by a company[68] of twenty-five per cent of the voting shares of each of two or more banks; and (2) control by a company through election of a majority of the directors of each of two or more banks.[69] Specifically excepted from the Act are: (1) banks that own or control shares in a fiduciary capacity; (2) companies that acquire ownership or control of shares in connection with the business of underwriting securities; and (3) companies formed for the sole purpose of participating in proxy solicitations.[70] The Act requires "companies" subject to its provisions to sell their nonbanking holdings within a certain period of time after formation.[71] In 1966, Congress amended the Act to extend its trust provisions by expanding the definition of "company" to include not only "business trusts" but also certain perpetual and long term trusts.[72] This amendment, in light of its legislative history, seems largely directed at the Alfred I. du Pont[73] trust, which controls thirty Florida banks and a number of nonbanking interests.[74] Prior to the amendment, the du Pont trust was not a "company" subject to regulation by the Act since it was a long-term trust whose income eventually would go to a charitable corporation.[75]

These recent amendments seem to dictate a closer adherence to the legislative intent embodied in the original 1956 Act — that the bank holding company business should be fully regulated and should be separated from other commercial enterprises. The Act's original procedures for divesting nonbanking interests or banks, as the case may be, were altered in the case of the du Pont trust. Rather than requiring divestment in two years as

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68. "'Company' means any corporation, business trust, association, or similar organization, or any other trust unless by its terms it must terminate within twenty-five years or not later than twenty-one years and ten months after the death of individuals living on the effective date of the trust . . . ." 12 U.S.C. §1841 (b) (Supp. II, 1966), *amending* 12 U.S.C. §1841 (b) (1964). Expressly exempt from the definition of a "company" are corporations, a majority of whose shares are owned by the federal or a state government; and any partnership. *Id.*

69. 12 U.S.C. §1841 (a) (Supp. II, 1966), *amending* 12 U.S.C. §1841 (a) (1964).

70. *Id.*

71. 12 U.S.C. §1843 (d) (Supp. II, 1966).

72. This recent amendment limits the Act's trust exclusions to short-term trusts and personal trusts that do not violate the rule against perpetuities. 12 U.S.C. §1841 (b) (Supp. II, 1966), *amending* 12 U.S.C. §1841 (b) (1964).

73. 112 CONG. REC. 11,788 (daily ed. June 6, 1966); 112 CONG. REC. 11,861 (daily ed. June 7, 1966).

74. Among the du Pont trust's nonbank holdings are: The Florida East Coast Ry., a $90 million company with 570 miles of track; the St. Joe Paper Co., which holds the Apalachicola Northern R.R., a ninety-nine mile road largely serving the paper company; the St. Joe Telephone & Telegraph Co., which has 7,000 customers; the Dupont Plaza, which is one of the most valuable pieces of real estate in south Florida; the seventeen-story du Pont Building in Miami; and a ten-story building in downtown Jacksonville. The du Pont estate is Florida's largest taxpayer and Florida's largest landowner. 112 CONG. REC. 11,798 (daily ed. June 6, 1966).

75. The du Pont trust is a testamentary trust. Eighty-eight per cent of the trust income goes to the settlor's widow for life after which the income will go to the Nemours Foundation, a charitable institution primarily for the benefit of crippled children. 112 CONG. REC. 11,789 (daily ed. June 6, 1966).

normally required, the 1966 Amendment allowed the du Pont trust five years.[76] The time extension was provided because a perpetual trust cannot spin off its assets to the shareholders, as a corporation can, but must divest by sale and thus requires additional time.

The Holding Company Act is designed to protect the public by separating bank and nonbank holdings. Such separation prevents investment of a bank's resources in the holding company's own operations — a questionable financial investment at best. Another purpose of the Act is to preserve competition among commercial banks by requiring bank holding companies to obtain approval from the Board of Governors of the Federal Reserve System, prior to formation, and by requiring them to obtain approval for subsequent acquisitions. The Board's decision to approve or disapprove is based on consideration of the following factors: "[T]he financial and managerial resources and future prospects of the company or companies and the banks concerned, and the convenience and needs of the community to be served."[77] The 1966 Amendment to the Act and the recent Supreme Court decision *United States v. Marshall Ilsley Bank Stock Corp.*,[78] which held that a holding company's acquisition of banks, even when approved by the Board, can be challenged by the Justice Department under the Clayton Anti-Trust Act,[79] strengthened the preservation of a competition policy. The amendment adds the standard that "the anticompetitive effects of the proposed transaction [be] clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served."[80]

In 1966, Florida's seven holding companies, which controlled twenty-four banks, increased to eleven controlling seventy-eight banks,[81] and the percentage of the state's deposits held by holding companies rose from ten per cent ($778 million) to twenty-six per cent ($2¼ billion).[82] All of Florida's applications for bank holding companies, except one, have been approved by the Board of Governors. In 1962, the Board disapproved the application of the "First Bancorporation of Florida,"[83] a holding company that was to consist of four banks located in Jacksonville, Orlando, Tampa, and Miami.[84] The combined resources of the four banks was approximately $800 million, or thirteen per cent of the state's total deposits, and the four banks were among the state's eight largest.[85] The Board found:[86]

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76. 12 U.S.C. §1843 (d) (Supp. II, 1966).

77. 12 U.S.C. §1842 (c) (Supp. II, 1966), *amending* 12 U.S.C. §1842 (c) (1964).

78. 87 S. Ct. 1706 (1967), *rev'g mem.* 255 F. Supp. 273 (E.D. Wis. 1966).

79. 15 U.S.C. §18 (1964).

80. 12 U.S.C. §1842 (c) (2) (Supp. II, 1966), *amending* 12 U.S.C. §1842 (c) (1964).

81. See APPENDIX.

82. FLA. TREND, JAN. 1967, at 6.

83. *First Bancorporation, Inc.*, 48 FED. RESERVE BULL. 978 (1962).

84. Barnett National Bank of Jacksonville; First National Bank at Orlando; Exchange National Bank of Tampa; First National Bank of Miami.

85. Dorset, *Bank Mergers, and Holding Companies, and the Public Interest*, 18 BUS. LAW. 703, 707 (1962). First National Bank of Miami is Florida's largest bank. 48 FED. RESERVE BULL. 978, 979 (1962).

86. *First Bancorporation, Inc.*, 48 FED. RESERVE BULL. 978, 983 (1962).

> [T]hat formation of the proposed holding company system would involve, to an undesirable degree, concentration of control over major banks in the State of Florida as well as substantial lessening of the vigor of banking competition among the large banks in that State . . . . These adverse effects . . . clearly outweigh whatever relatively minor prospective benefits may be offered by the proposal relating to the convenience, needs, and welfare of the communities and areas concerned.

The method of operating a bank that is a member of a group system does not differ outwardly from that of an independent unit bank. This similarity of operation, however, exists in appearance only and can be attributed largely to the fact that there is a conscious effort on the part of the banks to conceal the existence of a holding company. The term "bank holding company," for example, is consistently avoided in advertising in order to promote a "local" atmosphere and goodwill for the particular bank. To fellow bankers, however, the differences in method of operation and the advantages of group banking are quite apparent.

Among the well-known advantages of group banking is the increased efficiency in loan services. The amount of money a bank can lend in one transaction to a customer is regulated by both state and federal governments.[87] One of the major advantages of group banking is the ability to provide more credit to individual customers through joint undertakings by subsidiary banks. Loans that exceed the loan limits of one bank are apportioned among a number of member banks, if necessary, thereby taking advantage of the participating banks' combined loan limits.

The centralized administrative and control structure of a bank holding company provides yet another distinct advantage. Group assistance to member banks through the use of master credit files, loan and credit reports sent periodically to member banks, and group auditors is made possible because of the centralized nature of the holding company. Such central facilities may be used, for example, to warn member banks of over-extended borrowers and to provide experienced supervision and comparatively disinterested criticism of the loan policy of the bank.

Centralized control and the greater size of bank holding companies, to a large extent, account for the investment efficiency of the individual banks. Most holding companies supervise the investment portfolios of each subsidiary bank. Although this supervision relieves the smaller banks of the burden of maintaining a bond portfolio, it has been criticized because of its

87. FLA. STAT. §659.17 (1965) states in part: "A state bank may make loans with or without security subject to the following limitations . . . . Unsecured loans exceeding ten per cent of the aggregate unimpaired capital and surplus shall not be made to any person; however, when approved by the board of directors, or an authorized committee therefrom, said ten per cent limitation may be increased to twenty-five per cent of the aggregate unimpaired capital and surplus, provided all loans of said person are amply and entirely secured." National Bank Act, 12 U.S.C. §84 (1964) provides in part: "The total obligations of any national banking association or any person, copartnership, association, or corporation shall at no time exceed 10 per centum of the amount of the capital stock of such association actually paid in and unimpaired, and 10 per centum of its unimpaired surplus fund." Thereafter follow ten exceptions providing for broader loan limits in case of secured loans and loans to particular parties. *Id.* §§84 (1)-(10) (1964).

possible effect on the bidding on municipal and school district bonds.[88] This criticism is no doubt ill-founded in light of the holding companies' desire for their member banks to reflect a local image for purposes of community goodwill. Failure to bid on community bond issues would be contrary to a bank's local image.

Bank holding companies also frequently utilize general publicity programs and central purchasing procedures for supplies and equipment, which result in a reduction of operating expense. This advantage of centralization, in addition to those above, is another important economic factor that has led an increasing number of unit banks to advocate the ultimate in concentration — branch banking — despite Florida's prohibition of that banking form.

Considerable confusion exists among both laymen and members of the banking profession in regard to whether there is an actual difference between branch and holding company banking. This confusion is evidenced by a poll conducted by a national bankers' association. More than ninety-seven per cent affirmative replies were received in answer to the question: "Do you consider holding company banking, in effect, branch banking?"[89] The United States Supreme Court and the Board of Governors of the Federal Reserve System, however, have held that there is a difference. In *Whitney National Bank v. Bank & Trust Co.*,[90] the Supreme Court reversed the Fifth Circuit Court of Appeals, which had held that a bank holding company's acquisition violated Louisiana's prohibition of branch banking. The Court stated that the Board's approval of the holding company's formation and subsequent acquisition of a subsidiary bank was final and that there was no violation of the state branch-banking law[91] or federal law that makes a state branch-banking act binding on national banks.[92] The Board of Governors had previously stated in *Farmers & Mechanics Trust Co.*:[93] "the existence in a particular State of a prohibition against branch banking cannot be weighed as an adverse consideration by the Board in exercising its judgment on a holding company's application to acquire stock of a bank in the State." The *Whitney* case therefore conferred judicial credence to this decision by the Board.

It is doubtful that holding-company banking in Florida could ever achieve several of the more important attributes of branch banking. Stock control enables a holding company to dominate the management and policy of a subsidiary bank, but such control is restricted by several statutory provisions.[94] Furthermore, in addition to regulations applicable because of their subsidiary status in a bank holding company, subsidiary banks are still separate corporations subject to unit bank regulations.

88. G. FISCHER, BANK HOLDING COMPANIES 94 (1961).

89. H. R. REP. No. 609, 84th Cong., 1st Sess. 2, 3 (1956).

90. 379 U.S. 411 (1964).

91. LA. REV. STAT. §6:54 (1950).

92. Bank Holding Company Act of 1956, 12 U.S.C. §§1841-43, 1845, 1848, 1849 (Supp. II, 1966), *amending* 12 U.S.C. §§1841-49 (1964).

93. 46 FED. RESERVE BULL. 14, 16 (1960).

94. Bank Holding Company Act of 1956, 12 U.S.C. §§1841-43, 1845, 1848, 1849 (Supp. II, 1966), *amending* 12 U.S.C. §§1841-49 (1964).

FEDERALISM PROBLEM AREAS UNDER PERMISSIVE BRANCH BANKING STATUTES

In states where there is no prohibition of branch banking, the most controversial debate in banking circles usually focuses on section 36 (c) of the National Banking Act, pertaining to branching by nationally chartered banks.[95] Former Comptroller James Saxon, until his resignation in 1966, fought for a liberal construction of this provision to permit extensive branching.[96] The section gives national banks, with the permission of the Comptroller, the power to establish and operate new branches:[97]

> (1) within the limits of the city, town or village in which said association is situated, if such establishment and operation are at the time expressly authorized to State banks by the law of the State in question; and
>
> (2) at any point within the State in which said association is situated, if such establishment and operation are at the time authorized to State banks by the statute law of the State in question . . . subject to the restrictions as to location imposed by the law of the State in question on State banks.

The question of when a branch is "established" is especially significant where state law limits the number of branches in a given area. An important case bearing on this question is *National Bank v. Wayne Oakland Bank*.[98] In that case a state bank had filed application for a branch in April 1956, and one year later the branch was established with the approval of the State Banking Commissioner. The National Bank of Detroit had applied to the Comptroller for permission to establish a branch in the same city and on March 19, 1956, unofficial approval was sent to the State Banking Commission. When the state bank brought suit to prevent establishment of the national bank branch, defendant-national bank argued that since Congress intended to allow establishment of a national bank branch at any state bank location, and that since the state bank was operating a branch in the city, it should be entitled to the identical privilege. Defendant further contended that the requirements of the statute[99] were met since its branch was approved prior to the opening of the state branch. The court, however, held in favor of the state bank, stating that a national bank could establish a branch only if a state bank could have likewise been established at that time under the existing circumstances. Since the state bank had already established its branch, and since another state bank branch located in the same locale would have been prohibited by statute,[100] a national bank, therefore, could not branch in the same area. This decision was of major importance, for it marked the first time a state bank had ever prevented a national bank from

95. National Bank Act, 12 U.S.C. §36 (c) (1964).

96. *See* Hambelton, *Saxon Revolution—Final Test in Courts*, American Banker, Nov. 4, 1966, at 1, col. 3, for a compilation of current cases.

97. National Bank Act, 12 U.S.C. §§36 (c) (1), (2) (1964).

98. 252 F.2d 537 (6th Cir. 1958), *cert. denied*, 358 U.S. 830 (1958).

99. MICH. COMP. LAWS §21.1 (1967).

100. *Id.*

branching. The *Wayne Oakland* case was adhered to a year later in *Commercial State Bank v. Gidney*,[101] where the court stated: "Congress has adopted state law on the establishment of branches by state banks as the measuring stick for the establishment of branches by national banks . . . ."[102]

Another important decision concerning when a branch is "established" for purposes of preventing the establishment of other branches was *Suburban Trust Co. v. National Bank*.[103] A state bank had received conditional approval to operate a branch — conditional because the land it proposed to occupy was improperly zoned. While it was attempting to solve the zoning problem, a national bank received similar approval from the Comptroller and began actual operation of a branch. Unable to secure a rezoning, the state bank bought another site, established a temporary facility, and then brought suit to enjoin the national bank from operating its branch. The court ruled that under the appropriate statute,[104] "a bank 'has' a branch in a municipality, for the purpose of determining the right of another bank to branch there, only when it has a branch in operation and not when it merely has the approval of the appropriate governmental authority to open a branch."[105]

The ruling that all state restrictions on branch banking are binding on the Comptroller through section 36 (c) of the National Banking Act was strengthened considerably by the recent decision in *First National Bank v. Walker Bank & Trust Co.*[106] Approval was granted by the Comptroller because he felt that the Utah statute[107] authorized state banks to branch in their home municipalities and that the statutory restrictions were not applicable to national banks. The Court explored the legislative history of section 36 (c) to show that its objective was to provide "competitive equality" between state and national banks and concluded that national banks could branch only to the extent that states permitted it.[108]

A second major problem has been to determine what constitutes "operation" of a branch. In other words, what functions must an office perform to be considered a branch? Reversing a thirty-year policy, Comptroller Saxon declared that if a state allowed a branch office either to receive deposits, pay checks, or lend money ("limited power branching"), the Comptroller could authorize the operation of a "full power" national bank branch pursuant to section 36 (f).[109] Under such circumstances, according to Saxon, the national bank branch would not be limited by state restrictions as to functions. The one case decided in this general area, *Howell v. National Union Bank*,[110] seems to contradict the view espoused by the Comptroller. The question in

101. 174 F. Supp. 770 (D.D.C. 1959), *aff'd per curiam*, 278 F.2d 871 (D.C. Cir. 1960).
102. *Id.* at 774.
103. 222 F. Supp. 269 (D.N.J. 1963).
104. N.J. REV. STAT. §17:9A-20 (1962).
105. 222 F. Supp. at 275.
106. 385 U.S. 252 (1967).
107. UTAH CODE ANN. §7-3-6 (1965).
108. First Nat'l Bank v. Walker Bank & Trust Co., 385 U.S. 252, 256 (1967).
109. *Hearings on Conflict of Federal and State Banking Laws Before the House Comm. on Banking and Currency*, 88th Cong., 1st Sess. 374-75 (1963).
110. Civil No. 16-63 (D.N.J., April 22, 1963).

the *Howell* case was whether a "seasonal agency"[111] was a branch so as to preclude the establishment of another branch in the municipality. The court held that the issue must be determined by looking to state law, not to section 36 (f), for the definition of "branch."[112] In concluding that a "seasonal agency" was not a branch, the court reached a result clearly in conflict with the dictates of section 36 (f). Other considerations also suggest a rejection of Saxon's point of view. Nothing in the legislation or legislative history of the Act suggests that section 36 (f) was meant to preclude application of state laws for the definition of "branch."[113] Consequently, a strong argument based on equality of the state and national banking systems can be made in support of the *Howell* case.

Comptroller Saxon construed the definition of "branch" in section 36 (f) as permitting an armored car to pick up deposits from an office without that office being designated a "branch." His theory was that the car was the agent of the bank's customers rather than of the bank itself and that the deposit was not actually "received" until it reached the main bank.[114] This problem has arisen recently in Florida,[115] and state authorities are contending that such an office is a branch, in violation of Florida Statutes, section 659.06. Although the question is still being litigated, at the trial level the Saxon theory prevailed.[116]

Devising methods of expansion in the face of restrictive state branching statutes has presented another problem for branch banking. For national bank owners who wish to acquire other banks, but who are thwarted by restrictive branch-banking legislation, *Camden Trust Co. v. Gidney*[117] offers an interesting method of expansion. Faced with a state law prohibiting branches except in the county of its main office, a New Jersey national bank sought to change its main office to another city and retain as a branch its present main office. When this plan was rejected by the Comptroller, the bank's nine directors successfully applied for a charter for a new bank in the adjacent township. They told their stockholders that the new bank would be an affiliate of the old one and that it would be conducted in the same manner. In a suit against the Comptroller, an established bank in the township where the proposed bank planned to locate urged the court to recognize that the new charter was a "manifest subterfuge" to avoid the state's branching restrictions. The court, however, held that the new bank would be a separate legal entity and upheld the charter.[118] The court was impressed by the complete independence of

111. According to the National Bank Act, 12 U.S.C. §36 (o) (1964), a seasonal agency is located in a resort community for the purpose of receiving and paying out deposits, issuing and cashing checks and drafts, and doing business incident thereto.

112. Howell v. National Union Bank, Civil No. 16-63 (D.N.J., April 22, 1963).

113. Bell, *National Bank Branches — the Authority To Approve and To Challenge*, 82 BANKING L.J. 1, 11 (1965).

114. U.S. ADVISORY COMM. ON BANKING TO THE COMPTROLLER OF THE CURRENCY, NATIONAL BANKS AND THE FUTURE 57 (1962).

115. Dickinson v. Bay Nat'l Bank & Trust Co., Mariana Civil No. 673 (N.D. Fla., filed April 7, 1967).

116. *Id.*

117. 301 F.2d 521 (D.C. Cir. 1962), *cert. denied*, 369 U.S. 886 (1962).

118. *Id.* at 525.

the capital structures of the two banks and the candor of the directors in making their objective known to all. The court also noted the absence of any agency relationship between the banks, a factor that would have existed if the new bank were a branch.[119]

CONCLUSION

This note has presented a summary of the banking structure as it exists in Florida today. The question whether branch banking should be permitted currently is discussed extensively among businessmen and legislators. Accordingly, attempts to enact a permissive branch-banking statute have gained momentum with each session of the legislature.[120] The attempt in the 1967 session was again unsuccessful.[121] If branch banking does eventually become a part of Florida's banking structure, however, one fact is apparent — a transition from chain, affiliate, and group banking to branching will take place rapidly because of the striking similarity of these existing banking systems to branching.[122]

The manner in which branching would be accomplished will depend in large measure upon the nature of the statute enacted — whether it limits branching to a specified geographical area or permits statewide branching. If limited branching should be permitted, existing banks probably will become parent banks and new branches will be created. This method of expansion normally would be necessary in order to abide by the geographical limitations contained in the statute. It would not be necessary in all cases, however, because one bank within the defined area (such as a county) could be utilized as the parent bank with the remaining banks in that area utilized as branches. If, on the other hand, statewide branching is authorized, the existing banking systems either could establish the parent bank from a large strategically located bank in the system and convert the other banks in the system to branches, or could transform each member bank into a parent bank and charter new branches. The choice undoubtedly would be influenced by the relative ease with which charters for the new banks (branches) could be obtained.

WILLIAM J. SHEPPARD
JOHN D. MCKEY, JR.

APPENDIX

FLORIDA BANK HOLDING COMPANIES AND NUMBER OF SUBSIDIARY BANKS

Where two bank holding companies are shown for the same group of subsidiary banks, the holding company listed first controls the second holding company, which in turn directly controls the subsidiary banks.

119. *Id.* at 524.

120. Fla. S.B. No. 884 (May 9, 1967); Fla. H.B. No. 845 (April 25, 1967); Fla. H.B. No. 230 (April 12, 1967); Fla. S.B. No. 102 (April 10, 1967); Fla. S.B. No. 11 (April 5, 1967); Fla. H.B. No. 849 (April 23, 1965).

121. Fla. S.B. No. 884 (May 9, 1967); Fla. H.B. No. 845 (April 25, 1967); Fla. H.B. No. 230 (April 12, 1967); Fla. S.B. No. 102 (April 10, 1967); Fla. S.B. No. 11 (April 5, 1967).

122. *See* text accompanying footnotes 52-93 *supra.*

The Atlantic National Bank of Jacksonville, Jacksonville, Florida

Atlantic Trust Company, Jacksonville, Florida

First Atlantic National Bank, Daytona Beach; Westside Atlantic Bank, Daytona Beach; First National Bank, Gainesville; Lake Forest Atlantic Bank, Jacksonville; Southside Atlantic Bank, Jacksonville; Springfield Atlantic Bank, Jacksonville; Westside Atlantic Bank, Jacksonville; Palatka Atlantic National Bank, Palatka; Sanford Atlantic National Bank, Sanford; Atlantic National Bank, West Palm Beach

Barnett National Securities Corporation, Jacksonville, Florida

Barnett National Bank, Cocoa; Barnett National Bank, DeLand; Barnett First National Bank of Jacksonville, Jacksonville; Murray Hill Barnett Bank, Jacksonville; San Jose Barnett Bank, Jacksonville; First Bank & Trust Co. of Pensacola, Pensacola; St. Augustine National Bank, St. Augustine; First National Bank at Winter Park, Winter Park

Commercial Associates, Inc., Pensacola, Florida

Bank of Gulf Breeze, Gulf Breeze; Commercial National Bank, Pensacola

Commercial Bancorporation, Inc., Miami, Florida

Bank of Kendall, Kendall; Commercial Bank of Miami, Miami; Merchants Bank of Miami, West Miami; Bank of Palm Beach & Trust Co., Palm Beach

First at Orlando Corporation, Orlando, Florida

First National Bank at Orlando, Orlando; College Park National Bank at Orlando, Orlando; South Orlando National Bank, Orlando; First National Bank at Pine Hills, Orlando; Plaza National Bank at Orlando, Orlando.

First National Bank of Tampa, Tampa, Florida

Union Security & Investment Co., Tampa, Florida

First National Bank of Brooksville, Brooksville; First National Bank of Lakeland, Lakeland; Broadway National Bank, Tampa; Second National Bank, Tampa

United Bancshares of Florida, Inc., Miami Beach, Florida

United National Bank, Miami; Miami Beach First National Bank, Miami Beach

First Florida Bancorporation, Haines City

DeSoto National Bank of Arcadia, Arcadia; First State Bank, Ft. Meade; State Bank of Haines City, Haines City; Bank of Lake Alfred, Lake Alfred; National Bank of Melbourne & Trust Co., Melbourne; National Bank of West Melbourne, Melbourne; Bank of Mulberry, Mulberry; Okeechobee County Bank, Okeechobee; Florida State Bank of Sanford, Sanford; United States Bank of Seminole, Sanford; Bank of Zephyrhills, Zephyrhills

Florida National Group of Banks of the State of Florida

Florida National Bank at Arlington; Florida National Bank at Bartow; Florida First National Bank at Belle Glade; Florida First National Bank at Brent; Florida Bank at Bushnell; Florida Bank at Chipley; Florida National Bank at Coral Gables; Florida Bank & Trust Co. at Daytona Beach; Florida Bank at DeLand; Florida First National Bank at Fernandina Beach; Florida Bank at Fort Pierce; Florida National Bank at Gainesville; Florida Dealers and Growers Bank at Jacksonville; Florida National Bank of Jacksonville; Florida Northside Bank of Jacksonville; Florida First National Bank at Key West; Florida National Bank at Lake Shore; Florida National Bank at Lakeland; Florida First National Bank at Madison; Florida National Bank & Trust Co. at Miami; Florida First National Bank at Ocala; Florida National Bank of Opa-Locka; Florida National Bank at Orlando; Florida First National Bank at Pensacola; Florida National Bank at Perry; Florida First National Bank at Port St. Joe; Florida National Bank at St. Petersburg; Florida Bank at Starke; Florida First National Bank at Vero Beach; Florida National Bank & Trust Co. at West Palm Beach

(Although the Florida National Group technically is not a holding company because it is not a corporation, it is included here because it comes within the Bank Holding Company Act since it is a trust.)

[Letter from the Board of Governors of the Federal Reserve System to William J. Sheppard, March 1, 1967, filed at University of Florida Law Review.]