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For IMMEDIATE Release

Hyde Schedules Antitrust Hearing On Bank Mergers

Wednesday Hearing Includes Officials From DOJ, Federal Reserve, and Banks

(WASHINGTON) - U.S. Rep. Henry J. Hyde (R-IL), chairman of the House Judiciary Committee, will lead an oversight hearing on *The Effects of Consolidation on the State of Competition in the Financial Services Industry*. The hearing is scheduled for Wednesday June, 3, 1998 beginning at 1:00 p.m. in room 2141 of the Rayburn Building.

Law Governing Financial Services Mergers - One of the antitrust enforcement agencies -- either the Antitrust Division of the Department of Justice or the Bureau of Competition of the Federal Trade Commission -- reviews most mergers of any substantial size under the Hart-Scott-Rodino Act, 15 U.S.C. § 18A. However, bank and thrift mergers are specifically exempted from the Hart-Scott-Rodino procedure. 15 U.S.C. § 18A(c)(7) & (8). Instead, they are reviewed under a number of specific statutes that deal with the various types of banking financial institutions (*i.e.*, bank holding companies, banks, and savings and loan associations as distinguished from securities brokerages, insurance companies, and other types of non-bank financial institutions). *See, e.g.*, the Bank Holding Company Act, 12 U.S.C. § 1842, the Bank Merger Act, 12 U.S.C. § 1828(c), the Home Owners' Loan Act, 12 U.S.C. § 1467a(e), and the Federal Deposit Insurance Act, 12 U.S.C. § 1821(n).

Both the Department of Justice and the banking agencies review proposed mergers for competitive concerns. The banking agencies also review mergers for concerns related to bank regulatory issues, and generally have the power to approve or disapprove the merger after considering the Department of Justice's competitive analysis. If the Department of Justice does not believe that the banking agencies have sufficiently addressed the competitive concerns, it may bring suit to block the merger within thirty days of the bank regulatory agency's approval.

As a practical matter, such suits are rare because the competitive concerns generally are addressed satisfactorily. In most cases, if the Department does not bring suit within thirty days of banking agency approval, the merger is immune from antitrust challenge. These statutes do not provide a role for the Federal Trade Commission in reviewing these mergers.

Considerations Raised by H.R. 10 - The recent move to modernize the regulation of the financial services industry requires us to consider whether these laws need change. H.R. 10, the "Financial Services Competition Act of 1997," passed the House on May 13, 1998. The bill as passed allows bank holding companies to acquire non-bank financial institutions like securities brokerages and insurance companies. In addition, the base bill would have allowed bank holding companies to acquire non-financial businesses on a limited basis. However, the House adopted a floor amendment that substantially eliminated the provisions relating to non-financial businesses. Nonetheless, because bank holding companies will still be able to acquire non-bank financial institutions and because the shape of any final financial services legislation remains unclear, it is important for this Committee to consider how mergers between these new types of companies might be treated.

Current Financial Services Mergers - In April, several major financial services mergers were announced including a merger of Citicorp and Travelers Group; Nationsbank and Bank of America; and First Chicago and Banc One. The announcement of these mergers was one of several factors providing new momentum for the passage of the H.R. 10, which passed the House on May 13. Our hearing will include witnesses who are involved in three of these mergers.

Tentative Witness List:

Hon. Laurence Meyer, Governor, Federal Reserve System, Washington, D.C.

Hon. John Nannes, Deputy Assistant Attorney General, Antitrust Division, United States Department of Justice, Washington, D.C.

Hon. Bill Baer, Director, Bureau of Competition, Federal Trade Commission, Washington, D.C.

Mr. Jack Roche, Executive Vice President and General Counsel, Citicorp, New York, New York, accompanied by Mr. Chuck Prince, Corporate Secretary and General Counsel, Travelers Group, New York, New York (Mr. Prince will appear to answer questions only).

Mr. Paul Polking, General Counsel, Nationsbank, Charlotte, NC, accompanied by Mr. Jim Roethe, Group Executive Vice President and General Counsel, Bank of America, San Francisco, California (Mr. Roethe will appear to answer questions only).

Mr. Jim Foorman, Senior Vice President for Law, First Chicago NBD, Chicago, Illinois.

Mr. Steve Bennett, General Counsel, Banc One Corporation, Columbus, Ohio.

Mr. Bill McQuillan, President, City National Bank, Greeley, Nebraska, on behalf of the Independent Bankers Association of America.

Mr. Bill Flory, Owner, Flory Farms, Inc., Culatesac, Idaho, on behalf of the National Association of Wheat Growers

Mr. Frank Torres, Legislative Counsel, Consumers Union, Washington, D.C.

Professor James Brock, Moeckel Professor of Economics, Miami University, Oxford, Ohio.