Testimony

of

James L. Foorman

Senior Vice President

Law Department

First Chicago NBD Corporation

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Mr. Chairman, I am James L. Foorman, Senior Vice President in the Law Department of First Chicago NBD Corporation, headquartered in Chicago, Illinois. My background includes some 24 years of experience in the banking industry.

I appreciate the opportunity to appear before the Committee today to address the subject of merger activity in the financial services industry and its effect on competition.

What we are seeing today in banking is no different from what is occurring in other industries. Companies combine to achieve economies of scale, foster product innovation, and respond to the changing needs and preferences of their customers.

Just 2 ½ years ago, First Chicago NBD Corporation was created in a merger of equals transaction between NBD Bancorp of Detroit, Michigan, and First Chicago Corporation of Chicago, Illinois. At that time, NBD and First Chicago were then the largest banks headquartered in Michigan and Illinois, respectively. The First Chicago-NBD merger has been, we believe, a success story for our customers, our employees and our communities.

We believe that all of these constituencies benefit from larger, stronger banks, and that ultimately the nation's economy in general will be strengthened. Further, we are confident that this consolidation will be accomplished while maintaining the competitiveness that has characterized the financial services industry.

On this latter point, I would observe that the current process, with reviews both by the Federal Reserve and the Department of Justice, has been more than adequate to address matters of product overlap and geographic concentration. In our pending merger with Banc One Corporation, for example, we have publicly said that we would divest substantial assets in the state of Indiana, where both organizations have a significant presence. All of the competitive aspects of our transaction will be reviewed and approved by both the Department of Justice and the Federal Reserve.

In the final analysis, virtually everything we do as a business must consider the interests of our customers as primary. If they don't find our products and services valuable, we cannot succeed. In the case of bank mergers, it is not the size of the institution *per se* that's important, but rather how that size can more effectively and efficiently serve customers. Indeed, no matter how large a bank may be, it must remain close to its customers to be successful.

The ability to deliver a broader array of banking products and services across a broader geography is at the heart of this issue. Over the years, our customers' needs and preferences have changed dramatically - and we expect they will keep changing in ways we cannot predict. Today's consumers want choices in the products they use and convenience in how they do business with their bank.

Convenience and choice are vital to our business customers as well. Even the smallest businesses are demanding more sophisticated cash management vehicles as well as financing solutions. Small and mid-sized businesses are becoming more global, and look to their banks to help them manage multiple currencies and move money around the world.

What enables us to serve these needs, in large part, is technology. Certainly technology is an important driver in bank mergers. The systems and technological infrastructure needed to serve our customers today and in the next century require enormous economies of scale that can only be achieved by combining the resources and earnings potential of companies like First Chicago NBD and BANC ONE.

The growth of the organization and its enhanced earnings power also benefit the communities we serve, through the financial services we provide as well as our philanthropic and civic involvement.

Finally, there is an additional benefit to the broader geographic presence that results from combinations such as the proposed merger of First Chicago NBD with BANC ONE. Our organization, particularly in its consumer, small-business and middle-market business, has been solidly grounded in the Midwest. We - along with our customers - have learned how to manage through the Midwest's often difficult business cycles. But we believe there is an advantage to the institution, to our customers, and indeed to the banking system, in the greater economic diversity associated with a larger geographic “footprint.” In that sense, the same forces that allow customers to access our services over a wider area also serve to help protect the franchise itself.

In summary, we believe that bank mergers are necessary to the continued health of the financial services industry in the United States, and that these combinations serve to benefit bank customers, employees, and communities.

Mr. Chairman, thank you for permitting me to share our views with the Committee. I would be pleased to respond to any questions you or your colleagues might have.