

## POLICY POSITION

### 27. Regional Banking

#### Background

In an effort to enhance continued regional economic development, stem the flow of capital from our region, and facilitate a more effective allocation of financial services to individuals and businesses of all sizes, several southern states have enacted statutes which permit interstate banking, on a reciprocal basis, among the states in our region.

As recommended by the Southern Regional Banking Committee of the Southern Growth Policies Board, these laws restrict participation to banks within our region in order to provide an opportunity for regional bank holding companies to consolidate resources and prepare for competition in national markets.

Our limited approach to interstate banking was affirmed in June by the U.S. Supreme Court, which unanimously ruled that state governments may establish regional limits on interstate banking agreements.

Despite the Supreme Court's decision, however, our efforts to provide for economic development centered around southern institutions, in response to state needs, and under state initiative, are threatened by federal legislation recently reported by the House Banking Committee. While this proposal would explicitly sanction state regional banking laws, the bill also contains a "trigger" provision that would require states which allow regional interstate banking to accept unlimited interstate entry by July 1, 1990.

#### Recommendations

The Southern Legislative Conference is concerned about the effect that unrestricted entry by large bank holding companies from outside our region would have on the development of regional financial institutions in the South.

We oppose any national policies which would limit the authority of our states to adopt a realistic timetable for the acceptance of national interstate banking in the South.

We encourage our representatives in Congress to resist such legislative proposals.

Adopted by the Southern Legislative Conference on July 24, 1985.

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