JEL Class G20, K23, L29

The Regulation of Financial Holding Companies -- Entry for New Palgrave Dictionary of Law and Economics

by

Howell E. Jackson*

ABSTRACT

This essay, written as an entry for the New Palgrave Dictionary of Law and Economics, explores the justifications for imposing special regulations on financial holding companies. The essay argues that the justifications for regulating financial holding companies derive from the same policies that justify regulating financial intermediaries directly. But because these direct regulations are not completely effective, supplemental regulation at the holding company level is often required. After reviewing the basic elements of holding company regulation from this perspective, the essay concludes with a discussion of several unresolved questions involving the regulation of financial holding companies.

* Professor, Harvard Law School.

The Regulation of Financial Holding Companies

Financial holding companies are entities that control regulated financial intermediaries: typically depository institutions (such as commercial banks or savings associations), insurance companies, or securities firms. As depicted in Figure One, financial holding companies may also own controlling interests in other unregulated affiliates. In many jurisdictions, financial holding companies are subject to special legal restrictions beyond those applicable to ordinary commercial enterprises and distinct from the supervisory systems that control their regulated subsidiaries. For example, in the United States, the Bank Holding Company Act of 1956 and related statutes impose substantial restraints on companies with controlling interests in depository institutions in the United States. Other kinds of financial holding companies — such as firms with controlling interests in insurance companies and securities firms — are governed by analogous thought less intrusive legal regimes in the United States (Jackson & Symons 1998). And around the world there is even great variety in the scope and restrictiveness of financial holding company regulation (Saunders & Walter

1996).

Why should financial holding companies be subject to special supplemental regulation, but not holding companies of other significant business enterprises, such as large manufacturing firms or major defense contractors? The answer, it is generally assumed, derives from the special nature of the regulated subsidiaries that financial holding companies control. That is, the justifications for regulating financial holding companies are derivative of the justifications for regulating financial firms directly. Implicit in the regulation of financial holding companies is the proposition that the regulation of financial firms — whether banks or insurance companies or securities firms — is incomplete or inadequate. Thus, to understand the regulation of financial holding companies, one must first consider the justifications for and limitations of direct regulation of financial firms.

JUSTIFICATIONS FOR REGULATION OF FINANCIAL INTERMEDIARIES

The justifications for regulating financial firms are manifold, and, to some extent all factor into the regulation of financial holding companies in at least some jurisdictions. In brief, there are five basic justifications for regulating financial firms:

1. *Preservation of Solvency:* The primary function of financial

regulation is to protect public claimants (such as depositors or insurance policyholders), sometimes on the grounds that well-advised members of the public would want such protections and sometimes on more paternalistic grounds. The most common regulatory tools used to preserve solvency are minimum capital requirements, portfolio restrictions and diversification requirements, general standards of conduct on firms and their employees (e.g., prohibiting unsafe and unsound practices), and periodic reporting requirements supplemented with on-site examinations. Additional tools include regulatory review of both applications to establish new financial firms or acquire controlling interests in existing firms. In evaluating such applications, regulatory authorities typically consider the integrity and experience of management, their business plans for the entity, and in some cases competitive conditions in the markets they propose to enter. The evaluation of these factors are thought to help regulatory authorities predict the financial prospects of entity.

2. Prevent Systemic Disruptions: A distinct goal of financial regulation is to prevent financial failures that could spread costs through the economic system by sparking financial panics or disrupting the payments system or interfering with the credit underwriting process. Many of the same tools used to preserve solvency also serve to prevent systemic economic disruptions. Certain government programs, such as a central bank liquidity authority and regulation of the payment systems, are designed to insulate an economy from the negative externalities associated with financial-institution failure, but because the efficacy of these programs in times of serious financial crisis remains untested and therefore uncertain, additional restraints on the activities of financial firms is often imposed.

3. Prevent Uncompetitive Practices. A separate reason to regulate financial enterprises is to safeguard competition in credit and capital markets. In some formulations, these justifications proceed from an assumption that without special supplemental regulation, financial firms would gain sufficient market power to extract excess profit, or to deny credit to, disfavored borrowers. In other formulations, the premise is that financial firms enjoy special public subsidies that, without legal constraints, might be shared with affiliated or otherwise favored borrowers. Concern over anti-competitive practices of this sort partially explain why financial intermediaries are often prohibited from making direct investments in other business enterprises and are also strictly regulated in providing credit to, or engaging in other transactions with, affiliated entities. These considerations also underlie special constraints on market shares of regulated intermediaries.

4. Redistributive Norms: Financial firms are also often regulated to advance redistributive norms. For example, most systems of insurance regulation prohibit firms from charging different rates on the basis of certain classifications, such as race or wealth, even if those distinctions would be actuarially fair. Similarly, in many jurisdictions, usury rules limit interest rates that financial firms can charge borrowers. Common mechanisms for advancing redistributive norms are mandatory terms for dealing with borrowers and creditors or requirements regarding the allocation of assets.

5. *Political Economy*. Finally, some legal systems use financial regulation to realize political goals. These include rules limiting foreign ownership of domestic firms or restrictions on the geographic expansion of urban banks into rural communities.

EXTENDING REGULATORY GOALS TO FINANCIAL HOLDING COMPANIES

To be effective, some regulatory policies designed in the first instance to reach regulated financial subsidiaries must necessarily extend to financial holding companies. For example, as mentioned above, many jurisdictions monitor changes in control over regulated subsidiaries, typically using application procedures to review the qualifications and prospects of new owners. Since a financial holding company is defined to be a firm that controls a regulated entity, the formation of the holding company is typically a regulated event, as are subsequent transactions that effect changes in control over the holding company itself. Similarly, legal rules designed to promote competition in financial markets — for example, by limiting the market share of any individual institution — typically also are applied on a holding-company wide basis on the assumption that commonly-controlled enterprises will act in concert. Thus, a legal rule restraining the market share of individual banks will typically be structured to treat all banks operating in a common holding company structure as a single unit.

Other restrictions imposed at the holding company level are better understood as discretionary supplements to regulatory goals that ideally would only be imposed on regulated entities. Because of the discretionary nature of this second category of holding company regulations, there is considerable variation in how these restrictions are imposed in different jurisdictions.

A. Solvency Regulation for Financial Holding Companies

Solvency regulation of financial holding companies is a good illustration of this phenomenon. At one extreme is the United States where bank regulators impose consolidated capital requirements not just to banks, but also on a consolidated basis to bank holding companies. (In other words, a bank holding company in the United States must meet mandatory capital requirements not just in their bank subsidiaries, but also for the entire holding company system.) The premise of such regulation is that without mandatory capital rules, bank holding companies might become undercapitalized and threaten the solvency of subsidiary banks — either through extracting resources from those institutions or through encouraging subsidiary banks to pursue high-risk, high-return business strategy.

The application of capital requirements to financial holding companies is, however, in certain aspects problematic. If the purpose of holding company capital regulation is to backstop solvency regulation — that is capital regulation — of a regulated subsidiary, one might reasonably ask why holding company capital regulation will be effective in achieving this purpose if direct capital regulation of subsidiaries is itself flawed. After all, if the justification for holding company capital regulation is perceived weakness of solvency regulation at the subsidiary level, one might reasonably ask whether a more appropriate response would not be to deal more directly with the problem by enhancing the capital regulation of regulated entities, particularly in as much as some percentage of these entities will not be organized as subsidiaries of financial holding companies. Alternatively, one could imagine a regulatory regime in which holding capital regulation were employed to supplement solvency regulation for firms organized as part of holding companies and alternative supplemental regimes for firms operating outside of the holding company structure (Jackson 1994).

Perhaps because of the debatable basis for bank holding company capital requirements, many industrialized countries do not impose these restrictions on their bank holding companies (Iwahara & Scott). Even in the United States the practice is not generally extended to all types of financial holding companies, such as insurance holding companies and securities holding companies. Presumably in these contexts, the costs associated with the imposition of holding company capital requirements, both in terms of administration and the disruption of holding company activities, outweigh whatever benefits such regulation would provide.

Countries that do not impose mandatory capital requirements on financial holding companies do, however, tend to have less intrusive, but similarly motivated, regulatory structures to accomplish the same ends. A common approach is periodic risk assessments of the consolidated holding company structure. In contrast to mandatory capital requirements, which seeks to control the structure of a holding company balance sheet, consolidated risk assessment relies to disclosure mechanisms and supervisory oversight. The premise of this approach is that regulatory authorities will be able to detect holding company activities that threaten the integrity of regulated affiliates and then be capable to intervene and defuse such threats in a timely manner. In recent years, international supervisory authorities have advocated the development of better consolidated risks assessment procedure and have come to see them as essential components of financial supervision (Gail, Norton & O'Neal 1992). The comparative strengths and weaknesses of consolidated risk assessment as compared with holding company capital requirements is an important question worthy of future empirical investigation.

B. Activities Restrictions for Financial Holding Companies

Another related kind of financial holding company regulation that varies considerably across jurisdictions are activities restrictions on holding companies and affiliated entities. Typically, these restrictions require financial holding companies and their unregulated affiliates to limit themselves to certain lines of business. In the United States, for example, bank holding companies have traditionally been limited to activities that are "closely related to the business of banking," and face supplemental statutory restrictions regarding securities and insurance activities in affiliated entities. Analogous restrictions apply in other jurisdictions, although most countries allow bank holding companies that authority to expand into many if not all financial fields (Barth, Nolle & Rice 1997).

Restrictions on holding company activities replicate, in certain respects, more stringent portfolio restrictions that generally govern regulated financial intermediaries. Why these restrictions should extend beyond intermediaries presents something of a puzzle. When applied directly to financial intermediaries, activities restrictions are supposed to protect the solvency of regulated firms, safeguarding the interests of public claimants and protecting against other negative externalities from the failure of financial intermediaries. Superficially, at least, it is not clear why activities at the holding company level present similar concerns. After all, holding companies are separate legal entities from the regulated subsidiaries, and holding company creditors do not consist of the sort of public claimants — depositors, insurance policyholders, etc. — that are in privity with financial intermediaries. (And the proposition that regulatory authorities should protect holding company creditors against loss has been roundly criticized (Macey & Miller 1988).)

1. Solvency Concerns. There are, however, several ways in which the activities of financial intermediaries could be linked to the solvency of subsidiary institutions. Most obviously, if the resources of subsidiary institutions were used to finance holding company activities — through loans or other forms of investment — then the regulated entity would to some degree assume the risks associated with expanded holding company activities and the risk characteristics of those activities would be transmitted to the intermediary. While plausible in theory, in practice risk transmission of this sort usually does not occur because most regulatory systems have well-developed restrictions on transactions with affiliated entities, and these restrictions generally prohibit extensions to affiliates, whether in organized as part of a financial holding company or in other forms. In other words, financial regulation typically polices the direct transmission of resources from financial intermediaries to affiliates.

Expanded holding company activities could, however, transmit risks to regulated subsidiaries in other ways. If unregulated holding company activities were prone to causing losses at the holding company level and if those losses led holding companies to change the manner in which subsidiary institutions were operated, then risk-taking at the holding company level could have an effect on subsidiary institutions. Reasoning of this sort often underlies assertions that unrestricted activities of financial holding companies pose indirect risks to regulated subsidiaries. (A variant of this argument also sometimes is used to justify capital regulation of financial holding companies: undercapitalized financial holding companies, it is asserted, are more likely to force subsidiary institutions to take on inappropriate risks.)

Whether unregulated holding companies are, in fact, prone to prey on subsidiary institutions turns on two claims that are subject to empirical investigations. The first is the proposition that unregulated holding companies are likely to engage in greater risk-taking than holding companies operating under activities restrictions. To some degree, this proposition is in tension with the tenet of financial economics that diversification of activities expands the frontier of potential returns for any particular degree of risk. It is, however, theoretical support for the proposition that unregulated activities of holding companies will raise the expected returns of financial holding companies but also increase the volatility of earnings. Whether the net effect of these changes will increase the number of holding companies encountering serious financial difficulties is thus indeterminate a priori.

Similarly uncertain is the question of whether financial holding companies that encounter difficulties in their non-financial activities would be inclined to and capable of making substantial changes in the operations of subsidiary institutions in the hopes of assisting the financial holding company. After all, the primary goal of financial institution regulation is to constrain risk-taking in regulated entities. To effect a change in subsidiary operations, troubled financial holding companies would have to override these regulatory structures. In the extreme, such efforts would entail violations of regulatory standards, and potential administrative and other sanctions for individuals who are responsible for ordering and carrying out these violations.

A limited amount of formal empirical investigation has been undertaken to assess the actual relationship between expanded holding company activities and the performance of regulated subsidiaries. To date, the studies have found little support for the proposition that expanded holding company activities detracts from the performance of regulated subsidiary. Rather, effects are observed, expanded holding company activities seem to be associated with superior performance on the part of regulated subsidiaries. Jackson (1993), for example, reports that a thrift associations controlled by substantial, diversified holding companies performed better than independent thrift or those controlled by shell holding companies in the late 1980s. Similarly, a series of recent investigations have challenged the popular perception that affiliation with securities firms has been harmful to commercial banks. (Benston 1996).

2. Competitive Justifications. Anti-competitive concerns provide an alternative justification for the regulation of financial holding companies. The core concern here is that regulated financial intermediaries will manipulate the allocation of credit to favor affiliated firms in a manner that causes competitive harm — either through providing below-market financing to affiliated entities or by withholding credit from the competitors of affiliate firms. A related competitive harm sometimes attributed to financial holding companies involves tying arrangements, whereby regulated financial firms require their customers to purchase goods or services from affiliated entities as a condition to receiving credit from the intermediary.

Whether the foregoing anti-competitive concerns constitute a legitimate and distinct basis for the regulation of financial holding companies has been the subject of considerable academic controversy (Clark 1979; Fischel, Rosenfield & Stillman 1987).

While a complete review of this debate is beyond the scope of this essay, a brief review of the structure of this debate is warranted:

> *A. Below-Market Financing to Affiliates*. Perhaps the least plausible anti-competitive basis for regulating financial holding companies is the concern that regulated entities will favor their affiliates through the provision of below-market financing. Such credit — if extended — would deplete the regulated entities resources to precisely the same extent that it assisted the entity's affiliate, thus creating a wash transaction from the perspective of the consolidated entity. Such a transaction would have the same effect as a direct withdrawal of capital from a regulated entity through, for example, a special dividend, followed by a reinvestment in the affiliate. (Note, however, that as a matter of safety-and-soundness below-market financings between regulated entities and affiliates are of concern because they reduce the effective capital of the regulated entity; the harm, however, is to solvency regulation not to competition.)
>
> A related anti-competitive claim is that regulated financial entities enjoy some form of public subsidy that can be used to subsidize affiliates to engage in predatory practices that will gain the affiliates monopolies in non-financial markets. As with allegations of predatory practices generally, these allegations are plausible only if substantial barriers to entry prevent competitors from entering these markets once the predatory practices cease. (Cross reference to entry on predatory practices.)
>
> *B. Withholding Credit to Competitors of Affiliates.* Under certain

conditions, a more plausible source of competitive harm could arise if regulated entities withheld credit from competitors of affiliated entities. If effective, such a financial boycott could advantage affiliated firms and, in the extreme, allow them to establish monopolies in nonfinancial markets. For such a boycott to be effective, however, regulated entities must themselves have economic power in the relevant credit markets. Without such power, unaffiliated firms will have recourse to other sources of credit and the boycott will be ineffective and perhaps even counterproductive as it will diminish the investment possibilities of the firms seeking to impose the boycott. Thus, the threat of withholding credit to competitors depends on the structure of the relevant market for financial services.

C. Anti-Competitive Tying and Related Practices. Concerns over tying arrangements are similarly contingent on market structure. A regulated entity that demands its customers purchase services from an affiliated entity can cause competitive harm only if the regulated entity has market power in the financial services to which the demand is attached. If competitive sources are available and can be located without undue expense, then customers will have no reason to accept the regulated entities demand, unless the customers conclude that the combined services are more attractive for some reason. Of course, search costs and other complexities may give regulated intermediaries the ability to exploit certain consumers through tying-arrangements, but these possibilities are not unique to the financial services industry and do not constitute a distinct justification for regulating financial holding companies.

Anti-competitive concerns are reflected in a variety of different financial holding company regulations. Perhaps the most common are special competitive reviews that occur when financial intermediaries merge or otherwise come under common control. Within the United States, for example, these transactions are subjected to heightened competitive analysis to ensure that the combined firms do not gain excessive market power in any credit markets, thereby facilitating the sort of competitive harms outlined above. Occasionally, these specialized rules set an absolute limit on the market share that an institution can obtain upon consummation of the transaction. Similarly, in the United States, there is a special statute that prohibits tying arrangements between banks and affiliated firms.

Activities restrictions at the holding company level are also often justified as necessary to protect against competitive harms. Within the economics literature these restrictions have been criticized on the grounds that, in competitive financial markets, regulated intermediaries have neither the incentive to subsidize affiliates nor the market power to injure the competitors of their affiliates. However, since activities restrictions on holding companies are also said to enhance the safety and soundness of regulated affiliates, criticisms of the anti-competitive effects do not fully justify their elimination.

C. Enforcing Distributive Goals & Other Political Considerations

A final complexity of financial holding company regulation is the fact that this area of law often reflects political and other non-economic values. Restrictions on foreign ownership of financial institutions — a common feature of many developing countries — geographic restrictions on the expansion of financial holding companies -- a distinguishing feature of US banking regulation until the mid-1980s — a segmentation of the financial services industry into banking, insurance, and securities activities all reflect disparate visions of political economies in different countries and at different times. These visions offer a distinctive justification for financial holding company regulation, and one that is not directly susceptible to economic analysis, save a form of cost-benefit analysis that articulates and quantifies the economic costs associated with these structural restrictions.

Occasionally, structural restraints on financial holding companies are implemented to achieve discrete social goals as distinct from a broader vision of political economy. In the United States, for example, geographic restrictions on interstate banking were justified as necessary to ensure the provision of credit to local markets -- the premise being that larger interstate banks would be less likely to serve local markets than smaller, local firms. Economic analysis can contribute to our understanding and evaluation of these justifications for holding company regulations. Whether the holding company restrictions actually achieve the asserted justification is often a subject of debate and whether more targeted regulation imposed directly upon the regulated intermediary might more effectively advance the public policy is often a valuable inquiry. In the United States, for example, economic analysis raised considerable questions as to whether geographic restrictions were in fact enhancing the availability of local credits and also questioned whether other initiatives — such as the development of secondary markets for credit — were not a better way of expanded access to credit (Miller 1992).

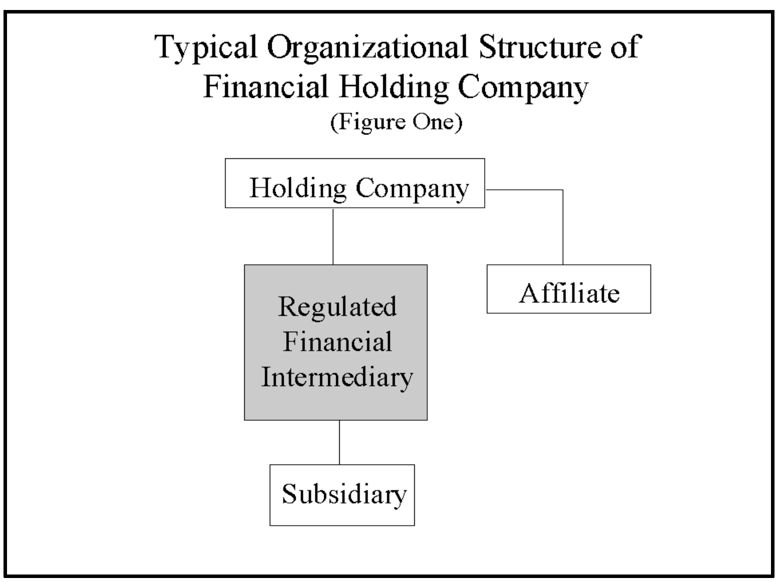
A further question regarding the wisdom of using geographical restrictions and other broad structural restraints to achieve more general social policies stems from the possibility that other, more targeted techniques might advance the same public goals in less costly more effective way. The United States, for example, has largely abandoned its traditional geographic restrictions on bank holding company expansion, and relies instead on legal rules that require banks to commit a fair share of their deposits to low and middle income credit needs of local markets. While requirements of this sort are not without their own costs (Macey & Miller 1993), well-defined obligations of this sort are likely a more efficient mechanisms of ensuring the availability of local credit than the heavy-hand of geographic restrictions.

LINES OF FUTURE INQUIRY IN THE REGULATION OF FINANCIAL HOLDING COMPANIES

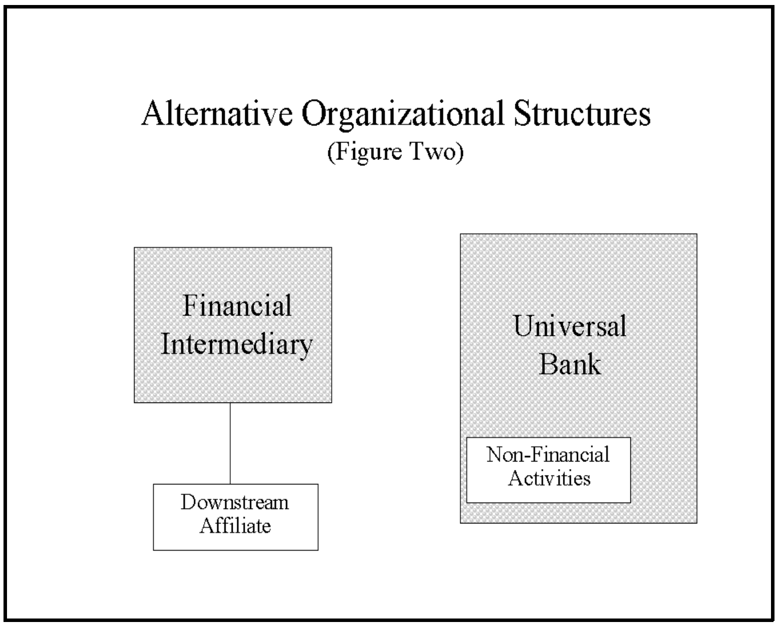
In the regulation of financial holding companies, several issues are ripe for further investigation and analysis.

A. Variations in Organizational Form

A difficult problem currently confronting regulatory authorities is how best to approach the problem of diverse organizational forms. In addition to the traditional holding company structure depicted in Figure One, several alternative organizational forms are possible. Figure Two depicts two important alternative structures: first,



affiliations through downstream subsidiaries; and, second, expanded activities conducted within a single regulated entity (the so-called universal banking model.)

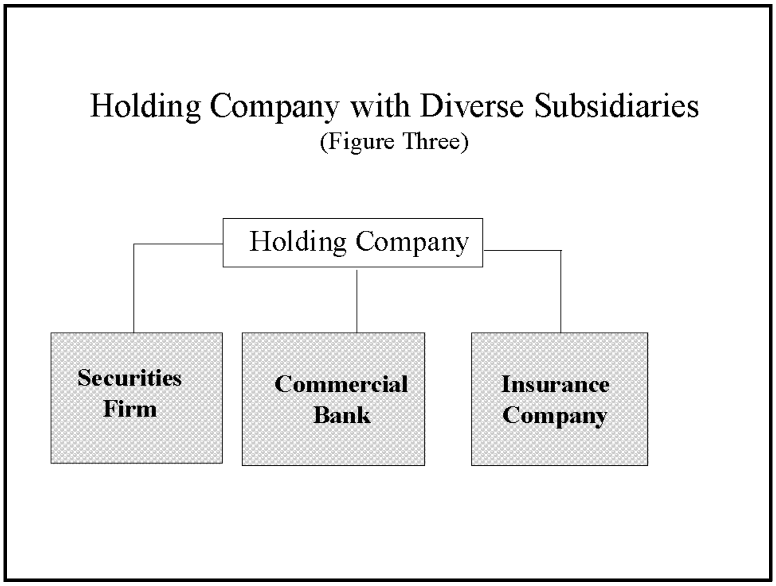


Beginning with the alternative of downstream subsidiaries, the question is does this approach present different regulatory concerns than affiliations through traditional holding company structures. For example, to the extent that regulatory authorities are concerned that regulated entities might be inclined to provide their affiliates underpriced credit or engage in various forms of anti-competitive practices, might these incentives be marginally stronger to engage in this behavior if the affiliate were a wholly-owned subsidiary of the regulated entity as opposed to a sister corporation? On the other hand, to the extent that one worries about affiliated entities draining reserves from regulated entities and thereby threatening their solvency, is the transfer of resources to a downstream affiliate less troubling because the resources remain indirectly owned assets of the regulated entity? Finally, is it plausible that there may be business advantages to permitting both sorts of organizational affiliations — that is, that some regulated firms may prefer to maintain control over their downstream affiliates whereas others may find it more attractive to operate in a horizontal corporate structure? Should the regulatory system therefore allow both sorts of organizational structures?

The universal banking structure faces similar sort of offsetting concerns and possibilities. Universal banks would appear to offer the greatest economies of scale and scope for financial firms; the structure also, however, complicates the regulatory task of detecting cross-subsidiaries and other transfers within division of the organization. Moreover, the implementation of certain basic supervisory tools — such as capital requirements — may be impeded when multiple functions are performed within a single legal entity. The merger of banking and commerce implicit in the universal banking model may also generate serious political opposition in certain jurisdictions.

2. Holding Companies with Diverse Regulated Entities

A separate problematic issue concerning regulation of financial holding companies is the appropriate treatment of holding companies with controlling interests in diverse regulated entities (See Figure 3.) Traditionally, each area of financial regulation (bank, insurance, and securities) has its own system of holding company regulation. When holding companies control different types of regulated entities, two overlapping, and potentially inconsistent systems of holding company regulation will apply. What legal rules should apply in this context? Both requirements, the holding company regulations associated with the entities' largest operating unit, or perhaps some harmonized regulatory system devised to govern all financial holding companies? In the absence of harmonized regulation, is it fair or efficient to treat a holding company with a single banking subsidiary one way, but a firm with both banking and insurance subsidiaries another? Is it possible to move towards a harmonized system of holding company regulation without also making changes in the direct regulation of financial intermediaries?



3. International Applications & the Problem of Regulatory Variation

The expansion of financial conglomerates across international boundaries raises similar problems (Key & Scott 1991.) A basic premise of holding company regulation is that regulatory controls of some sort must extend beyond the boundaries of regulatory entities and reach their corporate affiliates. The extent and severity of holding company regulation varies considerably across national boundaries. So, if a holding company located in country A acquires a regulated entity in country B, the logic of holding company regulation requires that regulatory authorities in country A concern themselves with the activities and conduct of the holding company in its home jurisdiction, country A. However, if regulatory authorities in country B apply their holding company rules to the firm, the potential for overlapping and inconsistent regulatory structures again arises. If country B defers to country A's regulatory system, the supervision of the holding company may be inadequate and the supervisory policies of country B may be undermined. Even if supervisory concerns are not substantial, domestic firms in country B may well object to a more lenient regulatory structure for foreign-based holding companies. In time, minimum regulatory standards or harmonized systems of holding company regulation may evolve, but in the interim, the political and practical problems of maintaining an effective system of holding company regulation in a multi-national global economy are daunting.

BIBLIOGRAPHY

Barth, J.R., D.E. Nolle, and T.N. Rice. 1997. Commercial Banking Structure, Regulation, and Performance: An International Comparison, Working Paper 97-6. Office of the Comptroller of the Currency, Washington, D.C.

Benston, G. 1996. The Origins of and Justification for the Glass-Steagall Act, in A. Saunders and I. Walter (eds.) *Universal Banking: Financial System Design Reconsidered*. Chicago: Irwin Professional Publishing.

Clark, R.C. 1979. The Regulation of Financial Holding Companies, *Harvard Law Review,* 92: 787-863.

.

Fischel, D.R, A.M. Rosenfield, and R.S. Stillman. 1987. The Regulation of Banks and Bank Holding Companies. *Virginia Law Review,* 73: 301-338.

Gail, D.R., J.J. Norton, and M.K. O'Neal, 1992. The Foreign Bank Supervision Act of 1991: 'Expanding the Umbrella of Supervisory Regulation,' *International Lawyer* 26: 993-1023.

Jackson. H.E. 1993. The Superior Performance of Savings and Loan Associations with Substantial Holding Companies. *Journal of Legal Studies* 22: 405-56.

Jackson, H.E. 1994. The Expanding Obligations of Financial Holding Companies. *Harvard Law Review* 107: 507-619.

Jackson, H.E. and E.L. Symons. 1998. *The Regulation of Financial Institutions: Cases and Materials*. St. Paul, Minnesota: West Publications.

Key, S.J. and H.S. Scott. 1991. International Trade in Banking Services: A Conceptual Framework. Occasional Paper No. 35. Group of Thirty, Washington, D.C.

Macey, J.R. & G.P. Miller. 1988. Bank Failures, Risk Monitoring, and the Market for Bank Control, *Columbia Law Review* 88: 1153-1226.

Macey, J.R. and G.P. Miller. 1993. The Community Reinvestment Act: An Economic Analysis, *Virginia Law Review* 79: 291-348.

Miller, G.P. 1992. *Legal Restrictions on Bank Consolidation: An Economic Analysis,* Iowa Law Review 77: 1083-1131.

Saunders, A. and I. Walter (eds.) *Universal Banking: Financial System Design Reconsidered*. Chicago: Irwin Professional Publishing.

Scott, H.S. and S. Iwahara, 1994. In Search of a Level Playing Field: The Implementation of the Basle Capital Accord in Japan and the United States. Occasional Pap Jonathan R. Macey & Geoffrey

P. Miller, *Bank Failures, Risk Monitoring, and the Market for Bank Control*, 88 COLUM. L. REV. 1153 (1988). er No. 46. Group of Thirty, Washington, D.C.