

Minutes for November 19, 1958

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	x <u>W</u>	_____
Gov. Szymczak	x _____	_____
Gov. Vardaman <u>1/</u>	_____	x _____
Gov. Mills	x _____	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>SS</u>	_____

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, November 19, 1958. The Board met in the Board Room at
10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of
Examinations

Application of Wachovia Bank and Trust Company. On November 13,
1958, the Board denied the application of Wachovia Bank and Trust Company,
Winston-Salem, North Carolina, for consent to the merger of The Wilmington
Savings & Trust Company, Wilmington, North Carolina, with and into Wachovia
and for approval of the establishment of branches in Wilmington at the
locations of the head office and branch of Wilmington Savings & Trust.
The Board stated that it did not feel justified in giving its consent
to the merger or approving the establishment of the branches in view of
the adverse effect that the proposed transactions would seem likely to
have on competition in the area and which would not be outweighed by any
other factors involved.

Subsequently, Wachovia requested an opportunity for its repre-
sentatives to meet with the Board and present additional information
regarding the application. Also, under date of November 17, 1958,

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Wachovia forwarded to the Board through the Federal Reserve Bank of Richmond a modified proposal under which it would transfer certain funds to surplus from undivided profits and approval of the merger under section 18(c) of the Federal Deposit Insurance Act would not be necessary. Wachovia also proposed to consolidate, as soon as practicable following the merger, the banking operations conducted by it at 109 North Front Street in Wilmington with those now conducted by The Wilmington Savings & Trust Company at 110 Princess Street. Accordingly, Wachovia would operate three offices in Wilmington, including the branch at 400 North Third Street presently operated by Wilmington Savings & Trust.

The representatives of Wachovia Bank and Trust Company and The Wilmington Savings & Trust Company present at this meeting were as follows:

Wachovia

Archie K. Davis, Chairman of the Board,
Carlyle A. Bethel, Vice Chairman of the Board,
John F. Watlington, Jr., President,
R. H. Tate, Senior Vice President,
E. T. Shipley, Auditor.

Wilmington Savings & Trust

Fred B. Graham, President,
Peter Brown Ruffin, director; also President of
Wilmington Shipping Company.

Mr. Davis began the discussion by inquiring whether the Board would care to amplify the reasons for denying the application which were set forth in its letter of November 13. After Chairman Martin responded in the negative, Governor Mills pointed out that Wachovia's letter of

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November 17 seemed to deal primarily with mechanical aspects of the proposal rather than with the broad problems confronting the Board; namely, the public interest and the lessening of competition resulting from the proposed transactions.

Mr. Davis then stated that it was Wachovia's understanding that the application had been turned down basically because the proposed transactions might adversely affect competition in the city of Wilmington and the Wilmington area. Wachovia also understood that approval of the merger per se was no longer a matter of issue because of the manner in which the proposal had now been modified. After discussing the nature of the modifications, Mr. Davis referred to the expansion of Wachovia in recent years through mergers and the establishment of branches and said that he and his associates would undertake to discuss Wachovia's concept of its responsibilities in the banking picture of North Carolina and its intentions from the standpoint of a Statewide banking operation. In this connection he commented that it was not the intent of Wachovia to dominate the banking picture or to stultify competition and that in every community it had entered Wachovia had generated better banking practices. He noted that under the law Wachovia had the right to operate as a Statewide institution and said that this involved broad corresponding responsibilities. From this point Mr. Davis traced the economic problems of the State of North Carolina, particularly the need for greater diversification, following which he summarized how Wachovia had played an active role in meeting those problems through contributions of money and talent,

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by providing technical services to correspondent banks in North Carolina, South Carolina, and Virginia, and by making contributions in the fields of education and research. Turning to the Wilmington area, he summarized the efforts made by community interests over the past 10 or 12 years, and particularly within the past five years, to improve economic diversification, bring in additional industries, and create employment. Comments also were made with regard to the improvement of educational facilities. As to banking, Mr. Davis presented statistics indicating that since entering Wilmington in 1955 Wachovia had conducted operations beneficial to the needs, welfare, and growth of the community. He also said that Wachovia planned to establish a foreign department and that those operations would be channeled through Wilmington.

Mr. Davis stated that Wachovia had found it was not sound or effective to try to conduct Statewide operations out of a central organization. Therefore, it had followed the practice of supplementing the management of its local units by creating boards of directors drawn from the immediate areas. As to the current application, he suggested that it boiled down to the fundamental question whether Wachovia would be permitted to retain, following the proposed merger, one branch office of the Wilmington bank (the Third Street office) for which a need had already been demonstrated and approval for which had previously been granted by the appropriate supervisory authorities. To close that office, he said, would work a hardship on the Wilmington area.

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Mr. Davis also spoke of a sense of moral responsibility felt by Wachovia toward The Wilmington Savings & Trust Company, stating that all parties had entered into the merger negotiations in good faith, that the Federal Reserve Bank of Richmond had been kept informed of developments, and that approval of the State authorities had been obtained. The officials of the Wilmington bank had opened their books and records to Wachovia, the local bank's customers had been contacted, and certain accounts already had been shifted in anticipation of the merger. The directors, stockholders, and customers of the Wilmington bank were now fully prepared for the merger and some stock had changed hands.

Mr. Watlington stated that Wachovia operates in what may be called the principal towns of the State, of which there are eleven. He referred to the need that had existed for larger banking facilities in the State and said that until recently it had often been necessary for parties needing funds to go to a metropolitan area. Since there were no large cities in North Carolina, it was difficult for a bank in any one city to grow to the point where it could take care of the needs of its sizable customers. However, by operating in a series of strategic towns it had been possible for Wachovia to build up a banking institution that could take care of nearly any customer. He went on to say that Wachovia had no interest in entering any other towns in the State except Hickory, which occupies a strategic location, and that there was no immediate prospect for going into Hickory because the local bank that Wachovia worked with desired to retain its independent status.

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Mr. Watlington said that during the past four years numerous banks in smaller cities had approached Wachovia with a view to merging but that Wachovia had no desire to run a "Bank of America" operation. Instead, it was Wachovia's preference to make its facilities available through correspondent bank arrangements as far as the smaller communities were concerned. In all, Wachovia had been approached by 18 banks with total deposits of \$176 million and total resources of \$192 million; six of those banks subsequently merged with other banks. In the communities where it operates, Wachovia had established 20 branch offices in recent years, not to smother competition but to make banking facilities available at strategic locations. It had followed a policy of working with correspondent banks by furnishing analytical services designed to make the operations of those banks more sound and profitable. In 1957 and 1958 such services had been rendered to 50 smaller banks.

In further comments, Mr. Watlington traced the growth of Wachovia's capital accounts since 1939 and the source of the capital increases. He called attention to the conservative dividend pattern, said that Wachovia planned to continue to add to its capital structure by following practices adhered to in the past, and observed that the capital growth could not be attributed principally to merger transactions. With regard to services rendered to smaller borrowers, he said an analysis two years ago showed that 90 per cent of Wachovia's loans were in the amount of \$5,000 or less.

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Mr. Watlington concluded by saying that Wachovia had no present intention of entering into any additional mergers except that it would want to give serious consideration to any proposal that might arise in the town of Hickory.

Mr. Graham commented on the competition afforded by four savings and loan associations in the city of Wilmington and the continuing growth of those associations. He then commented on the strong leadership afforded since 1931 by the president of Wilmington Savings & Trust who died recently and said that no provision had been made within the institution to fill the place occupied by that former officer. Through the years, he said, the Wilmington bank had been close to the Wachovia organization, and it continued to maintain a correspondent relationship even after Wachovia entered the city of Wilmington. In all the circumstances, the directors of the Wilmington bank concluded that it would be in the best interest of that bank and the community to accept the plan of merger. The proposal had been submitted to the stockholders, there had been discussion with the State Bank Commissioner, who gave the plan his approval, the Federal Reserve Bank had been contacted, and there was an indication that it would recommend favorably. Only three stockholders, owning a total of 70 shares, voted against the merger, and the bank's employees were satisfied. Since the announcement of the merger the other Wilmington banks had already taken steps which indicated a broadening of services and intensified competition. Also, Mr. Graham

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said, Wilmington Savings & Trust had been handicapped in some instances by its legal loan limit in dealing with larger borrowers and at times had found it difficult to place excess lines. Like Mr. Davis, Mr. Graham referred to the steps already taken by the two banks in anticipation of the merger. For this reason, he said, the position of the local bank would be gravely injured if the merger did not go through. He then reviewed the location of banking offices in Wilmington and stated that if any existing branch of the two banks involved in the proposed merger should be closed it would be difficult to provide adequate banking services to the community. He felt that this would be particularly true in the case of the Third Street office.

Mr. Bethel discussed the features of the original application and the modifications embodied in the revised proposal. He suggested that the modified application could be distinguished from one requesting approval of the establishment of additional branches; it involved simply a request for permission to continue in operation certain offices that had previously been established pursuant to applicable provisions of law. In this connection, he said that Wachovia was not unaware of developments in the matter of the Old Kent Bank and Trust Company (Grand Rapids, Michigan) and wondered why its proposal should be "shattered by the implications of that case". He said that Wachovia could see nothing in the picture that would adversely affect the competitive situation in Wilmington or the Wilmington area, that Wachovia would lose standing with the public and with its customers, both in Wilmington and throughout

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the State, that it would suffer irreparably if it tried to retrace its steps and not consummate the merger, and that it was difficult for Wachovia to see why it should not be permitted to cash checks, receive deposits, and make loans at the Third Street office.

Mr. Ruffin stated that he had been a director of The Wilmington Savings & Trust Company for a number of years and was scheduled to become Chairman of the local Board of Directors if the merger should be consummated. He then developed information regarding the wartime economy of the Wilmington area and the efforts made more recently to bring in industries of various types. The picture, as he saw it, was one of continuing progress. Mr. Ruffin stated that the local bank's directors unanimously endorsed the merger proposal and that there already were evidences of increased competition in the local banking picture, particularly on the part of the remaining independent bank. He felt strongly that operation of the Third Street office was essential to serve the public adequately, especially because that office provided service to customers coming across the river into the city. Consolidation of the Wachovia office on North Front Street and the main office of Wilmington Savings & Trust, he said, would be accomplished as soon as appropriate studies developed a satisfactory solution for handling the combined volume of business at one location. After referring to the close relationships between Wachovia and Wilmington Savings & Trust over many years, Mr. Ruffin -- like others who had spoken previously -- mentioned the damage that would be caused if the merger were not

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consummated. He then said that as a layman interested in the future of the Wilmington area and dedicated to building up business in eastern North Carolina, he hoped that the Board might give favorable consideration to the application.

Governor Balderston inquired about any plans of Wachovia for further expansion in the cities where it now operates, and Mr. Watlington replied that Wachovia had no plans for further mergers in those cities, in fact had rejected one proposal in recent weeks. However, it might want to open additional branches in those cities, as occasion made that desirable, to provide service in certain areas.

Governor Robertson stated that he had no question regarding the element of good faith, the quality of Wachovia's operations, or the support that Wachovia had rendered to the financing of industries in North Carolina. However, he did question the comments that had been made to the effect that competition would be increased as a result of the proposed merger. While he recognized that at this point a negative decision might pose difficulties because of the steps that had been taken in anticipation of the merger, he pointed out that the Board had a responsibility to make decisions on the basis of what it conceived to be the public interest, and this in turn related to competition. The present proposal would result in eliminating one bank out of four in the city of Wilmington, and Wachovia was now in a position to extend financing to industries in the area to almost the same extent that would be true if the proposal were carried out.

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Mr. Davis responded that seven banking offices would exist in Wilmington following the merger, of which only three would be under the control of Wachovia, and said he did not feel that competition would be seriously affected. In every community which Wachovia had entered, he said, its presence had stimulated competition, and there was already evidence of this in Wilmington. He felt that the big job of Wachovia after the merger might be to hold customers in the area.

Governor Robertson agreed that the entrance of Wachovia into Wilmington in 1955 might well have stimulated competition but pointed out that the step now proposed would eliminate one of the banking units that had been stimulated. He then outlined a hypothetical case where a large bank in a community would request permission to absorb the two other banks, thus eliminating all competition, and stated that the decision in such a case would seem to be very clear. However, the decision might not be as clear if the proposal would eliminate one of three banks. Therefore, the problem tended to get down to a matter of degree.

Mr. Davis concurred. He added that in Wilmington, where three banks and seven offices would remain, it was difficult for him to see that the effect on competition would be serious enough to require disapproval of the transaction. Mr. Watlington referred to a number of other cities where Wachovia operates and where the total number of competing banks was three or less. He indicated that in several instances the pattern involved Wachovia, a large competing bank, and a smaller independent bank.

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Mr. Tate pointed out that from 1933 until about 10 years ago there were only three commercial banks in Wilmington, for the present Bank of Wilmington was operating as a Morris Plan industrial bank.

Chairman Martin then stated that in this case there was no question of lack of good faith on anyone's part. The Board, he said, welcomed this opportunity to gain additional insight into the problem from the standpoint of the banks concerned but it must be realized that the Board had a great many cases of similar nature. He went on to say that the Board would reconsider the case but that it must do so in the light of broad problems which involve elements of judgment and trends, both short-run and long-run. To the best of its judgment the Board must endeavor to carry out what appeared to be the intent of the Congress, as indicated by existing legislation.

The representatives of Wachovia Bank and Trust Company and The Wilmington Savings & Trust Company then withdrew from the meeting.

Governor Mills, who was to be out of town the remainder of this week, said that the picture drawn by the Wachovia and Wilmington representatives had not changed his judgment regarding the fundamentals of the problem. Nor had the meeting served to suggest to him a reversal of the Board's earlier decision; if anything, the discussion had strengthened his opinion that the Board's original decision was correct. Wachovia had now modified its application in such a manner that approval of the merger by the Board was not required, but unless the Board's

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decision should be changed Wachovia must now decide whether to operate certain branches in contravention of that decision pending a determination by the courts concerning the Board's authority.

Items circulated or distributed to the Board. The following items, which had been circulated or distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Federal Reserve Bank of St. Louis in reply to a question regarding certain sections of Regulation T.	1
Letter to the Presidents of all Federal Reserve Banks except New York discontinuing the requirement that certain preliminary figures on required reserves and reserve balances be telegraphed to the Board daily.	2
Letter to the Presidents of all Federal Reserve Banks transmitting forms for the use of State member banks and their affiliates in submitting reports as of the next call date. (To be sent when the forms are printed)	3
Final Order and Statement approving the application of BancOhio Corporation, Columbus, Ohio, to acquire shares of The Kenton Savings Bank, Kenton, Ohio.	4
Final Order and Statement approving the application of Union Bond & Mortgage Company, Port Angeles, Washington, to acquire shares of Forks State Bank, Forks, Washington.	5
Final Order and Statement approving the application of Union Bond & Mortgage Company, Port Angeles, Washington, to acquire shares of Bank of Sequim, Sequim, Washington.	6
Letter to the Presidents of all Federal Reserve Banks concerning the question of borrowing by examiners, with particular reference to borrowing from nonmember banks. <u>1/</u>	7

1/ Approved in a form reflecting an editorial suggestion by Governor Balderston.

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All of the members of the staff except Messrs. Sherman and Kenyon then withdrew from the meeting.

Activity of recently appointed branch director. There had been circulated to the members of the Board a letter to Chairman Martin dated November 12, 1958, from Chairman Van Buskirk of the Federal Reserve Bank of Cleveland, and an enclosed letter from Mr. James N. Land, Senior Vice President of the Mellon National Bank and Trust Company of Pittsburgh, Pennsylvania, who had been appointed as a director of the Pittsburgh Branch beginning January 1, 1959. Mr. Land pointed out that as the bank's economist he edits a weekly publication entitled "Monetary Indicators" in which he sometimes interprets Federal Reserve policy and occasionally predicts future policy. The question raised was whether this activity should be terminated or circumscribed in view of Mr. Land's service as a branch director.

In discussion the view was expressed that it would be inappropriate for Mr. Land, as a branch director, to comment on Federal Reserve policy in a private publication. His readers, it was noted, might assume that whatever was written had as a basis inside information derived by Mr. Land through his Federal Reserve service. Accordingly, it was understood that Chairman Martin would advise Chairman Van Buskirk informally that in the view of the Board Mr. Land should refrain from writing about Federal Reserve policy in the Mellon publication or decline the appointment to the Pittsburgh Branch Board of Directors.

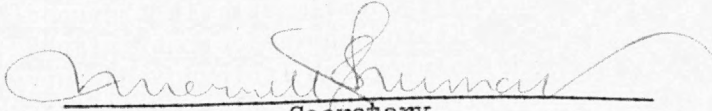
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Appointment of director at Oklahoma City. At the meeting on Monday, November 17, it was understood that Governor Shepardson would obtain information regarding the qualifications of Mr. Robert N. McClung who had been suggested for possible appointment to the Board of Directors of Oklahoma City Branch of the Federal Reserve Bank of Kansas City.

After Governor Shepardson's report it was agreed unanimously to ascertain whether Mr. Don Dennis, rancher in Grady, Oklahoma, would accept appointment, if tendered, as a director of the Oklahoma City Branch for the two-year term beginning January 1, 1959, with the understanding that if he would accept, the appointment would be made.

The meeting then adjourned.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 1
11/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 19, 1958

Mr. George E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
P. O. Box 442,
St. Louis 66, Missouri.

Dear Mr. Kroner:

This is in reply to your letter of October 29, 1958, regarding a question raised by the Joseph G. Petersen Company, St. Louis, Missouri, concerning the application of sections 4(c)(1)(A) and 4(c)(5) of Regulation T.

It is understood that a broker who is a member of a national securities exchange arranges for the underwriting of a church bond issue. The customers of the broker have readily available funds for the purchase of these bonds and desire to make payment immediately upon issuance of the securities in order to avoid accrued interest. Although a firm commitment from the issuer exists, title search, printing and other mechanical aspects of the issue often prevent the physical delivery of the bonds until almost the date of the issue. In order to obviate the possibility of accrued interest above noted, and also in order to allow the purchasers sufficient time to secure their funds, the broker sometimes desires to confirm purchases of the bonds in question more than seven days before delivery and payment, without designating them as "when, as and if issued."

Section 4(c) of Regulation T requires "prompt" payment in a Special Cash Account, and in any event, provides, with certain exceptions, that payment should be made within seven days from the date of purchase. Section 4(c)(5) allows the creditor to treat the transaction as one in which the applicable period is not seven days, "but 35 days after the date of purchase or sale", if a good faith purchase is made with the understanding that full payment is to be made promptly against actual delivery.

Mr. George E. Kroner

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The Board agrees with the view expressed in your letter that, in the circumstances indicated, the transactions would comply with sections 4(c)(1)(A) and 4(c)(5) of Regulation T.

It is noted that the letter of the Joseph G. Petersen Company, attached to your letter, states that they are "informed also that religious and church bond issues are exempt from any Regulation T provisions". In order to avoid any misinterpretation on this matter, it might be wise to point out the error of that opinion in your reply thereto.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
11/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 19, 1958.

Dear Sir:

This refers to the Board's letter of December 17, 1957, requesting that preliminary figures of reserve balances, required reserves, borrowings, and float be telegraphed daily to the Federal Reserve Bank of New York.

As indicated therein, duplications of data were being furnished to New York and the Board and their elimination would be considered after comparisons were made of preliminary and final data. The comparisons furnished the Board of preliminary figures telegraphed to New York with corresponding later figures telegraphed to the Board, and subsequent experience with these data, indicate that summaries prepared in New York of the preliminary figures received there are satisfactory for Board purposes.

Since the preliminary figures are needed first in New York and should arrive there by 9:30 a.m., Eastern Time, you may discontinue forwarding to the Board the previously requested daily telegrams of CELL (required reserves of reserve city banks), CAFE (reserve balances of reserve city banks), and CARD (reserve balances of country banks), beginning with the second Thursday after the date of this letter; and Chicago may discontinue its similar daily telegrams of CARL, CLEM, and COKE for central reserve city banks.

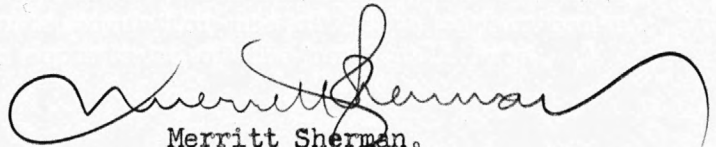
As soon as final daily figures or estimates are available, they should be compared with the preliminary figures already wired to New York and substantial differences should be telegraphed to New York. Minor differences of less than \$2 million may be ignored or noted on the following day's telegram. Telegraphic requests for explanations or confirmation of unusual changes will be sent from New York.

When final figures of member bank deposits, reserves, and borrowings are being prepared on forms F.R. 422 and 413, they should be compared with averages of preliminary data previously telegraphed and any unusual differences noted.

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At least temporarily, the Federal Reserve Bank of New York has adopted the formula that has been used in the Board's Division of Bank Operations for making daily estimates of required reserves of country banks. This formula does not yield accurate results in many of the computation periods, but it was reviewed at the Reserve Banks in response to the Board's letter of April 4, 1955 (December 27, 1954 to San Francisco) and later was a subject of further study by a System research committee. The Board's staff will continue its search for an improved estimating formula that does not impose a further reporting burden on country banks. If similar studies should be made at your Bank, it will be appreciated if a summary of the results is forwarded to the Board.

Very truly yours,



Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT NEW YORK
(Copy to New York)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 3
11/19/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



Dear Sir:

The indicated number of copies of the following forms are being forwarded to your Bank under separate cover for use of State member banks and their affiliates in submitting reports as of the next call date. A copy of each form is attached.

Number of
copies

Form F.R. 105 (Call No. 150), Report of condition of State member banks.

Form F.R. 105e (Revised November 1955), Publisher's copy of report of condition of State member banks.

Form F.R. 105e-1 (Revised November 1955), Publisher's copy of report of condition of State member banks.

Form F.R. 105e-2 (Revised November 1955), Publisher's copy supplement.

Form F.R. 220 (Revised March 1952), Report of affiliate or holding company affiliate.

Form F.R. 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

1958. All of the forms are the same as those used on September 24,

Very truly yours,

Merritt Sherman,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

UNITED STATES OF AMERICA

Item No. 4
11/19/58

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

BANCOHIO CORPORATION

for prior approval of acquisition of voting

shares of The Kenton Savings Bank

ORDER APPROVING APPLICATION FOR PRIOR
APPROVAL UNDER BANK HOLDING COMPANY ACT

There having come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1842) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), an application on behalf of BancOhio Corporation, an Ohio corporation with its principal office in Columbus, for the Board's prior approval of acquisition of up to 100 per cent of the 3,000 outstanding voting shares of capital stock of The Kenton Savings Bank, Kenton, Ohio; a Notice of Tentative Decision, referring to a Tentative Statement, on said application having been published in the Federal Register on October 30, 1958; the said Notice having provided interested persons an opportunity, before issuance of the Board's final order, to file objections or comments upon the facts stated and the reasons indicated in the Tentative Statement; and the time for filing such objections and comments having expired and no such objections or comments having been filed;

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IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is granted and the acquisition by BancOhio Corporation of up to 100 per cent of the outstanding voting shares of The Kenton Savings Bank, Kenton, Ohio, is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington this 19th day of November, 1958.

By order of the Board of Governors.

Voting for this action: Chairman Martin, Vice Chairman Balderston, and Governors Szymczak, Mills, Robertson and Shepardson.

Absent and not voting: Governor Vardaman.

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY BANCOHIO CORPORATION, COLUMBUS, OHIO,
FOR PRIOR APPROVAL OF ACQUISITION OF VOTING SHARES
OF THE KENTON SAVINGS BANK, KENTON, OHIO

STATEMENT

BancOhio Corporation, Columbus, Ohio (hereafter referred to as "BancOhio"), a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of the acquisition of up to 100 per cent of the 3,000 outstanding voting shares of The Kenton Savings Bank (hereafter referred to as "Kenton"), a commercial bank located in Kenton, Ohio.

Views and recommendations of Superintendent of Banks. -

As required by section 3(b) of the Act, the Board gave notice of the application to the Superintendent of Banks for the State of Ohio. The Superintendent interposed no objection to the application.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound

banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - It appears that the financial history and condition, the prospects, and the management of both BancOhio and Kenton are satisfactory.

The city of Kenton (population of about 8,700) is the county seat of Hardin County and is served by three commercial banks, including Kenton. With deposits of about \$5 million, Kenton is the largest bank in the city and the county. It operates two branches, one about 9-1/2 miles north and one about 9-1/2 miles south of the city. There is no evidence that control of Kenton by BancOhio would be inconsistent with the convenience, needs, and welfare of the area concerned. On the other hand, it seems probable that acquisition of control of Kenton by BancOhio would be followed by a broadening of banking services and thus contribute to the convenience and welfare of the area involved.

BancOhio now controls 21 commercial banks with a total of 47 banking offices and deposits in excess of \$608 million. The banks are located in 19 Ohio counties, principally in the central and south-central parts of the State. BancOhio's principal bank is located in Columbus, the State capital, and it has two other banks in the same county; otherwise, no county contains more than one of BancOhio's subsidiary banks.

Control of Kenton by BancOhio would bring within the holding company system the largest bank in a county in which BancOhio is not now operating. It would cause BancOhio to control (a) the largest of

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three banking offices in the city of Kenton and about 43 per cent of the total deposits held by such offices, and (b) three of the ten banking offices in Hardin County and about 25 per cent of their deposits.

In the counties in which it would be operating after the proposed acquisition, the holding company would control about 26 per cent of commercial banking offices and 44.6 per cent of their total deposits, as compared with its present control of 24.5 per cent of offices and 44.3 per cent of such deposits in the same counties.

The proposed acquisition would not reduce the number of competing banking offices in the area or otherwise eliminate any substantial banking competition. It does not appear that any of BancOhio's present subsidiaries competes appreciably in the city of Kenton or in Hardin County. The nearest present subsidiary of BancOhio is more than 20 miles distant from the nearest branch of Kenton. The history of BancOhio suggests that the transaction would not be likely to result in its domination of banking in the area concerned.

In the circumstances, it is the Board's opinion that the proposed transaction would not expand BancOhio's system beyond limits consistent with adequate and sound banking, the public interest, or the preservation of competition in the field of banking.

Conclusion. - The above views were incorporated in the Tentative Statement issued in connection with the Notice of Tentative Decision published in the Federal Register on October 30, 1958 (23 FR 8413)

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affording interested persons an opportunity to submit comments on or objections to the Board's proposed action, and no such comments or objections were received within the period specified for their submission.

In the light of the facts stated and for the reasons indicated, it is the Board's judgment that approval of the application would be in accordance with the factors stated in section 3(c) of the Act and with the purposes of the Act, and that, accordingly, the application should be approved. It is so ordered.

Item No. 5
11/19/58

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

UNION BOND & MORTGAGE COMPANY

for prior approval of acquisition of

voting shares of Forks State Bank

ORDER APPROVING APPLICATION FOR PRIOR
APPROVAL UNDER BANK HOLDING COMPANY ACT

There having come before the Board of Governors pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1843) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), an application on behalf of Union Bond & Mortgage Company, whose principal office is in Port Angeles, Washington, for the Board's prior approval of the acquisition of 30 additional shares of the outstanding voting shares of Forks State Bank, Forks, Washington; a Notice of Tentative Decision referring to a Tentative Statement, on said application having been published in the Federal Register on October 30, 1958; the said Notice having provided interested persons an opportunity, before issuance of the Board's final order, to file objections or comments upon the facts stated and the reasons indicated in the Tentative Statement; and the time for filing such objections and comments having expired and no such objections or comments having been filed;

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IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is granted and the acquisition by Union Bond & Mortgage Company of 30 additional shares of Forks State Bank, Forks, Washington, is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington this 19th day of November, 1958.

By order of the Board of Governors.

Voting for this action: Chairman Martin, Vice Chairman Balderston, and Governors Szymczak, Mills, Robertson and Shepardson.

Absent and not voting: Governor Vardaman.

(signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

3398

APPLICATION BY UNION BOND & MORTGAGE COMPANY, PORT ANGELES,
WASHINGTON, FOR PRIOR APPROVAL OF ACQUISITION OF VOTING
SHARES OF FORKS STATE BANK, FORKS, WASHINGTON

STATEMENT

Union Bond & Mortgage Company, Port Angeles, Washington (hereafter referred to as "Union") has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (the "Act"), for the Board's prior approval of the acquisition of direct ownership of 30 shares of the capital stock of Forks State Bank, Forks, Washington ("Forks").

As required by section 3(b) of the Act, the Board gave notice of this application to the Supervisor of Banking for the State of Washington and requested his views and recommendations. In his letter to the Board, the State Supervisor of Banking stated in part:

"Union Bond & Mortgage Company has for many years held a substantial stock interest in Forks State Bank with the knowledge and approval of this division. I will therefore interpose no objection to the acquiring by Union Bond & Mortgage Company of thirty additional shares."

Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and the bank concerned;

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(2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Union now owns 23.5 per cent of the outstanding shares of Forks. In addition, it owns more than 25 per cent of the stock of each of two other banks and 24.5 per cent of the stock of a fourth bank. The proposed acquisition of additional stock of Forks would cause Union to own exactly 25 per cent of the outstanding shares of that bank. It further appears that the proposed acquisition of 30 additional shares would not affect control of the bank.

With respect to the first three statutory factors, it appears that the financial history and condition, prospects, and management of both Union and Forks are satisfactory. In the circumstances of this case, the proposed acquisition would in no way affect the convenience, needs, and welfare of the communities and the area concerned, nor would the acquisition result in any expansion of the size or extent of Union's system of banks.

Conclusion. - The above views were incorporated in the Tentative Statement issued in connection with the Notice of Tentative Decision published in the Federal Register on October 30, 1958 (23 FR 8412) affording interested persons an opportunity to submit

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comments on or objections to the Board's proposed action, and no such comments or objections were received within the period specified for their submission.

In the light of the facts stated and for the reasons indicated, it is the Board's judgment that approval of the application would be in accordance with factors stated in section 3(c) of the Act and with the purposes of the Act, and that, accordingly, the application should be approved. It is so ordered.

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

Item No. 6
11/19/58

In the Matter of the Application of
UNION BOND & MORTGAGE COMPANY
for prior approval of acquisition of
voting shares of Bank of Sequim

ORDER APPROVING APPLICATION FOR PRIOR APPROVAL
UNDER BANK HOLDING COMPANY ACT

There having come before the Board of Governors pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1843) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), an application on behalf of Union Bond & Mortgage Company, whose principal office is in Port Angeles, Washington, for the Board's prior approval of the acquisition of 10 additional shares of the outstanding voting shares of Bank of Sequim, Sequim, Washington; a Notice of Tentative Decision referring to a Tentative Statement, on said application having been published in the Federal Register on October 30, 1958; the said Notice having provided interested persons an opportunity, before issuance of the Board's final order, to file objections or comments upon the facts stated and the reasons indicated in the Tentative Statement; and the time for filing such objections and comments having expired, and no such objections or comments having been filed;

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IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is granted and the acquisition by Union Bond & Mortgage Company of 10 additional shares of Bank of Sequim, Sequim, Washington, is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington this 19th day of November, 1958.

By order of the Board of Governors.

Voting for this action: Chairman Martin, Vice Chairman Balderston, and Governors Szymczak, Mills, Robertson and Shepardson.

Absent and not voting: Governor Vardaman.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY UNION BOND & MORTGAGE COMPANY, PORT ANGELES,
WASHINGTON, FOR PRIOR APPROVAL OF ACQUISITION OF VOTING
SHARES OF BANK OF SEQUIM, SEQUIM, WASHINGTON

STATEMENT

Union Bond & Mortgage Company, Port Angeles, Washington (hereafter referred to as "Union") has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (the "Act"), for the Board's prior approval of the acquisition of direct ownership of 10 shares of the capital stock of Bank of Sequim, Sequim, Washington ("Sequim").

As required by section 3(b) of the Act, the Board gave notice of this application to the Supervisor of Banking for the State of Washington and requested his views and recommendations. In his letter to the Board, the State Supervisor of Banking stated in part:

"Union Bond & Mortgage Company has for many years held a substantial stock interest in the Bank of Sequim with the knowledge and approval of this division. I will therefore interpose no objection to the acquiring by Union Bond & Mortgage Company of 10 additional shares."

Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and the bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Union now owns 24.5 per cent of the outstanding shares of Sequim. In addition, it owns more than 25 per cent of the stock of each of two other banks and 23.5 per cent of the stock of a fourth bank. The proposed acquisition of additional stock of Sequim would cause Union to own exactly 25 per cent of the outstanding shares of that bank. It further appears that the proposed acquisition of 10 additional shares would not affect control of the bank.

With respect to the first three statutory factors, it appears that the financial history and condition, prospects, and management of both Union and Sequim are satisfactory. In the circumstances of this case, the proposed acquisition would in no way affect the convenience, needs, and welfare of the communities

and the area concerned, nor would the acquisition result in any expansion of the size or extent of Union's system of banks.

Conclusion. - The above views were incorporated in the Tentative Statement issued in connection with the Notice of Tentative Decision published in the Federal Register on October 30, 1958 (23 FR 8412) affording interested persons an opportunity to submit comments on or objections to the Board's proposed action, and no such comments or objections were received within the period specified for their submission.

In the light of the facts stated and for the reasons indicated, it is the Board's judgment that approval of the application would be in accordance with factors stated in section 3(c) of the Act and with the purposes of the Act, and that, accordingly, the application should be approved. It is so ordered.

Item No. 7
11/19/58
S-1680

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1958.

Dear Sir:

At the last Conference of Representatives of the Bank Examination Departments of the Federal Reserve Banks, the question of borrowing by examiners was discussed, with particular reference to the matter of borrowing from nonmember banks. It was indicated by the Board's representatives that the subject would be reviewed.

As examiners and assistant examiners for Federal Reserve Banks have no general authority to examine nonmember banks, the Board will interpose no objection to their borrowing from nonmember banks for appropriate purposes, except in the limited class of cases referred to below. This represents a modification of the position stated in the Board's letter X-7638 of October 14, 1933, (FRLS #9180) which is hereby cancelled.

Section 218 of the Criminal Code prohibits an examiner or assistant examiner of member banks of the Federal Reserve System from accepting a loan or gratuity from any bank examined by him. Accordingly, examiners and assistant examiners for the Federal Reserve Banks are prohibited from borrowing from State member banks. Section 217 of the Criminal Code prohibits an officer, director, or employee of a bank which is a member of the Federal Reserve System or an insured bank from making or granting any loan or gratuity to any examiner or assistant examiner who examines or has authority to examine such bank. This would appear to prohibit loans by a national bank to examiners and assistant examiners for Federal Reserve Banks as the System has "authority to examine such bank." For the same reason, this would also appear to prohibit loans to such examiners by any insured bank which is an affiliate of a State member bank or is a subsidiary of a registered bank holding company or of a holding company affiliate which holds a voting permit from the Board.

As these sections of the Criminal Code apparently are designed to prevent examiners from borrowing from banks examined by them or which they have authority to examine, the statutes would not appear to apply to obligations of examiners which are acquired by banks from the original nonbank lenders. However, the Board continues of the view that, as a matter of sound policy, examiners and

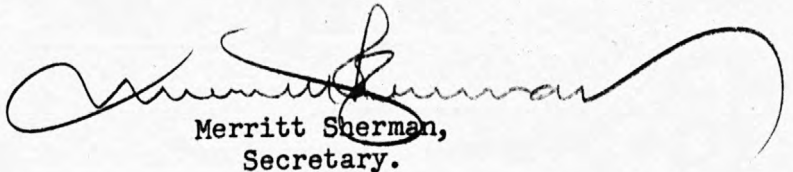


assistant examiners should not be permitted to participate in any examination or investigation of a bank to which they are indebted.

As heretofore expressed in letter S-1462 of July 16, 1952, (FRIS #6522) regarding special examiners and special assistant examiners for the Federal Reserve Banks, the criminal provisions of law regarding the granting of loans to examiners and assistant examiners who examine or have authority to examine member banks could be held applicable by the Department of Justice to a bank loan obtained by a special examiner. Therefore, as indicated in the above letter, at the time of designation as a special examiner or special assistant examiner, the employee should be informed of the provisions of law which make it a criminal offense for an officer, director, or employee of a member bank or of an insured bank to make or grant any loan to an examiner or assistant examiner who examines or has authority to examine such bank, and subject the examiner to criminal action if he accepts a loan from any bank examined by him. All employees designated as special examiners or special assistant examiners should continue to submit annual reports of indebtedness as described in the Board's letter S-1018 of March 24, 1948, (FRIS #9054). (Letter S-1462 of July 16, 1952, is hereby superseded.)

The Board feels that, in considering applicants for appointment to positions on the examining staffs of the Reserve Banks, men should not be selected who are involved financially or are heavily in debt. However, a proposed appointee need not be precluded from consideration merely because of indebtedness incurred for an appropriate purpose. In approving proposed new appointments to the position of examiner or assistant examiner of persons indebted to banks, the Board's approval will be granted with the restriction that such persons not be permitted to participate in any examination of such banks until the indebtedness has been liquidated.

Very truly yours,



Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS