Minutes for July 23, 1959

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.

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chm. Martin</td>
<td>X</td>
</tr>
<tr>
<td>Gov. Szymczak</td>
<td>X</td>
</tr>
<tr>
<td>Gov. Mills</td>
<td>X</td>
</tr>
<tr>
<td>Gov. Robertson</td>
<td>X</td>
</tr>
<tr>
<td>Gov. Balderston</td>
<td>X</td>
</tr>
<tr>
<td>Gov. Shepardson</td>
<td>X</td>
</tr>
<tr>
<td>Gov. King</td>
<td>X</td>
</tr>
</tbody>
</table>
Minutes of the Board of Governors of the Federal Reserve System on Thursday, July 23, 1959. 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. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Solomon, Assistant General Counsel
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Benner, Assistant Director, Division of Examinations

Mr. Carl H. Morgenstern, President, and Mr. Siegel W. Judd, a director and Counsel, of Old Kent Bank and Trust Company, Grand Rapids, Michigan, also were present.

Meeting with Old Kent representatives. Pursuant to arrangements made at their request, Messrs. Morgenstern and Judd were present to discuss changes in the branch operations of Old Kent Bank and Trust Company since its merger last year with The Peoples National Bank, and the position of Old Kent as compared with that of other banks in Grand Rapids.

Mr. Morgenstern introduced his comments by noting that it had been approximately one year since the Board denied the application of Old Kent to operate seven offices of Peoples as branches following the merger of the two institutions. In the ensuing period, he said, developments had unfolded somewhat differently than might have been anticipated...
When the application was before the Board, and he and Mr. Judd would like to review those developments.

Turning first to the trend of operations of Grand Rapids banks, Mr. Morgenstern stated that total deposits had increased from $770 million to $810 million, or about 5 per cent, from the June 1958 call date to the June call date in 1959. In citing these figures, he was using total deposits of the Michigan National Bank rather than the deposits of its branch in Grand Rapids, since the deposits of the branch were not available to him. In this period of approximately one year, deposits of Old Kent increased from $227 million to $231 million, a percentage increase of about 1.8, which meant that its deposit growth had been lower percentagewise than that of any of the other three banks operating offices in Grand Rapids. Old Kent's percentage of total deposits had dropped from 29.5 to 28.6, while the percentages of each of the three other banks had increased moderately. These figures, Mr. Morgenstern suggested, tended to indicate that the merger of Old Kent and Peoples had had little effect on the competitive situation.

Mr. Morgenstern recalled that prior to the merger Old Kent was operating 21 offices, while Peoples was operating 7 offices. He then related how certain offices of Old Kent and Peoples had been consolidated and how certain branch quarters formerly operated by Peoples had been taken over by a competing Grand Rapids bank (Central Bank) so as
to furnish competition to Old Kent at those locations. The directors of Old Kent were reported to have agreed to consolidate the head office of Old Kent with the former head office of Peoples, although it had not been decided which of the two locations would continue to be used as the head office. The net result of changes already made and others currently under consideration would be that Old Kent was likely, within the relatively near future, to have in operation about the same number of offices as it had in operation prior to the merger with Peoples. This statement apparently did not take into account, however, a branch that Old Kent had obtained permission to open prior to the merger, and which was now in operation, or a branch not yet opened that Old Kent recently obtained permission to operate in the Town of Cascade.

Mr. Morgenstern indicated that Old Kent desired particularly to continue to operate two branches known as the Wealthy-Lake and the Rogers Heights offices, formerly branches of Peoples National Bank. The former was reported to service a well-developed business area, and competition was afforded by a nearby office of the Union National Bank. It was suggested that the closing of this branch would reduce competition and give Union a virtual monopoly on business in the area unless the Central Bank should obtain permission to operate a branch in the vicinity. The branch in Rogers Heights was reported to serve a substantial business group and a rapidly growing residential area that had been without
banking services until Peoples established the branch about three years ago. At present, the closest banking facility was a branch of Union, about 1-1/2 miles distant from the branch of Old Kent. Furthermore, at the beginning of 1959 this area had become incorporated, which was interpreted by Old Kent to mean, under State law, that if Old Kent were compelled to close the existing branch it would be prohibited from going into the area to establish a branch de novo.

In summarizing their comments, Messrs. Morgenstern and Judd requested that the Board review the situation in the light of developments during the past year and perhaps make a new appraisal. They then responded to questions regarding the location of Old Kent branches and plans for consolidation of Old Kent offices and former offices of Peoples in the downtown area. During this discussion, Governor Robertson raised the question whether there would be a legal basis for the Board, after having made its original decision, now to permit Old Kent to operate a branch in the Rogers Heights area that had since been incorporated. The replies were to the effect that it was thought any legal obstacles could be overcome if the Board, upon reconsideration of the matter, should take a favorable view policywise with respect to operation of the Rogers Heights branch.

There followed additional discussion with respect to the trend of deposits of Old Kent, including both demand and time deposits, after
which Messrs. Morgenstern and Judd reiterated their request that the 
Board reexamine the situation on the basis of developments that had 
occur over the past year.

Messrs. Morgenstern and Judd then withdrew from the meeting, 
as did Mr. O'Connell.

Discount rates. The establishment without change by the Federal 
Reserve Bank of San Francisco on July 22, 1959, of the rates on discounts 
and advances in its existing schedule was approved unanimously, with the 
understanding that appropriate advice would be sent to the Bank.

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

Letter to the Mechanics and Farmers' Bank of Albany, 
Albany, New York, approving the establishment of a 
branch in the Stuyvesant Plaza Shopping Center. 1

Letter to the Lincoln Rochester Trust Company, 
Rochester, New York, approving the establishment 
of a branch in Macedon. 2

Letter to the Federal Reserve Bank of Chicago 
regarding the interpretation of "carrying" under 
section 221.3(b)(1) of Regulation U. 3

Letter to the Security State Bank, Pearsall, Texas, 
waiving the requirement of six months' notice of 
withdrawal from membership in the Federal Reserve 
System. 4
Letter to the Comptroller of the Currency recommending unfavorably with regard to an application to organize a national bank at Silsbee, Texas.

Messrs. Leavitt and Thompson, Supervisory Review Examiners, Division of Examinations, entered the room at this point.

Continental Bank and Trust Company (Item No. 6). There had been circulated to the members of the Board a memorandum from the Division of Examinations dated July 2, 1959, summarizing information received from the Federal Reserve Bank of San Francisco concerning the status of loans to members of the family of President Cosgriff of The Continental Bank and Trust Company, Salt Lake City, Utah, as disclosed by the examination of the bank as of May 25, 1959. Borrowings of Mr. Cosgriff's mother had been eliminated during the examination and the borrowings of Mr. Cosgriff's wife reduced to $150,000. The memorandum expressed agreement with the position proposed to be taken by the San Francisco Reserve Bank that the outstanding unsecured loan to President Cosgriff's wife should be eliminated or adequately secured and that any future borrowings by the Cosgriff family should be on an adequately secured basis or, if unsecured, supported by a satisfactory financial statement and placed under a definite liquidation program. However, the memorandum also suggested that it would be advisable to refrain from taking a position at this time that might make it difficult to
7/23/59

avoid a section 30 proceeding. Submitted with the memorandum was a draft of letter to the Federal Reserve Bank of San Francisco which indicated that it would be the preference of the Board to defer a decision until all facts were available for consideration regarding the final outcome.

With reference to the oral arguments heard yesterday by the Board in connection with the capital adequacy proceeding involving Continental, Governor Mills noted that Counsel for Respondent, after reiterating the construction of the law urged by Continental, concluded with a declaration that the Board's approach should not have been under section 9 of the Federal Reserve Act but under section 30 of the Banking Act of 1933. Governor Mills said he regarded this as a diversionary tactic. He felt a section 30 proceeding should be avoided, and he had sent a memorandum to the Legal Division outlining his reasoning at greater length.

Governors Shepardson and Balderston raised the question whether a portion of the language found in the memorandum from the Division of Examinations should not be substituted for the concluding paragraph in the proposed letter to the San Francisco Reserve Bank since it would appear to state the Board's position more specifically. After discussion of this possibility, it was agreed that the letter should be left in the form of the draft submitted to the Board but not sent until it was discussed with Reserve Bank President Mangels, when he was in Washington
next week, in order to make sure that the language of the letter would create no misunderstanding with regard to the Board's position.

Secretary's Note: When Mr. Mangels was in the Board's building on July 27, 1959, the matter was discussed with him and he was shown the letter proposed to be sent to the Reserve Bank. Mr. Mangels expressed general agreement with the position taken in the memorandum from the Division of Examinations and indicated that the letter would be understood by the Reserve Bank in that context. Accordingly, the letter was sent to the Reserve Bank on July 29, 1959, in the form approved by the Board. A copy is attached as Item No. 6.

Citizens and Southern applications (Item No. 7). In accordance with the understanding at the meeting on June 23, 1959, there had been issued a notice of tentative decision regarding the applications of Citizens and Southern National Bank and Citizens and Southern Holding Company, both of Savannah, Georgia, for prior approval under section 3(a) of the Bank Holding Company Act to acquire 2,500 of the outstanding voting shares of American National Bank of Brunswick, Brunswick, Georgia. No comments having been received following publication of the notice of tentative decision, it was now proposed that an order and statement be issued approving the proposed acquisition of shares. A draft of dissenting opinion by Governors Robertson and King had been distributed to the Board prior to this meeting.

After a brief discussion, the applications of Citizens and Southern National Bank and Citizens and Southern Holding Company were
Approved, Chairman Martin and Governors Balderston, Szymczak, Mills, and Shepardson voting for approval while Governors Robertson and King voted for denial. Attached under Item No. 7 are copies of the order, the statement of the Board, and the dissenting statement of Governors Robertson and King. These documents were the subject of a press statement released on the afternoon of July 23, 1959.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved on behalf of the Board on July 22, 1959, the following items:

1. Letter to the Federal Reserve Bank of Philadelphia (attached Item No. 8) approving the appointment of William J. McCuen, Jr., as assistant examiner.

2. Letter to the Federal Reserve Bank of Atlanta (attached Item No. 9) approving the designation of Warren A. Seeley, Jr., and James D. Murphy as special assistant examiners.

Memorandum dated June 30, 1959, from the Division of Administrative Services recommending the transfer of Richard J. Michel, Laborer, to the position of Supply Clerk, Division of Administrative Services, with an increase in salary from $3,340 to $3,635 per annum, effective the date of entrance upon his new duties.

Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Atlanta (attached Item No. 10) approving the appointment of Alton Donald Sands as assistant examiner.

Governor Shepardson noted today on behalf of the Board the retirement, effective August 1, 1959, of Charles N. Griffin, Supervisory Review Examiner, Division of Examinations.
The attached letter (Item No. 11) relating to a Government employee parking survey was sent today to the Bureau of the Budget following approval by Governor Shepardson.
Board of Directors,
Mechanics and Farmers' Bank of Albany,
Albany, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch in the Stuyvesant Plaza Shopping Center, Western Avenue and Fuller Road, Town of Guilderland, Albany County, New York, by Mechanics and Farmers' Bank of Albany, Albany, New York.

This approval is given provided the branch is established within six months from the date of this letter and formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
Lincoln Rochester Trust Company,
Rochester, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch at 81 Main Street, Village of Macedon, Wayne County, New York, by Lincoln Rochester Trust Company, Rochester, New York. This approval is given provided the branch is established within six months from the date of this letter and formal approval of State authorities is effective at the time the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Mr. Paul C. Hodge, Vice President, General Counsel and Secretary, Federal Reserve Bank of Chicago, Chicago 90, Illinois.

Dear Mr. Hodge:

This is in reply to your letter of July 6, 1959, enclosing a photostatic copy of a letter dated July 1, 1959 to Mr. Lamphere of the Detroit Branch from the Manufacturers National Bank of Detroit with two questions relating to situations involving the interpretation of "carrying" under section 221.3(b)(1) of Regulation U.

In the first situation mentioned in the letter to Mr. Lamphere, the bank, prior to June 15, 1959, made loans secured by listed stocks which were not for "carrying" under the restricted definition then in effect, apparently because the purpose of the loans was not "to enable the borrower to reduce or retire indebtedness which was originally incurred to purchase" stocks registered on a national securities exchange. The bank states that if the loans were made at the present time, however, they might be covered by the amended section 221.3(b)(1).

The bank asks, in effect, whether such a loan, which would be for the purpose of "carrying" a registered stock under the amended provision, became a regulated loan on June 15, 1959. The Board has taken the position that the original purpose for which a loan is made continues to be controlling during the life of the loan. It would appear, therefore, that when the Board amended section 221.3(b)(1), the provision regarded "carrying", all outstanding loans whose original purpose would have met the amended definition came within the scope of the regulation. For this reason, it will be necessary for the bank's lending officer, in the event of substitution or withdrawal of collateral, new borrowing, or the like, after the effective date of the amendment to Regulation U, to determine whether the loan would have been for "carrying" under the provisions of the amended section 221.3(b)(1) and to apply the provisions of the regulation if his determination is affirmative. Of course, a bank does not have to take any action with respect to such a loan until there is some such change in the amount of the loan or its collateral.
In the second situation, customers have had listed stock on deposit with the bank as collateral for a number of years, and have borrowed from time to time on that collateral without ever owning the stock free of any lien for a continuous period of as much as one year. The bank asks whether there is a presumption that a loan made on the security of the stock after June 15, 1959, is for carrying the stock. It is believed that such a presumption is required by the explicit language of the regulation, as interpreted in the Board's letter S-1700 of June 9, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Board of Directors,
Security State Bank,
Pearsall, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors your letter of June 23, 1959, and accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H, as amended effective September 1, 1952, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be sent to the Federal Reserve Bank of Dallas for disposition.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated March 24, 1959, enclosing copies of an application to organize a national bank at Silsbee, Texas, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates that a capital structure of $300,000 would be provided instead of the $200,000 shown in the application. This revised capital structure would appear to be adequate. However, prospects for satisfactory earnings are not favorable in view of the projected volume of loans and deposits, arrangements for proposed management are not entirely satisfactory, and the need for an additional commercial bank in the area is not apparent at this time. Accordingly, the Board of Governors does not feel justified in recommending approval of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
CONFIDENTIAL (F.R.)

Mr. H. N. Mangels, President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Mangels:

Reference is made to your letter of June 23, 1959, submitting information concerning the indebtedness of the Cosgriff family to The Continental Bank and Trust Company, Salt Lake City, Utah.

The Board would concur in your view that your transmittal letter should state the Enid Cosgriff loan should be eliminated from the assets of the bank or be adequately secured to correct the adverse classification in the examination report. It is the Board's view that future borrowings by the Cosgriff family should be on an adequately secured basis or, if unsecured, supported by a satisfactory financial statement, and with a definite liquidation program.

The Board has noted the comments in the concluding paragraph of your letter. It would be the preference of the Board to defer its decision in this matter until all facts are available for consideration respecting the final outcome. It will be appreciated if you will keep the Board informed of the situation.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Applications of
CITIZENS AND SOUTHERN NATIONAL BANK
and
CITIZENS AND SOUTHERN HOLDING COMPANY

for prior approval of acquisition of
voting shares of American National
Bank of Brunswick, Brunswick, Georgia

ORDER APPROVING APPLICATIONS
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 U.S.C. 1843) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), applications on behalf of Citizens and Southern National Bank and Citizens and Southern Holding Company, whose respective principal office is in Savannah, Georgia, for the Board's prior approval of the acquisition of 2,500 of the outstanding voting shares of American National Bank of Brunswick, Brunswick, Georgia; a Notice of Tentative Decision referring to a Tentative Statement on said applications having been published in the Federal Register on June 30, 1959 (24 F.R. 5319); 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;

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said applications be and hereby are granted and the acquisition by Citizens and Southern National Bank and Citizens and Southern Holding Company of 2,500 of the outstanding voting shares of American National Bank of Brunswick, Brunswick, Georgia, is hereby approved, provided that such acquisition is completed within three months from the date hereof, and that no action be taken by Citizens and Southern National Bank or Citizens and Southern Holding Company that will result in the termination of the corporate existence of American National Bank of Brunswick as a separate functioning banking institution until after 60 days following the date of this Order.

Dated at Washington, D. C., this 23rd day of July, 1959.

By order of the Board of Governors.

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

Voting against this action: Governors Robertson and King.

(Signed) Merritt Sherman
Merritt Sherman, Secretary.
APPLICATION BY CITIZENS AND SOUTHERN NATIONAL BANK AND CITIZENS
AND SOUTHERN HOLDING COMPANY FOR PRIOR APPROVAL OF ACQUISITION OF
VOTING SHARES OF AMERICAN NATIONAL BANK OF BRUNSWICK, GEORGIA

STATEMENT

Citizens and Southern National Bank, Savannah, Georgia
("National"), and Citizens and Southern Holding Company, Savannah,
Georgia ("Citizens"), both of which are bank holding companies,
have applied, pursuant to section 3(a)(2) of the Bank Holding
Company Act of 1956 ("the Act"), for the Board's prior approval
of Citizens' acquisition of 2,500 of the 20,000 outstanding voting
shares of American National Bank of Brunswick, Brunswick, Georgia.

Views and recommendations of the Comptroller of the
Currency. — As required by section 3(b) of the Act, the Board gave
notice of the applications to the Comptroller of the Currency. The
Comptroller recommended that the applications be approved by the
Board.

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 communi-
ties 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. - Citizens is a bank holding company under section 2(a)(1) of the Act because of its ownership of more than 25 per cent (in fact, a large majority) of the stock of each of 10 banks, with deposits ranging from $2.5 million to $27.4 million, and aggregating over $100 million, located in 10 communities in Georgia. National, a bank with its head office in Savannah, Georgia, and its center of operations in Atlanta, operates 12 offices holding aggregate deposits of $470 million. It is a bank holding company as defined in section 2(a)(3) of the Act, since all of the outstanding shares of Citizens are held by trustees for the benefit of the shareholders of National.

American National Bank, with deposits of $12.2 million, has its head office in Brunswick, the county seat of Glynn County, and a branch office in Jesup, the county seat of Wayne County.

It appears that the financial history and condition, the prospects, and the management of American and the two holding companies are satisfactory and would not be adversely affected by the proposed acquisition.

The City of Brunswick (population about 20,700) is served by three banks, and there is one other bank in Glynn County. Wayne County has two banking offices, both in Jesup, one of them being a branch of American. American holds about one-third of all bank deposits in Glynn County and a majority of the deposits in Wayne County.
The Brunswick and Jesup offices of American are about 77 miles and 66 miles, respectively, southwest of Savannah, the location of the nearest banking offices of the Citizens and Southern group. Existing competition between American and the banking offices of the group is negligible, and this situation would not be changed by the proposed stock acquisition. It is to be noted that the proposed acquisition involves only 12-1/2 per cent of the outstanding stock of American, so that American will not become a "subsidiary" of the holding companies; subsidiary status, under sections 2(d)(1) and 2(d)(3) of the Act, is based on ownership of 25 per cent or more of the voting shares of the bank concerned.

In the opinion of the Board, the proposed transaction would not have any significant effect on the convenience, needs, and welfare of the communities and the area concerned, and would not expand the Citizens and Southern holding company system beyond limits consistent with adequate and sound banking, the public interest, and 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 June 30, 1959 (24 F.R. 5319), 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.
Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed acquisition would not be inconsistent with the statutory objectives and the public interest and that, accordingly, the applications should be approved. It is so ordered.

July 23, 1959.
Dissenting Statement of Governors Robertson and King

Section 3(a)(2) of the Bank Holding Company Act permits a holding company to acquire, without Board approval, up to 5 per cent of the voting shares of additional banks. This reflects Congress' view that acquisition of more than 5 per cent of a bank's stock cannot be regarded as an insignificant acquisition; that is the reason why, under the Act, such an acquisition may not be consummated without the Board's approval.

We believe that approval of an application to purchase more than 5 per cent of the stock of an additional bank must be based on evidence that the public interest will be better served by such acquisition.

It is not contended by the applicants, in this case, that the proposed acquisition will have any favorable effect on the convenience, needs, or welfare of the community or area concerned. It is true that the transaction will not increase the number of statutory "subsidiaries" in the Citizens and Southern holding company system, but this does not mean that the sphere of influence of the holding companies will not be expanded. We believe that it will be.

The absence of prospective benefits that would justify the acquisition gives this matter importance that reaches beyond the immediate transaction. We are concerned lest approval in this case may establish a general principle that a holding company can acquire substantial minority interests in any banks that are not in direct competition with banks that are already members of its system.
In view of the Board's decision in this case, it is difficult to see how any such application could hereafter be denied without making an arbitrary distinction from this case.

As previously indicated, the acquisition will expand the holding companies' sphere of influence. In the absence of evidence that the transaction would contribute to the convenience, needs, or welfare of the community or area, it is our judgment that such expansion would not be consistent with the purposes of the Bank Holding Company Act or with the public interest in the field of banking. Therefore, we conclude that the applications should be denied.
Mr. Joseph R. Campbell, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Campbell:

In accordance with the request contained in your letter of July 20, 1959, the Board approves the appointment of William J. McCuen, Jr., as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise the Board if the appointment is not made effective September 1, 1959, as planned.

It is noted that Mr. McCuen is the son of the Auditor of the Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, a State member bank. Accordingly, the Board's approval is given with the understanding that he will not participate in any examination of the Girard Trust Corn Exchange Bank as long as his father is an officer of that bank.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Mr. Geo. W. Sheffer, Jr.,
Chief Examiner,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Sheffer:

In accordance with the request contained in your letter of July 17, 1959, the Board approves the designation of Warren A. Seeley, Jr. and James D. Murphy as special assistant examiners for the Federal Reserve Bank of Atlanta, for the purpose of participating in the examination of State member banks only.

The name of Robert P. Maynard has been deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
CONFIDENTIAL (FR)

Mr. J. E. Denmark, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Denmark:

In accordance with the request contained in your letter of July 16, 1959, as amended by your telegram of July 21, the Board approves the appointment of Alton Donald Sands as an assistant examiner for the Federal Reserve Bank of Atlanta. Please advise as to the date on which the appointment is made effective.

It is noted that Mr. Sands is indebted to First Farmers and Merchants National Bank of Columbia, Columbia, Tennessee, in the amount of approximately $700. Accordingly, the Board's approval of the appointment is given with the understanding that he will not participate in any examination of that bank while indebted to it, and that his indebtedness will be placed on a regular reduction basis.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
July 23, 1959

Bureau of the Budget,
Room 164, Executive Office Building,
Washington 25, D. C.

Gentlemen:

Pursuant to Paragraph 3 of Bureau of the Budget Bulletin No. 60-1 dated July 6, 1959, this report is submitted providing answers to the various questions concerned with the Government employee parking survey conducted on July 21, 1959:

a. Personnel problems. - There is no evidence that parking difficulties in the area pose such personnel problems as recruitment, turnover, or absenteeism at the Board's offices.

b. Assignment of Government parking spaces. - The Board's property, acquired in 1935, included in addition to the square on which the Board's building is located, a portion of the vacant block lying immediately north of the building site between 20th and 21st Streets on C Street. Since occupancy of the building in 1937, this parcel of Board property has been used as a parking lot for employees' cars. An employee desiring parking space submits an appropriate application. Since the lot is currently filled to capacity, the application is held on a waiting list until a vacancy occurs through personnel separations or for other reasons. At present there are 13 applications for parking permits on the waiting list.

c. Car pools. - The Board's Division of Personnel Administration assists new employees in securing rides to work by arranging contacts with other employees residing in, or traveling through, the same general area in which the new employee lives. Employees are allowed the use of a bulletin board which is accessible to all staff members for the purposes of posting notices to request rides to and from work and for arranging car pools.

d. Official cars.

(1) Five (5) parking spaces are currently reserved for parking official cars.

(2) Five are needed for this purpose.
(3) The number of spaces mentioned above is adequate.

e. Official visitors' cars.

(1) No specific parking spaces are reserved for official visitors' cars. On infrequent occasions when it is necessary to provide parking space for official visitors' cars, the five spaces normally assigned to the Board's official cars are made available for the purpose. The Board's official cars are generally operated during normal business hours, and at intervals when they are not in use they are temporarily parked in restricted areas on the premises on those occasions when it is necessary to accommodate official visitors' cars.

(2) As noted above, no specific number regularly required for this purpose.

(3) No additional spaces required for this purpose.

Very truly yours,

Merritt Sherman,
Secretary.