

Minutes for August 4, 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.

	A	B
Chm. Martin	x <u> <i>m</i> </u>	<u> </u>
Gov. Szymczak	<u> </u>	x <u> <i>MS</i> </u>
Gov. Mills	<u> </u>	x <u> </u>
Gov. Robertson	x <u> <i>R</i> </u>	<u> </u>
Gov. Balderston	x <u> <i>CCB</i> </u>	<u> </u>
Gov. Shepardson	x <u> <i>SS</i> </u>	<u> </u>
Gov. King	<u> </u>	x <u> <i>gmk</i> </u>

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, August 4, 1959. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Johnson, Director, Division of Personnel Administration
 Mr. Solomon, Director, Division of Examinations
 Mr. Hexter, Assistant General Counsel
 Mr. Nelson, Assistant Director, Division of Examinations
 Mr. Goodman, Assistant Director, Division of Examinations
 Mr. Thompson, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on August 3, 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 or distributed to the Board. The following items, which had been circulated or distributed 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 First National City Bank of New York authorizing the establishment of a branch in Nassau, Bahamas.

Item No.

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	<u>Item No.</u>
Letter to the Millburn-Short Hills Bank, Millburn, New Jersey, granting an extension of time within which to accomplish admission to membership in the Federal Reserve System.	2
Letter to the Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of an additional branch in Goldsboro.	3
Letter to the First National Bank in Pampa, Pampa, Texas, approving its application for fiduciary powers.	4
Letter to the California Bank, Los Angeles, California, approving the establishment of a branch in Huntington Beach.	5
Letter to the Nevada Bank of Commerce, Reno, Nevada, approving the establishment of a branch in Sparks.	6
Notice of tentative decision and tentative statement with respect to the application of The Marine Corporation to acquire shares of Pewaukee State Bank, Pewaukee, Wisconsin.	7
Notice of tentative decision and tentative statement with respect to the application of Bank Stock Corporation of Milwaukee to become a bank holding company.	8

Processing of bank holding company applications. Governor Robertson suggested that the Board give further consideration to the procedures followed in processing applications under the Bank Holding Company Act of the type filed by The Marine Corporation and Bank Stock Corporation of Milwaukee. While he did not wish to propose a change in procedure at this time, he saw the possibility of a rather embarrassing situation if the Board should issue a tentative decision on a particular case and then, in

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the light of comments received, should reverse itself in issuing the final decision. An alternative would be to give public notice of applications upon their receipt and invite views and comments. Such a procedure might eliminate the need for issuance of a tentative decision and thus avoid the possibility of a reversal of position.

Messrs. Solomon, Hexter, Nelson, Goodman, and Thompson then withdrew.

Salary for officer at Chicago Bank (Item No. 9). Pursuant to the request of the Federal Reserve Bank of Chicago and the favorable recommendation of the Division of Personnel Administration contained in a file that had been circulated, the Board approved a letter to the Chicago Bank approving the payment of salary to Harold L. Cheadle as Assistant Vice President for the period October 1 through December 31, 1959, at the rate of \$13,500 per annum. A copy of the letter is attached as Item No. 9.

Mr. Riefler then withdrew from the meeting.

Letters from Mr. Bierwirth. At the request of Chairman Martin, there had been distributed to the members of the Board copies of two letters addressed to the Chairman under date of July 23, 1959, by Mr. Bierwirth, Chairman of the Federal Reserve Bank of New York. The first letter related to consideration by the New York directors of the salary scale for officers of the Bank, including the President and First Vice President, while the second requested consideration of the retirement benefits available to

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President Hayes. Both letters indicated that Mr. Bierwirth would be glad to meet with the Board of Governors for discussion of the questions involved.

Chairman Martin said that the letters were written following a recent conversation with Mr. Bierwirth and that, in his view, it would be desirable for the Board to accede to Mr. Bierwirth's request for a meeting.

There being concurrence in this view, it was agreed that such a meeting should be arranged on a mutually convenient date when all of the members of the Board were likely to be present.

The discussion that ensued included reference to the arrangements outside the Retirement System approved for certain Reserve Bank Presidents in the past to assure them a total retirement allowance at a stated minimum level. It was suggested that a possible approach to the problem referred to in the case of Mr. Hayes would be to institute a study, through appropriate channels, that might lead to the establishment of principles of general applicability. As to the salary question, it was suggested that it might be helpful, in preparation for the meeting with Mr. Bierwirth, if the Division of Examinations would assemble data, similar to that compiled in 1952, on the salaries of chief officers at commercial banks in New York and perhaps other cities.

At the conclusion of the discussion, it was understood that the pension problem raised by Mr. Bierwirth would be brought to the attention of Governor Szymczak, the member of the Board currently serving as a trustee of the Retirement System of the Federal Reserve Banks, upon Governor Szymczak's return from vacation.

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Secretary's Note: Following the meeting, Chairman Martin wrote to Chairman Bierwirth and invited him to meet with the Board on September 16, 17, or 18, 1959.

Mr. Johnson then withdrew.

Interagency luncheon meeting. Governor Robertson summarized a recent telephone conversation with a representative of the Federal Deposit Insurance Corporation who referred to the proposed amendment to Regulation Q, Payment of Interest on Deposits, relating to grace periods and indicated that the competitive advantage of savings and loan associations in this respect was of some concern. While Governor Robertson considered this a minor element in the total competitive problem, he had used the opportunity to arrange a luncheon meeting at the Federal Reserve Building today, with representatives of the three Federal bank supervisory agencies and the Home Loan Bank Board present, for general discussion of the relative position of banks and savings and loan associations.

Governor Balderston reported a recent conversation with the Superintendent of Banks of New York, who reviewed problems relative to the dividend rates paid by mutual savings banks in New York State, emphasized the pressure of rate competition from savings and loan associations, and indicated that he was undertaking discussions with the Home Loan Bank Board.

The meeting then adjourned.

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Secretary's Notes:

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on August 3, 1959, increases in the basic annual salaries of the following persons on the Board's staff, effective August 9, 1959:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Robert B. Bangs, Senior Economist		\$13,070	\$13,370
Rose C. Cassidy, Research Assistant		5,430	5,580
Margaret V. Hastings, Research Assistant		4,980	5,130
Monica F. Jones, Statistical Assistant		5,430	5,580
Cornelia J. Motheral, Research Assistant		5,280	5,430
Winofred Racz, Statistical Assistant		5,430	5,580
Barbara E. Schriver, Statistical Assistant		4,040	4,190
Natalie C. Strader, Research Assistant		5,130	5,280
Mary F. Weaver, Statistical Assistant		5,580	5,730
<u>Bank Operations</u>			
Raymond J. Collier, Chief, Current Series Section		10,130	10,370
Lee W. Langham, Chief, Call Report Section		10,130	10,370
Margaret K. Ball, Supervisor, Call Report Unit		5,580	5,730
Evelyn Bryan, Supervisor, Member Bank Statement Unit		5,730	5,880
Esther W. Conover, Supervisor, Reserve Bank Statement Unit		5,580	5,730
Pearle E. Randour, Statistical Assistant		5,090	5,240
Mary Louise Roberts, Statistical Assistant		5,090	5,240
<u>Examinations</u>			
Susan Kirby, Stenographer		3,850	3,945
<u>International Finance</u>			
Robert F. Emery, Economist		7,030	7,270

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Salary increases, effective August 9, 1959 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Personnel Administration</u>			
M. Callie Wickline, Nurse		\$5,430	\$5,580
<u>Administrative Services</u>			
Rita D. Brinley, Secretary		4,490	4,640

Governor Shepardson also approved on behalf of the Board on August 3, 1959, the recommendation contained in a memorandum dated July 23, 1959, from Mr. Johnson, Director, Division of Personnel Administration, that the Board not make a report to the Civil Service Commission on its training programs and plans covering the fiscal year ending June 30, 1959, with the understanding, however, that the Division of Personnel Administration would submit an appropriate report to the Board at the time of its budget submission.

Governor Shepardson today approved on behalf of the Board the following salary increases for members of the Board's staff, effective August 9, 1959:

M. Patricia McShane, Training Assistant, Division of Examinations, from \$5,390 to \$5,580.

Harold L. Emerson, Personnel Assistant, Division of Personnel Administration, from \$7,510 to \$8,330.

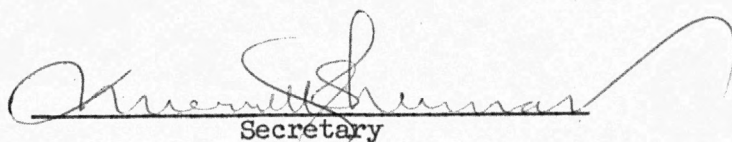
Governor Shepardson also approved today on behalf of the Board a letter to the Federal Reserve Bank of Atlanta (attached Item No. 10) approving the designation of Roger Kessler as special assistant examiner.

After consideration of information supplied by the Division of Personnel Administration, as set forth in a memorandum to the Files dated February 9, 1959, Governor Shepardson today approved on behalf of the

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Board the continuation of normal contributions to the Retirement System of the Federal Reserve Banks on behalf of Ramsay Wood, Economist in the Division of Research and Statistics, currently on leave of absence without pay.



Secretary

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

Item No. 1
8/4/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



August 4, 1959.

The First National City Bank of New York,
55 Wall Street,
New York 15, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes The First National City Bank of New York, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch in Nassau, Bahamas, and to operate and maintain such branch subject to the provisions of such Section; upon condition that, unless the branch is actually established and opened for business on or before August 1, 1960, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date.

The Board of Governors notes, with approval, that the branch will be located temporarily in the Rootes Building on Frederick Street, Nassau, pending establishment in permanent quarters. Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is established and opened for business and also when the branch is removed to permanent quarters, furnishing information as to the exact location of the branch. It is understood that no change will be made in the location of the branch after establishment in permanent quarters without the prior approval of the Board of Governors.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
8/4/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



August 4, 1959.

Board of Directors,
Millburn-Short Hills Bank,
Millburn, New Jersey.

Gentlemen:

In accordance with a request submitted through the Federal Reserve Bank of New York, the Board of Governors extends to November 23, 1959, the time within which Millburn-Short Hills Bank, Millburn, New Jersey, may accomplish admission to membership in the Federal Reserve System, as outlined in the Board's letter of November 25, 1958.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
8/4/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 4, 1959.



Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Wachovia Bank and Trust Company in the Sunrise Shopping Center at 1717 East Ash Street, Goldsboro, North Carolina, provided the branch is established within six months from the date of this letter, and approval of the State authorities is effective as of the date the branch is established.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
8/4/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 4, 1959.



Board of Directors,
First National Bank in Pampa,
Pampa, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants First National Bank in Pampa authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A certificate covering such authorization is enclosed.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosure

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

Item No. 5
8/4/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 4, 1959.



Board of Directors,
California Bank,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves establishment of a branch in the vicinity of Main Street, between Orange and Olive Avenues, Huntington Beach, California, by California Bank, Los Angeles, California. 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 GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 6
8/4/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 4, 1959.

Board of Directors,
Nevada Bank of Commerce,
Reno, Nevada.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves establishment of a branch at 1246 B Street, Sparks, Nevada, by Nevada Bank of Commerce, Reno, Nevada. 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.



Item No. 7
8/4/59

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

NOTICE OF TENTATIVE DECISION ON APPLICATION BY BANK HOLDING COMPANY
FOR PRIOR APPROVAL OF ACQUISITION OF VOTING SHARES OF A BANK

Notice is hereby given that, pursuant to section 3(a) of the Bank Holding Company Act of 1956, The Marine Corporation, Milwaukee, Wisconsin, a bank holding company, has applied for the Board's prior approval of action whereby said bank holding company would acquire 80 per cent or more of the outstanding voting shares of Pewaukee State Bank, Pewaukee, Wisconsin. Information contained in the application and other information relied upon by the Board in making its tentative decision are summarized in the Board's Tentative Statement of this date, which is attached hereto and made a part hereof and is on file with the Federal Register Division and available for inspection at the Office of the Board's Secretary and at all Federal Reserve Banks.

The record in this proceeding to date consists of the application, the Board's letter to the Commissioner of Banks of the State of Wisconsin inviting his views and recommendations on this application, the reply of the Commissioner, this Notice of Tentative Decision, and the facts set forth in the Board's Tentative Statement.

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For the reasons set forth in the Tentative Statement, the Board proposes to grant the application.

Notice is further given that any interested person may, not later than fifteen (15) days after the publication of this notice in the Federal Register, file with the Board in writing any comments on or objections to the Board's proposed action, stating the nature of his interest, the reasons for such comments or objections, and the issues of fact or law, if any, presented by said application which he desires to controvert. Such statement should be addressed: Secretary, Board of Governors of the Federal Reserve System, Washington 25, D. C.

Following expiration of the said 15-day period, the Board's Tentative Decision will be made final by order to that effect, unless for good cause shown other action is deemed appropriate by the Board and is so ordered.

Dated at Washington, D. C., this 4th day of August, 1959.

By the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY THE MARINE CORPORATION FOR PRIOR APPROVAL
OF ACQUISITION OF VOTING SHARES OF PEWAUKEE STATE BANK,
PEWAUKEE, WISCONSIN

TENTATIVE STATEMENT

The Marine Corporation, Milwaukee, Wisconsin ("Marine"), 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 Marine's acquisition of 2,400 or more of the 3,000 outstanding voting shares of Pewaukee State Bank, Pewaukee, Wisconsin.

Views and recommendations of the Commissioner of Banks. -

As required by section 3(b) of the Act, the Board gave notice of the application to the Commissioner of Banks of the State of Wisconsin. The Commissioner informed the Board that he was not aware of any factor which would warrant objection to the transaction by his office.

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

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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. - Marine is a bank holding company, as defined in section 2(a)(1) of the Act, because it directly owns over 90 per cent of the voting shares of four banks, in or near Milwaukee. The largest bank of the group is Marine National Exchange Bank, located in the business center of Milwaukee, with deposits of \$171 million on December 31, 1958. The other banks in the group are Holton State Bank (deposits \$10.8 million), which is about two miles north of Marine National Exchange Bank; Cudahy State Bank (deposits \$12.3 million), about eight miles south of Marine National Exchange Bank; and South Milwaukee Bank (deposits \$8.6 million), about two miles further south. The aggregate deposits of the group are slightly in excess of \$200 million.

Pewaukee State Bank, with deposits of \$6.1 million on December 31, 1958, has its main office in Pewaukee and branches in Brookfield and Merton; all of these are in Waukesha County, Wisconsin, which adjoins Milwaukee County on the west. The Brookfield office is over 12 miles, and the other two offices more than 18 miles,

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from the nearest banking office of the Marine group. There are no competing banking offices in the three communities, but several are in operation within a six-mile or eight-mile radius of each of the three. Waukesha, which is the county seat and considerably larger than any of the communities in which Pewaukee State Bank operates, is about six miles from Pewaukee and seven miles from Brookfield. The two banks in Waukesha hold deposits of \$52.6 million and \$14.2 million.

The financial history, condition, prospects, and management of the holding company and the bank are satisfactory, although the capital structure of the bank is relatively low as a result of the rapid increase in its deposit liabilities during recent years. Ownership of Pewaukee State Bank by the holding company probably would benefit that bank by making available to it the skill, knowledge, and experience of the Marine National Exchange Bank. It also appears likely that the holding company could supply additional capital to Pewaukee State Bank more advantageously than the bank could obtain additional capital directly; this could be of some importance in connection with increased lending activities, in view of the prospects for continued growth in the area served by the bank.

With respect to the competitive factor, the Board finds that the present competitive position of the Marine group in the primary service area of Pewaukee State Bank is not significant, in view of the substantial distances between the banking offices of Pewaukee State Bank and those of the Marine group, the presence of a number of alternative sources of banking service within relatively short distances of the

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offices of Pewaukee, and the economic characteristics of Pewaukee's primary service area, with agriculture, small businesses, and growing residential areas predominating. The Board also finds that acquisition of Pewaukee by Marine would not have a materially adverse effect on other banks in the area or on the general competitive situation.

It appears, therefore, that the proposed acquisition probably would have some beneficial effect on the convenience, needs, and welfare of the communities and the area concerned, and would not expand the Marine holding company system beyond limits consistent with adequate and sound banking, the public interest, and preservation of competition in the field of banking.

Conclusion. - 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 application should be approved.

August 4, 1959

Item No. 8
8/4/59

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

NOTICE OF TENTATIVE DECISION FOR PRIOR APPROVAL OF THE FORMATION
OF A BANK HOLDING COMPANY

Notice is hereby given that, pursuant to section 3(a) of the Bank Holding Company Act of 1956 ("the Act"), Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin, has applied for the Board's prior approval of action whereby Bank Stock Corporation of Milwaukee would become a bank holding company through the acquisition of 80 per cent or more of the outstanding voting shares of Marshall and Ilsley Bank, Milwaukee, Wisconsin and of Northern Bank, Milwaukee, Wisconsin. Information contained in the application and other information relied upon by the Board in making its tentative decision on the application are summarized in the Board's Tentative Statement of this date, which is attached hereto and made a part hereof, and is on file with the Federal Register Division and available for inspection at the office of the Board's Secretary and at the Federal Reserve Banks.

The record in this proceeding to date consists of the application, the Board's letter to the Commissioner of Banks of the State of Wisconsin inviting his views and recommendations on the application, the reply of the Commissioner, this Notice of Tentative Decision, and the facts set forth in the Board's Tentative Statement.

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For the reasons set forth in the Tentative Statement, the Board proposes to grant the application.

Notice is further given that any interested person may, not later than fifteen (15) days after the publication of this notice in the Federal Register, file with the Board in writing any comments on or objections to the Board's proposed action, stating the nature of his interest, the reasons for such comments or objections, and the issues of fact or law, if any, presented by said application which he desires to controvert. Such statement should be addressed: Secretary, Board of Governors of the Federal Reserve System, Washington 25, D. C.

Following expiration of the said 15-day period, the Board's Tentative Decision will be made final by order to that effect, unless for good cause shown other action is deemed appropriate by the Board and is so ordered.

Dated at Washington, D. C. this 4th day of August, 1959.

By the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY BANK STOCK CORPORATION OF MILWAUKEE FOR
PRIOR APPROVAL OF ACTION TO BECOME A BANK HOLDING COMPANY

TENTATIVE STATEMENT

Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin ("Bank Stock"), a corporation organized under the laws of Wisconsin, has applied, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of action that would result in Bank Stock becoming a bank holding company - namely, acquisition of 80 per cent or more of the outstanding voting shares of Marshall and Ilesley Bank ("M & I Bank") and of Northern Bank, both of which are located in Milwaukee.

Views and recommendations of the Commissioner of Banks of the State of Wisconsin. - Since both banks are State banks organized under the laws of Wisconsin, the Board, in accordance with the requirements of section 3(b) of the Act, gave notice of the application to the Commissioner of Banks of the State of Wisconsin and requested his views and recommendations with respect to the application. The Commissioner's reply stated, inter alia, that, based upon his study of the application and factors involved, he found no grounds upon which to object 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 banks 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 acquisitions 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. - Milwaukee County, which includes the City of Milwaukee and surrounding territory, had a population of 871,000 in 1950 and has a presently estimated population in excess of one million. In the County are 43 commercial banking offices, representing 29 banks and holding aggregate deposits of \$1,641 million on December 31, 1958, including \$1,322 million of deposits of individuals, partnerships, and corporations ("IPC deposits"). On that date, all commercial banking offices in the State of Wisconsin (about 700 in number) held \$4,363 million of deposits, of which \$3,828 million were IPC deposits.

The main office of M & I Bank is in the business center of Milwaukee, and its only branch is 1.6 miles to the west. The trade area of M & I Bank extends throughout Milwaukee County. It

holds IPC deposits of \$196 million, being the second largest bank in the City, County, and State.

Northern Bank, situated about 3.7 miles northwest of M & I Bank's main office and almost three miles from its branch, is the fourth largest bank in the City and County of Milwaukee, holding IPC deposits of \$50 million. Its primary trade area extends eastward to North 12th Street and southward to West North Avenue, and does not extend into what may be called the downtown area of Milwaukee.

The financial history, condition, prospects, and management of the two banks are satisfactory, as are the proposed financial structure, proposed management, and prospects of the projected holding company.

It appears to the Board that the closer affiliation with M & I Bank in the holding company might enable Northern Bank to improve the service it renders to customers in its area. Likewise, the holding company might be in a position to obtain needed additional capital for its banks more economically or otherwise more advantageously than could the banks individually.

Two bank holding company systems presently operate banks in Milwaukee and Milwaukee County. The largest bank in the area is a subsidiary of a holding company whose banks hold about 40 per cent of the IPC deposits of banks in the County, and the third largest bank is in a holding company system that holds about

12 per cent of such IPC deposits. The proposed Bank Stock group would hold about 19 per cent of the IPC deposits of all banks in the County.

Banks that are holding company subsidiaries and those proposed to be controlled by Bank Stock Corporation hold, in the aggregate, about 71 per cent of the IPC deposits of all banks in Milwaukee County. However, the City and County are served by a substantial number of smaller banks not controlled by holding companies.

As previously indicated, M & I Bank serves customers throughout Milwaukee County, but a large majority of its main-office deposits are derived from the downtown area of the City, extending to 12th Street on the west. Its branch serves an area to the west of the downtown section; the northern boundary of its primary service area is in the vicinity of West North Avenue. Consequently, it appears that the primary service area of Northern Bank does not substantially overlap the primary service area of either the main office or the branch of M & I Bank.

It is recognized that existing and potential competition between the two banks is not insignificant. Of Northern Bank's total IPC deposits, it is estimated that about 10 per cent originate in the primary service areas of M & I's two offices, and M & I derives approximately 9 per cent of its IPC deposits from Northern Bank's

primary service area. However, in view of the locations and the nature of the operations of these banks, and the number, locations, and character of competing institutions in the City and County of Milwaukee, it does not appear that the creation of Bank Stock Corporation or its ownership of a majority of the stock of M & I Bank and Northern Bank would have a materially adverse effect upon the preservation of competition in and around Milwaukee.

Conclusion. - It appears, therefore, that the establishment of the proposed holding company and its acquisition of stock of the two banks might have a beneficial effect on the convenience, needs, and welfare of the communities and the area concerned, and would not result in the existence of a holding company system extending beyond limits consistent with adequate and sound banking, the public interest, and preservation of competition in the field of banking.

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 formation of a holding company system, comprising Marshall and Ilsley Bank and Northern Bank, would not be inconsistent with the statutory objectives and the public interest and that, accordingly, the application should be approved.

August 4, 1959

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

Item No. 9
8/4/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 4, 1959.



CONFIDENTIAL (FR)

Mr. Carl E. Allen, President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Allen:

The Board of Governors approves the payment of salary to Mr. Harold L. Cheadle, Assistant Vice President, for the period October 1, 1959 through December 31, 1959, at the rate of \$13,500 per annum, which is the rate fixed by your Board of Directors as reported in your letter of July 23, 1959.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 10
8/4/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 4, 1959.

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 30, 1959, the Board approves the designation of Roger Kessler as a special assistant examiner for the Federal Reserve Bank of Atlanta to participate in examinations of State member banks only.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.