

Minutes for August 31, 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>           | _____ |
| Gov. Szymczak   | x <u><i>MS</i></u>          | _____ |
| Gov. Mills      | x <u><i>[Signature]</i></u> | _____ |
| Gov. Robertson  | x <u><i>RO</i></u>          | _____ |
| Gov. Balderston | x <u><i>CCRB</i></u>        | _____ |
| Gov. Shepardson | x <u><i>TS</i></u>          | _____ |
| Gov. King       | x <u><i>[Signature]</i></u> | _____ |

Minutes of the Board of Governors of the Federal Reserve System  
on Monday, August 31, 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. Kenyon, Assistant Secretary  
Mr. Fauver, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Daniels, Assistant Director, Division of Bank Operations

Messrs. Young, Garfield, Robinson, Koch, Brill,  
Fisher, Gehman, Keir, Peret, Solomon, Wernick,  
and Yager, and Miss Dingle of the Division of  
Research and Statistics

Messrs. Furth, Sammons, Dahl, Irvine, Katz, Maroni,  
and Wood of the Division of International  
Finance

Economic review. The Division of International Finance presented a review of the United States balance of payments situation and financial developments in selected foreign areas, together with comments on the Radcliffe Committee report, following which the Division of Research and Statistics summarized developments in the domestic economy.

At the conclusion of this report the representatives of the Division of International Finance withdrew from the meeting, along with all of the representatives of the Division of Research and Statistics except Messrs. Young, Robinson, and Fisher. Mr. Thomas also withdrew

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at this point and Messrs. Hackley, General Counsel, and O'Connell, Assistant General Counsel, entered the room along with Messrs. Solomon, Director, Nelson and Smith, Assistant Directors, and Thompson, Supervisory Review Examiner, Division of Examinations.

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:

|  | <u>Item No.</u> |
|--|-----------------|
| Letter to the Industrial State Bank of Kalamazoo, Kalamazoo, Michigan, approving the establishment of a branch in Portage Township.  | 1               |
| Letter to the Federal Reserve Bank of San Francisco regarding the applicability of section 8 of the Clayton Act to the service of Mr. R. A. Bergman as vice president of a Seattle bank and as a director of a proposed national bank in Burien, Washington. | 2               |

Application of The Marine Corporation (Item No. 3). On August 4, 1959, the Board issued a notice of tentative decision regarding the application of The Marine Corporation, Milwaukee, Wisconsin, for prior approval, under the Bank Holding Company Act, of the acquisition of shares of Pewaukee State Bank, Pewaukee, Wisconsin. The notice was published in the Federal Register on

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August 11 and the 15-day period for receipt of comments expired on August 26. No comments or objections were received.

There had now been distributed to the Board copies of a memorandum from Mr. Davis, Assistant Counsel, dated August 28, 1959, submitting a proposed final order and statement approving the application of The Marine Corporation.

Following comments by Mr. Hackley, the final order and statement were approved unanimously, with the understanding that they would be released this afternoon. Copies thereof are attached under Item No. 3.

At this point Mr. Molony, Assistant to the Board, entered the room.

Topics for meeting with Federal Advisory Council (Item No. 4).

There had been distributed to the members of the Board copies of a draft of letter to the Secretary of the Federal Advisory Council suggesting topics for inclusion on the agenda for the meeting of the Council to be held on September 14, 1959, and for the joint meeting of the Council and the Board on September 15.

During discussion of the proposed letter, question was raised as to whether it would be desirable to seek the views of the Council with respect to problems previously considered by the Board relating to the capital accounts of the Federal Reserve Banks. It was noted, however, that the views of the Reserve Bank Presidents had been requested and that there had not yet been an opportunity to receive



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comments from that source. In addition, aside from the matter of timing, some doubt was expressed as to whether this was a matter of such character that the Board should take the initiative in placing it on the agenda for discussion with the Federal Advisory Council. Accordingly, it was agreed that this topic should not be included on the list of items suggested for discussion at the forthcoming meeting.

Reference also was made to the possibility that the Council might raise a question with regard to actions to be taken by the Board under the recently enacted reserve requirement legislation, particularly with respect to vault cash. The view was expressed that the initiative in presenting this matter for discussion should come from the Council rather than the Board.

The proposed letter to the Secretary of the Federal Advisory Council was then approved unanimously. A copy is attached as Item No. 4.

Proposed remodeling program at Minneapolis. Governor Mills reported that discussion between the Budget Committee of the Board and President Deming of the Federal Reserve Bank of Minneapolis regarding the Bank's prospective budget for 1960 included reference to proposed alterations to the second floor of the head office building. This integrated program was estimated to involve an expenditure of around \$350,000. Governor Mills noted that within

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the past several years the Minneapolis Bank had added several floors to **its** building and within the past year had revamped one floor of the structure. While this program was in order and the results achieved were beneficial from the standpoint of operations, there was a question in his mind as to whether the proposed \$350,000 remodeling program was of such immediate essentiality as to warrant the expenditure. It also occurred to him that President Deming, before going to his directors with the plans developed by the Bank's architects, might wish to have such plans reviewed by the Board's consulting architect, thus bringing two professional points of view into play before arriving at a decision.

Governor Mills stated that there was also a more fundamental problem on his mind with regard to the discussions between the Budget Committee and the respective Presidents. This question related to whether the discussions were understood to be on a purely consultative basis or on a basis whereby the Budget Committee might take exception to some of the proposals mentioned by the Presidents and recommend adversely. If the former was the case, he was inclined to discount the usefulness of the discussions, except as they provided a general picture. On the other hand, if they were to be used as a basis for the exercise of the Board's general power of supervision over the operations of the Reserve Banks, that would be quite a different

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situation. This was a question to which he felt the Board should give consideration.

Mr. Farrell then commented in some detail concerning his understanding of the remodeling program proposed by the Minneapolis Bank, and certain questions with regard to the nature and urgency of the program were raised by members of the Board.

At this point Chairman Martin commented that President Deming would be in Washington tomorrow to attend a meeting of the Federal Open Market Committee, which would afford an opportunity for him to meet with the Board concerning the remodeling program. This procedural suggestion was regarded favorably and it was understood that the Board would meet with Mr. Deming tomorrow if Governor Balderston concluded, after talking further with Mr. Deming, that such a meeting would be advisable.

With regard to the more fundamental question presented by Governor Mills, Governor Balderston said it was his reaction that the Board gained something from arranging for a Budget Committee to listen to the respective Presidents, particularly because these meetings afforded an opportunity to discuss freely certain matters that had concerned the Board in the past, such as selectivity in proposing salary increases for Reserve Bank officers. In his view, however, formal action ought to await submission and analysis of the budgets and consideration by the entire Board. Accordingly, while he felt

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that the Board had gained a great deal through utilization of the Committee procedure, it appeared to him that to have the Committee endeavor to speak as the final voice of the Board would be a less effective procedure than to have free discussion at the beginning and then let the Reserve Bank budgets go through the customary channels prior to consideration and approval by the Board. In this connection, it was pointed out that items discussed with the Board's Budget Committee had not yet been approved by the directors of the respective Reserve Banks.

Chairman Martin then suggested that the point raised by Governor Mills be discussed further after consideration of the 1960 budgets had been completed.

Secretary's Note: Mr. Deming met with the Board at 12:25 p.m. on September 1, 1959, with all of the Board members present along with Messrs. Kenyon and Farrell. Mr. Deming commented on the proposed remodeling program in considerable detail, explained how the various parts fitted into an integrated program, and explained the advantages sought to be achieved in terms of security and operating efficiency. Asked whether it would seem desirable to have the Board's consulting architect review the plans, Mr. Deming indicated that the architect's comments would be welcome. He expressed some doubt, however, as to whether the architect should be asked to judge whether the proposed utilization of space would be preferable to possible alternative arrangements for the accommodation of Reserve Bank operations. On the other hand, it was pointed out that the proposed program involved the problem of converting an area originally intended for other purposes and that the consulting architect might be able to offer helpful comments from the standpoint of achieving the best design of the quarters. In this manner a second professional point of view would be available to the Reserve Bank. Accordingly, it was understood that arrangements would be made for the Board's consulting architect to visit Minneapolis to review the plans and offer comments.



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Matters mentioned in Atlanta examination report. A report on the examination of the Federal Reserve Bank of Atlanta made as of April 27, 1959, referred, among other things, to the operation of an evening shift in the check collection department and the disappearance of unissued savings bonds returned by an issuing agent. After discussion by the Board of the examination report at the meeting on July 9, 1959, Governor Mills was requested to get in touch with President Bryan regarding these two matters. In a letter dated July 31, 1959, which had been circulated to the members of the Board, Mr. Bryan commented on these items in some detail. With respect to the disappearance of the unissued savings bonds, Mr. Bryan submitted with his letter a complete file pertaining to the matter and pointed out that unissued stock credit had now been given by the Treasury Department. With respect to the twilight shift in the check collection department, Mr. Bryan contended that the establishment of this operation was warranted by limited quarters and by the pressure of work, which forced carrying an unwarranted volume of items until the next business day, and that the action taken by the Atlanta Bank was not an innovation within the System. He also contended that the Reserve Bank could not be validly accused of favoring the Atlanta commercial banks because any member bank getting its checks to the Reserve Bank before 7:00 p.m. could have them handled on the same basis. He acknowledged, however, that when the

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Reserve Bank previously received checks after the cut-off hour, the checks were worked the next day and the applicable deferment schedule became operative at such time. The present procedure called for sorting and working the items the same day as received and the deferment schedule became operative as of that day. In other words, it now began, for items received after the cut-off hour and before 7:00 p.m., one day earlier than it did before. This tended to create some additional float, because not all of the checks worked in the evening shift were actually collectible a day earlier.

After comments by Mr. Smith on the revised check collection procedure, question was raised as to whether the Board should meet with President Bryan.

Governor Mills commented that the problem was one basic to the whole Federal Reserve check collection system and did not apply solely to the Atlanta Reserve Bank. One phase of the matter that he thought deserved study was the question whether a Federal Reserve Bank should undertake independently a practice quite markedly different from the practices of other Federal Reserve Banks or whether it would be wiser to discuss such a proposal with the other Reserve Banks through the established channels. The System Committee on Collections and Accounting, he noted, had just completed a report on a rather exhaustive study of check collection procedures that grew out of the System study of float.

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As a result, the Committee had now transmitted to each Federal Reserve Bank a memorandum summarizing actions taken by the respective Banks with a view to expediting the processing of checks and reducing the volume of float. Also, several years ago the Federal Reserve System joined the American Bankers Association and the Association of Reserve City Bankers in a comprehensive study of the adequacy of the check collection system, and certain recommendations were made with a view to deflecting volume from the Federal Reserve Banks. That report was never implemented, principally, as he recalled, because of strong resistance from the Reserve City Bankers Association.

These problems, Governor Mills brought out, were very closely connected. As he understood it, the general tendency of the Reserve Banks had been to advance rather than to extend their cut-off hours, thus forcing the burden of carry-over to the member banks. If they were to start extending the cut-off hour and the volume of items reaching the Reserve Banks multiplied, the Banks would be posed with the problem of additional float. In the final analysis, the question became one of whether the System had an obligation, even though substantial additional cost was involved, to go in the direction of working on a night-and-day basis to improve its check collection services. An alternative might be to take further steps such as those instituted in Nassau County, New York, and Bergen County, New Jersey, involving the subsidization of regional check clearing arrangements.

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A fundamental question of policy, Governor Mills said, was whether the Board should inject itself further into the matter of the Atlanta twilight operation. Mr. Bryan had introduced a practice that he might reasonably have felt would fall within the scope of his authority as the President of a Federal Reserve Bank.

Following further discussion of the apparent results of the operation of the twilight shift at Atlanta, Governor Mills said it was his personal feeling that the Board should not inject itself into this specific problem. He judged that the Reserve Bank Presidents, perhaps at the time of the September meeting of the Presidents' Conference, would review with the Board the results of the study by the Committee on Collections and Accounting, which might provide an opportunity to refer to the Atlanta matter within the framework of the general problem.

There was agreement with the procedure suggested by Governor Mills, it being noted that this would be in line with the usual manner of dealing with the Reserve Bank Presidents on matters falling within the area of Reserve Bank operations.

Operation Alert 1959. At the suggestion of Governor Balderston, it was agreed to postpone consideration of a memorandum addressed to Governor Balderston by a staff committee concerning certain operational problems that had arisen during Operation Alert 1959 in order that papers relating to other aspects of the exercise might be considered by the Board at the same time.



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Messrs. Farrell and Smith then withdrew from the meeting.

Request from Congressman Celler (Item No. 5). At the Board meeting on August 27, 1959, Governor Robertson called attention to an oral request made on behalf of Congressman Celler of New York for certain data relating to the proposed merger of The New York Trust Company into Chemical Corn Exchange Bank. The information desired included a breakdown of the types of loans made by each of the two banks, with the total amount of each type of loan, and the total number of common borrowers from each of the two banks, with the amount of loans made by each bank to such borrowers. Data were requested covering the last two years, but in subsequent discussion with Governor Robertson the spokesman for Congressman Celler expressed satisfaction with information as of a recent date or dates; also, with respect to common borrowers, data that could be said to represent a substantial portion of the total loans by both banks to such borrowers. Such information had now been obtained by the New York Reserve Bank, in part from the two member banks, and had been transmitted by the Reserve Bank to the Board. The member banks were informed of the reason for the request and, in transmitting the data to the Reserve Bank, had expressed a preference that it not be released by the Board.

Pursuant to the understanding at the August 27 meeting, Governor Robertson had informed the spokesman for Congressman Celler that the Board

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would not be in a position to consider whether to furnish the data unless it received a written request from Congressman Celler as Chairman of the House Committee on the Judiciary. Such a letter, received under date of August 27, made the request on behalf of the Antitrust Subcommittee and stated that the information, if furnished by the Board, would not be released to the public.

A memorandum from Mr. O'Connell dated August 28, 1959, which had been distributed to the Board, summarized developments in connection with the request and submitted a draft of letter that might be sent to Chairman Celler if the Board decided to comply. The suggested letter would transmit data on larger common borrowers at both Chemical Corn and New York Trust as at June 10, 1959, which had been compiled by the respective banks. It would also transmit a breakdown showing types of loans by the two banks as of June call report dates in 1957, 1958, and 1959, which data had been compiled by the New York Reserve Bank from unpublished portions of the call reports.

Following comments on the matter by Mr. O'Connell, Governor Mills pointed out that it could be reasoned that Mr. Celler had acted in his capacity as Chairman of the Judiciary Committee to seek information regarding a proposed bank merger as to which he had publicly declared his opposition. It was difficult for him to view Mr. Celler's request as other than an attempt to influence the position of the regulatory

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agencies upon whom a decision in this case must rest, and he felt that the Board could subject itself to criticism by transmitting information that might be used for such purpose. Accordingly, he doubted whether the Board could properly accede to the request. The member banks hardly had a choice in supplying the information; they could scarcely refuse to comply with a request from a Federal supervisory agency that would be called upon to consider an application for branches incident to the proposed merger. In supplying these data, however, the member banks had requested that the information not be released by the Board. It was Governor Mills' view that the Board must honor the spirit of that request, for to do otherwise would involve a serious breach of the confidentiality inherent in relationships between the Federal Reserve and member banks.

Governor Robertson pointed out that the member banks were aware of the purpose of the request and nevertheless provided the information. He found it difficult to see how the Board, as an administrative agency, could now take the position that it would refuse the request of the Judiciary Committee. However, if the Board complied with the request, he felt that the two member banks should be advised as to what the Board had done and that they should be provided copies of the data in the form transmitted to Chairman Celler. Mr. Celler's letter of August 27, Governor Robertson noted, contained a specific statement

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that the information would not be released to the public, and the proposed reply to Mr. Celler would state that the information was being transmitted subject to this understanding. It was Governor Robertson's view that the Board should approve the proposed letter and send the data to Chairman Celler.

Governor Szymczak concurred and pointed out that the Judiciary Committee was a body having bank merger legislation under consideration. He agreed that the two member banks should be advised that the data had been submitted in compliance with Mr. Celler's request.

Chairman Martin commented that he found it difficult to see on what basis the Board could refuse to comply with a request of this kind, following which Governor Shepardson expressed a similar reaction. It appeared doubtful to him that divulgence of the data would be injurious to the banks in any way. The matter of common borrowers was, of course, pertinent to the consideration of competition that would be eliminated as the result of the proposed merger.

Governor King agreed with the views expressed by Governors Szymczak and Shepardson. He commented that if the Board failed to comply with the request, it seemed likely that the Judiciary Committee eventually could obtain the information in some manner if it so desired.

Governor Mills suggested that the data, if sent to Chairman Celler, seemed likely to be conveyed to the Department of Justice. If the Judiciary Committee had a strong interest in this particular subject,



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he felt that the proper procedure would be for the Committee to hold hearings rather than to proceed in a manner that merely would satisfy the inclinations of one or more members of the Committee who found the proposed merger distasteful. The unpublished information drawn from the call reports was confidential in nature. Should it be subpoenaed by the Judiciary Committee, the data presumably would have to be tendered by a representative of the Federal Reserve System but, if he understood correctly a statement by the Legal Division at the August 27 meeting, such representative could then decline to introduce it in evidence on the ground of its confidential character.

Mr. Hackley commented that this would be the procedure if the Board should decide that certain confidential information was of such a nature that it should not be divulged to a Congressional committee. However, the Board's rules contemplate that any confidential information may be divulged with the specific approval of the Board. Therefore, it would be in accordance with those rules to give a Congressional committee information that might have a bearing upon legislation under consideration by such committee. In this case, the Judiciary Committee was known to have bank merger legislation under consideration and Mr. Celler had indicated that he had an interest in the proposed Chemical Corn-New York Trust merger because it showed a need for legislation such as the Committee had been considering.

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Question was raised as to whether the data, if transmitted to Mr. Celler, also should be transmitted to the Justice Department but it was agreed that this need not be done. The Justice Department, it was pointed out, had studied the proposed merger and had advised Mr. Celler of its lack of jurisdiction under the Clayton Act.

It was then agreed, Governor Mills voting "no" for the reasons he had stated, to transmit the requested information to Chairman Celler, with advice to The New York Trust Company and Chemical Corn Exchange Bank through the Federal Reserve Bank of New York that this had been done. A copy of the letter sent to Chairman Celler pursuant to this action is attached as Item No. 5.

Request for comments on housing bill (Item No. 6). The Bureau of the Budget had requested the Board's comments on enrolled bill S. 2539, cited as the "Housing Act of 1959". A memorandum from Mr. Young dated August 31, 1959, which was distributed at this meeting, pointed out that the economic characteristics of the legislation did not differ materially from S. 57, the housing bill previously vetoed by the President, and that noneconomic considerations seemed likely to influence the President's decision with regard to S. 2539. The Board had reported on S. 57 under date of June 26, 1959, and Chairman Martin's statement before the Housing Subcommittee of the Senate Banking and Currency Committee on July 29, 1959, embodied the Board's general views on housing legislation. No reason was seen to change the position taken in the June 26 letter.

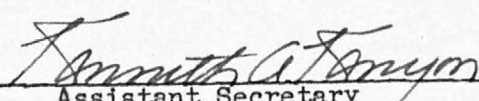
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In discussion, certain changes in the form of the proposed letter were suggested and agreed upon. Unanimous approval then was given to a letter to the Budget Bureau in the form attached as Item No. 6.

The meeting then adjourned.

Secretary's Note: Mr. Harry R. Hinkes, Hearing Examiner, who was originally detailed to the Board from the Office of Alien Property, Department of Justice, for the purpose of conducting a hearing on a matter arising under the Bank Holding Company Act, had now transferred to the Federal Trade Commission. Accordingly, Governor Shepardson today approved on behalf of the Board a letter to the Federal Trade Commission requesting a detail of Mr. Hinkes' services to the Board for the period August 23 through September 30, 1959, on the same terms and conditions as his detail from the Office of Alien Property.

  
Assistant Secretary



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

Item No. 1  
8/31/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 31, 1959.

Board of Directors,  
Industrial State Bank of Kalamazoo,  
Kalamazoo, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the southwest corner of Westnedge Avenue and Milham Road, Portage Township, Kalamazoo, Michigan, by Industrial State Bank of Kalamazoo, Michigan, provided the branch is established within six months from the date of this letter.

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  
8/31/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 31, 1959.

Mr. E. R. Millard, Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Millard:

Reference is made to your letter of August 12, 1959, with regard to the question whether section 8 of the Clayton Act would prohibit Mr. R. A. Bergman, who is a Vice President of Peoples National Bank of Washington, Seattle, Washington, from serving as a director of a proposed national bank to be located in the unincorporated community of Burien. The question is whether Burien is "contiguous or adjacent" to Seattle within the meaning of section 2(d)(5) of Regulation L.

It appears that Burien is located approximately five miles from the city limits of Seattle. The area lying between the city limits and Burien is generally urban in character, and contains several shopping centers, the chief one being White Center, which is contiguous to the city limits. The region between White Center and Burien appears to be well populated and laid out in streets. You say that your files indicate that as of 1957 there may have been as many as 50,000 persons within the service range of the banks located in Burien. Your conclusion is that Burien is in such close proximity with, and is so readily accessible to, the city of Seattle as to constitute them "in practical effect a single city."

Mr. Bergman says that there is no substantial competition between the banks of Burien and those of Seattle, and you agree. He also points out that the distance between Burien and the city limits of Seattle is five miles and that it takes 25 to 30 minutes to drive to Seattle city center, and longer than that during rush hours. However, this type of situation is common in large metropolitan areas, where banks which are located in suburbs are no more accessible than this to downtown banks, and where even banks located in the same city are less accessible to each other.

Mr. E. R. Millard

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In the circumstances, the Board sees no reason to differ with your conclusion that Burien should be regarded as "adjacent" to Seattle and that Mr. Bergman's service as a director of the proposed bank would therefore be within the prohibition of section 8 of the Clayton Act.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

Item No. 3  
8/31/59

## UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----  
| In the Matter of the Application of |  
| THE MARINE CORPORATION |  
| For prior approval of acquisition of |  
| voting shares of Pewaukee State Bank, |  
| Pewaukee, Wisconsin |  
|-----

ORDER APPROVING APPLICATION 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)), an application on behalf of The Marine Corporation whose principal office is in Milwaukee, Wisconsin, for the Board's prior approval of the acquisition of 2,400 or more of the 3,000 outstanding voting shares of Pewaukee State Bank, Pewaukee, Wisconsin; a Notice of Tentative Decision referring to a Tentative Statement on said application having been published in the Federal Register on August 11, 1959 (24 F.R. 6465); 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 The Marine Corporation of 2,400 or more of the 3,000 outstanding voting shares of Pewaukee State Bank is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington, D. C. this 31st day of August,  
1959.

By order of the Board of Governors.

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

(signed) Kenneth A. Kenyon

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Kenneth A. Kenyon,  
Assistant 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

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,

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. - The above views were incorporated in a Tentative Statement issued in connection with a Notice of Tentative Decision in this case, published in the Federal Register on August 11, 1959 (24 F.R. 6465) 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 light of the 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 the application should be approved. It is so ordered.

August 31, 1959



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

Item No. 4  
8/31/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



August 31, 1959.

Mr. Herbert V. Prochnow, Secretary,  
Federal Advisory Council,  
c/o The First National Bank of Chicago,  
P. O. Box A,  
Chicago 90, Illinois.

Dear Mr. Prochnow:

The Board suggests the following topics for inclusion on the agenda for the meeting of the Federal Advisory Council to be held on September 14, 1959, and for discussion at the joint meeting of the Council and the Board on September 15:

1. The Board would appreciate receiving the views of the Council regarding the current business situation and the prospects for business activity during approximately the next six months, along with reports from the individual members of the Council regarding current or prospective developments in their districts having special significance to the total picture for the country as a whole.
2. The Board would appreciate the Council's views on the strength of the current demand for credit and the prospective demand for bank loans during the remainder of this year.
3. The Board would be glad to have the views of the Council regarding appropriate credit policy between now and the next meeting of the Council.
4. The Council is familiar with the current status of proposed legislation relating to interest rate ceilings on Treasury bonds and United States Savings Bonds. The Board would be interested in any views that the Council may have regarding this matter.
5. The Board has received communications from numerous bankers in various parts of the country either for or against

Mr. Herbert V. Prochnow

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a change in the maximum permissible interest rates on time and/or time and savings deposits. Would the Council care to express any views on this subject?

6. The Board would be glad to receive any expressions that the Council might care to make with regard to problems arising under Regulation U as amended June 15, 1959.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 5  
8/31/59

OFFICE OF THE CHAIRMAN

August 31, 1959

The Honorable Emanuel Celler, Chairman,  
Committee on the Judiciary,  
House of Representatives,  
Washington, D. C.

Dear Chairman Celler:

This refers to your letter of August 27, 1959, relating to the proposed merger of the Chemical Corn Exchange Bank and The New York Trust Company, both of New York City, and containing a request that the Board furnish to the Antitrust Subcommittee of the Committee on the Judiciary certain data as to loans made by the above-mentioned banks.

Pursuant to your request, there are enclosed schedules containing, with minor variation, the data in the form requested. As explained by telephone to Mr. Herbert Maletz of your staff, the data as to common borrowers of over \$500,000 has been furnished as of a near current date only, inasmuch as compilation of similar information for the past two years, as requested, would have taken considerably more time in preparation.

This loan data is transmitted to the Antitrust Subcommittee with the understanding expressed in your letter that the information will not be released to the public.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosures

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

Item No. 6  
8/31/59

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



August 31, 1959.

Mr. Phillip S. Hughes,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Hughes:

The Bureau of the Budget has asked for the Board's views on S.2539, now before the President. The Board has already commented on an earlier version, S.57, in a letter dated June 26, 1959.

The principal difference between the bills, at least with respect to possible ultimate Federal capital outlays, is the elimination in S.2539 of the provision of S.57 which called for discretionary authorization for additional public housing. Otherwise the comments in the Board's letter of June 26 continue to be generally applicable.

Chairman Martin's statement on S.57 before the Housing Subcommittee of the Senate Banking and Currency Committee on July 29, 1959, a copy of which is attached, embodies the Board's general views on housing legislation.

With respect to the Chairman's statement, the Board notes that S.2539 eliminates the feature of S.57 that provided discretionary authority to extend the maximum term on Federally-underwritten mortgage loans. On the other hand, S.2539 retains the feature of S.57 providing discretionary authority to reduce minimum down payments on these loans.

Sincerely yours,

*Kenneth A. Kenyon*

Kenneth A. Kenyon,  
Assistant Secretary.

Enclosure