FR 609
Rev. 10/59

Minutes for October 8, 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, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Minutes of the Board of Governors of the Federal Reserve System on Thursday, October 8, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Benner, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Davis, Assistant Counsel
Mr. Achor, Examiner, Division of Examinations

Letter to First Bank and Trust Company of South Bend (Item No. 1).

There had been distributed under date of September 23, 1959, a memorandum from the Division of Examinations recommending approval of the application from the First Bank and Trust Company of South Bend, South Bend, Indiana, to continue the operation of the present main office of the First Bank and Trust Company and the two existing branches of St. Joseph Bank and Trust Company as branch offices of the surviving bank, First Bank and Trust Company, incident to the proposed merger of the two institutions.

In commenting on this application, Mr. Solomon stated that at first blush this case appeared to present undesirable concentration of

1/ Withdrew and re-entered meeting at point indicated in minutes.

banking, since First Bank was the largest in South Bend. However, upon careful consideration, the following factors weighed against such a conclusion: (1) Although the main offices of the participants were located only one block apart in the downtown area of South Bend, the branch to be located at the First Bank site would not offer commercial banking services and competition in banking was keen in the heart of the city. No undesirable concentration existed with respect to the sites of the individual proposed offices of the merged banks. (2) Comparison of banking concentration within a 15-mile radius of South Bend showed it to be considerably less than within South Bend proper, and considerably less than within the Grand Rapids, Michigan area at the time the Board considered and disapproved the Old Kent Bank and Trust Company application in 1958. A comparison for the Springfield, Massachusetts area showed that the concentration would not differ greatly from that of Valley Bank and Trust Company which had received Board approval in 1959. Analysis of all factors had led the Division of Examinations to the conclusion that the decision in the South Bend case was not so difficult as it seemed to be at first glance. The Division's conclusion was that the establishment of the branches would not produce any substantial change in the competitive situation or increase the tendency toward monopoly, and that therefore the arguments for approval were stronger than the arguments for denial of permission to continue the three branches in operation after the merger, which had already been approved by State authorities and was not

subject to Board approval. This was also the recommendation of the Federal Reserve Bank of Chicago.

In the discussion that followed, question was raised regarding the significance of a 15-mile radius from South Bend as a standard for measuring banking concentration. This discussion brought out the fact that the Chicago Reserve Bank had initiated the use of a 15-mile radius on the grounds that this was believed to be the primary service area for the First Bank and Trust Company, based to some extent on information contained in population reports and also on geographical and trade relationships. The Chicago Reserve Bank, in its memorandum to the Board, had pointed out that there was no open farm land within this radius from South Bend, and that the banks in the latter city were feeling competition from those in Elkhart, located 15 miles to the east, and from banks in Niles, Michigan, nine miles to the north.

In response to a question from Governor Balderston, Mr. Hackley said that the Legal Division had come to the same conclusion as the Chicago Reserve Bank and the Division of Examinations. While the percentage of banking offices operated by a bank was a matter of concern, the most important consideration was the extent to which competition would be affected by the continued operation of the three offices in question.

Governor Robertson said that if the Board had authority over the merger this was a case where he would vote against approval. The Board

did not have that power, however, and he could see no basis on which one could say that the competitive position would be maladjusted because of the operation of the three branches. Consequently, he would vote to approve their establishment.

After further discussion of the competitive factors in the South Bend area, a letter in the form attached to these minutes as Item No. 1 was approved unanimously for transmittal to the First Bank and Trust Company of South Bend, informing it of Board approval of the establishment of the requested branches subject to the conditions listed.

Application of Wisconsin Bankshares Corporation. Memoranda dated September 10 and October 5, 1959, had been distributed from the Division of Examinations and the Legal Division respectively, regarding the application of Wisconsin Bankshares Corporation for prior approval of the acquisition of 2,950 voting shares of Mayfair National Bank of Wauwatosa, Wauwatosa, Wisconsin, in accordance with section 3(a) of the Bank Holding Company Act of 1956.

In support of the Division of Examinations' opinion that a Notice of Tentative Decision granting the application should be issued, Mr. Hostrup emphasized that the Mayfair Shopping Center, in which the new Mayfair National Bank of Wauwatosa was to be established, was very large, that there was no banking office in the primary service area of the proposed bank, and that no new banking office had been established in Wauwatosa since 1920. He went on to say that this was a close case

requiring a balancing of favorable factors regarding the convenience, needs, and welfare of the communities and the area concerned, against unfavorable factors relating to the probable effect of the size of the bank holding company system upon adequate and sound banking, the public interest, and the preservation of competition in the field of banking. The Division of Examinations agreed with the opinion of the Comptroller of the Currency that a bank was needed; but he (Mr. Hostrup) would not have concurred that approval should be granted the application if Wisconsin Bankshares had been trying to take over an existing bank rather than to set up a new office. A further consideration supporting approval of the application was the previously cited fact that there had been no other application for a new bank in Wauwatosa for some time.

In answer to a question from Governor Balderston as to whether the Division of Examinations had obtained information regarding the possible pre-emption of a building site at the Mayfair Shopping Center by Wisconsin Bankshares, Mr. Hostrup replied that some kind of agreement had been entered into between the owners of the shopping center and Wisconsin Bankshares prior to its construction. On the other hand, Mr. Matthews, the Wisconsin State Bank Commissioner, had provided the information that since 1947 he had not been approached by any other parties interested in establishing a State bank in the Wauwatosa area.

There was then some discussion of a question raised by Governor Robertson relating to the methods employed by the Division of Examinations

and the Reserve Banks to obtain first hand information regarding competitive factors in cases of this type. In this connection, it was brought out that not all of the Reserve Banks make on-the-spot investigations of the factual circumstances relating to applications of this nature. It was noted further that certain Reserve Banks made intensive studies, whereas others did not.

There was general agreement with the suggestion by Governor Robertson that in cases of this kind each Reserve Bank should be requested to make a field investigation of the factual situation where an application related to a bank within its jurisdiction.

Mr. Hackley referred to the close character of the decision required in this case and raised the issue of consistency in the Board's record in deciding with respect to bank holding company applications. He noted that a closely similar case to the instant one was that of the Southgate National Bank of Milwaukee, a subsidiary of the same holding company. He also called attention to the Rochester, Minnesota case in which the Board had said that, although it recognized a holding company had more resources with which to enter a new community and with which to absorb initial operating losses, it rejected the application, because the demonstrated need was not so great as to offset the adverse factors. In the present case, even though the proposed bank was to be established by the largest bank holding company in the State, there was stronger evidence of need. When in the Board's judgment sufficient need was

shown, the legislative history of the Bank Holding Company Act of 1956 indicated that approval of the establishment of a new bank by a large holding company was justified.

Governor Robertson stressed the importance of an exhaustive factual investigation as a preliminary to determining the degree of need in such cases, indicating that round figures on population growth by themselves were not an indicator of need for additional banking facilities. He cited, upon a question from Governor Shepardson, the extent of business development in the area, needs for banking service not presently available, telephone installations, types of business enterprises, and the extent to which the area served as a self-contained unit and not just as a residential adjunct to a larger community, as examples of what he had in mind. He added that he would like to have information of the type that is considered by the Comptroller of the Currency in reaching his decisions of whether to approve or disapprove applications for additional banking facilities.

Governor Mills, in stating that he would favor the present application, noted that there were broader considerations that applied in these cases than the tangible facts of the individual matter. As had been pointed out by Mr. Hackley, it was extremely important that the Board give proper regard to the precedent that it had established in deciding earlier cases. He then read a prepared statement, as follows:

The Wisconsin Bankshares Corporation has filed an application to obtain the controlling shares of the Mayfair National Bank of Wauwatosa, Wisconsin, which it is sponsoring and which is to be located within the City of Milwaukee's metropolitan area. Wisconsin Bankshares Corporation presently occupies a dominating position in the City of Milwaukee's financial community. It also owns and operates commercial banks in other Wisconsin communities, but there is no indication that it occupies a dominating position outside of the City of Milwaukee.

In the present instance, however, if Wisconsin Bankshares had made application to organize and own a new bank outside of the City of Milwaukee's metropolitan area, careful consideration would be necessary to determine whether by penetrating new territory a trend toward dominance would be established that would be contrary to the public interest, even though domination outside of the City of Milwaukee would be inconsequential. In a case where the organization of a new bank by Wisconsin Bankshares would represent penetration into new territory, the decisive factor in considering such an application would, in the writer's opinion, devolve on what competition would be offered the Wisconsin Bankshares Corporation in the new community to which it wished to extend its services and whether penetration into such a community would adversely displace the existing competitive banking situation in favor of the Wisconsin Bankshares Corporation subsidiary.

The preceding comment is intended merely as background to the Wisconsin Bankshares Corporation application to organize the Mayfair National Bank of Wauwatosa. Inasmuch as the community of Wauwatosa is an integral part of the City of Milwaukee's metropolitan area, judgment on the application must focus on what amounts to the problem of density of population and to what extent additional banking facilities would be permitted to meet the kind of situation where large numbers of people are unquestionably convenienced by the accessibility of banking services. Whether those services should be supplied by independent banks or by banks that are offshoots of holding companies is secondary to the compelling desirability of providing banking services. The Federal Reserve Board has had no compunction in permitting the establishment of branches of downtown banks in communities where branch banking is permitted by State law. The fact that the laws of the State of Wisconsin do not permit branch banking outside of the City of Milwaukee proper does not detract from

the fact that it is only this technical hindrance that would prevent the extension of branch banking to the metropolitan area of the City of Milwaukee.

Wauwatosa, Wisconsin, is an integral part of the City of Milwaukee's metropolitan area and it is entirely logical for Wisconsin Bankshares Corporation to wish to extend its services to that community in a location whose surrounding population would be greatly convenienced by the easier accessibility of banking services. Where the long-run evolution of commercial banking, especially in communities having large populations, has been to cultivate the consumer by way of widening the range of banking services made available, it has become apparent that whereas the commercial banks profit from this type of expansion, the individual consumers who are served by additional banking outlets are indifferent to the ownership of the outlet and are actuated in establishing a banking connection solely for reasons of convenience of location and availability of banking services. Under these circumstances, it makes little public difference in a metropolitan area as to whether a banking outlet represents bank holding company ownership or independent bank ownership as long as the extension of a bank holding company's services does not subject community independent banks operating in the same area to intolerable competitive pressures.

In the instant case, the Mayfair National Bank which Wisconsin Bankshares Corporation seeks to organize would be located in an area of dense population where competing independent banks are located at distances of two miles or more. In the light of the writer's experience and observation, heavily populated communities can well afford to enjoy banking facilities located at distances such as those mentioned without provoking undesirable competitive situations, and it is in line with this reasoning that the Board of Governors has been liberal in granting member bank applications to establish branches in large communities even though their locations may not be at any great distance from each other. As indicated above, no logical demarcation can be made between the reasoning that would justify the extension of branch banking facilities into heavily populated areas in States where branch banking is allowed and between the extension of similar services via the expansion of a bank holding company.

In each instance the public interest requires satisfaction and such satisfaction in the current case of Wisconsin Bankshares Corporation justifies approval of its application to establish the Mayfair National Bank. The fact that Wisconsin Bankshares

Corporation may have enjoyed a pre-emptive right to the physical location on which it proposes to establish the Mayfair National Bank does not detract from the jurisdiction of its application.

After leaving aside the physical factors that favor approval of the Wisconsin Bankshares Corporation application to establish the Mayfair National Bank, it remains to determine whether the establishment of such bank would increase the resources that are controlled by the Wisconsin Bankshares Corporation to a point of dominance that would be contrary to the public interest. The volume of resources which can be employed by a large commercial bank, in the writer's opinion, has more importance for their bearing on monetary policy through the choice of uses to which they are put than the fact that their total amount may be very substantial. There is no question but that the nation's largest banks deploy their resources over a wide area of commercial banking credit and convenience services and do not concentrate their activities in any single one area of credit functioning that would foreclose the accessibility of other types of credit services required by consumers. This fact is patently applicable to the Wisconsin Bankshares Corporation, and it is probable that the establishment of the Mayfair National Bank would tend to expand the kinds of banking services that would become available to residents of that community. In any event, the increment of additional deposits that would fall under the control of the Wisconsin Bankshares Corporation via its operation of the Mayfair National Bank of Wauwatosa would be inconsequential when measured against the total of resources at its command.

Governor Robertson then indicated he would favor approval of the application. This was on the basis that the Board's record in this case showed that, although it appeared as though a large holding company had pre-empted an area, no other applicant had indicated an interest in establishing a bank in that area. Furthermore, the record showed that the Comptroller of the Currency and the Federal Reserve Bank of Chicago had found a strong need to exist and that, in consequence, the size of the holding company was not sufficient to justify disapproval of the

application to establish a new bank. He cautioned that there was the danger that an affirmative decision in this case might be taken as a precedent for large holding companies to pre-empt banking locations and he was hopeful the case could be decided on the basis of the strong need for banking facilities.

Governor Shepardson said that he would vote to approve the application and that he would generally have the views reflected in the comments of Governors Mills and Robertson.

Governor King said that he had no difficulty in arriving at a favorable decision in this case, since on the record the holding company was strong from the standpoint of capital and management and had not shown a strong expansionist tendency over the years; in fact, its relative share of bank deposits in the State had declined more recently. He was also influenced in his decision by the fact that the primary motive for a new bank being established seemed to be a desire to render a needed public service.

All members of the Board having indicated that they were prepared to approve the application, the Legal Division was instructed to prepare a draft of a tentative decision in this case for the consideration of the Board. In this connection, Mr. Hackley noted that the tentative statement to accompany announcement of the tentative decision would require especially careful preparation and that it might be some little time before it could be submitted for the Board's consideration.

Mr. Riefler withdrew from the meeting during the foregoing discussion.

Procedures for "tentative decisions" with respect to applications under Bank Holding Company Act. A memorandum had been distributed from the Legal Division under date of September 28, 1959, reviewing the procedure now being followed in issuing tentative decisions made by the Board with respect to applications under section 3 of the Bank Holding Company Act of 1956. Under this procedure the Board's actual decision was made and Order issued only after allowing at least 15 days for the submission of comments by interested persons on the basis of the statement accompanying the tentative decision.

The memorandum from the Legal Division noted that the present procedure was adopted by the Board on September 26, 1958, on the recommendation of the Legal Division, and that it was prompted by the prospect at that time of judicial review of the Board's denial of an application filed by First Bank Stock Corporation of Minneapolis, Minnesota. The contentions made by the holding company in that case included the assertion that there was no "adequate" record indicating the grounds for the Board's negative decision. It was believed that the adoption of the tentative decision procedure would not only be in the interest of a fair procedure but would also help to establish a better record in such cases in order that the Board's decisions might be more likely to be sustained in the event of judicial review. This

was because the inclusion of comments for and against an application that would result from issuance of the tentative decision would afford a more adequate over-all record of the views leading to the Board's actual decision and Order. While some consideration had been given to the possibility of issuing tentative decisions only in cases in which the Board proposed to deny an application, the Board had agreed in September 1958 that the procedure would be at least as advisable where the Board proposed to approve an application. In adopting the tentative decision procedure, the Board had recognized that it would not entirely solve the problem of creating a better record, and there had been some indication that its continuance should depend on experience with its use. Therefore, the Legal Division's memorandum of September 28, 1959, had been prepared with a view to recounting and analyzing the experience over the past year. This experience showed that in all cases decided to date the Board's Order in a holding company decision had been consistent with its tentative decision and that, consequently, the statement accompanying each such Order had been substantially identical with the tentative statement.

The Legal Division's memorandum noted that one objection to the present procedure was that members of the Board present at the time a tentative decision was reached might not be the same as at the time of the "final" decision, with the consequent possibility of a difference in votes even though no new facts or arguments had been developed as a

result of the issuance of the tentative decision. Another and perhaps more fundamental objection was that issuance of the tentative decision suggested that the Board had already made up its mind and persons with an interest in the matter might be discouraged from submitting comments that they might otherwise have made.

After outlining a possible alternative procedure under which notice would be given in the Federal Register of the receipt of such application under the Bank Holding Company Act, and after commenting on possible objections to and problems under such a procedure, the Legal Division's memorandum presented the following alternative courses of action that might be considered:

1. Continue the present "tentative decision" procedure without change;

2. Abandon the present procedure and treat holding company applications like any other applications, except where a public hearing is required by the Holding Company Act or is ordered by the Board;

3. Abandon the present procedure and, instead, adopt a procedure of publishing notice of the receipt of all holding company applications, stating the names of the applicant and the bank or banks involved, indicating the general nature of the proposed transaction quoting the five statutory factors, and allowing 30 days for the submission of comments, either -

(a) With a statement that the application is available for public inspection; or

(b) Without any statement regarding inspection of the application, leaving any requests for inspection to be considered on an ad hoc basis; or

(c) With a statement that the application, except such portions thereof as the Board may determine to withhold from disclosure, is available for public inspection, either

(1) If a written request for such inspection is granted by the Board, or

(2) Without requiring such written requests for inspection to be passed upon by the Board.

The Legal Division recommended, all things considered, adoption of the third alternative and, under that, it favored sub-alternative (c). It noted, however, that bank holding companies presumably would object, perhaps strongly, to any procedure for announcement of receipt of applications, and they almost certainly would object to applications being made available for public inspection. Therefore, if any such procedure were to be adopted, the Legal Division suggested that there be published in the Federal Register a notice of a proposed amendment to Regulation Y, Bank Holding Companies, indicating the procedure planned to be followed and allowing 30 days for the submission of comments on the proposed amendment, a draft of which was attached.

Mr. Hackley commented in some detail on the substance of the Legal Division's memorandum recommending that the tentative decision procedure be abandoned and that notice be published of the receipt of all holding company applications. He noted that the proposed procedure would be generally in line with practices of several other Government agencies such as the Securities and Exchange Commission and the Federal

Power Commission, while so far as could be determined no other agency followed the equivalent of the "tentative decision" procedure. Mr. Hackley went on to say that the Legal Division's recommendation brought up the question of disclosure of information of an unpublished character. Ordinarily, such information would not be made available, but under the Board's Rules of Organization the Board could make available this type information in certain circumstances. One possibility would be to state in the Federal Register that an application had been received and was available for inspection by any interested person. The individual would have to show why he had an interest in the application, and the Board would then determine in each case whether the application should be made available. A compromise rather favored by the Legal Division would be to state that the application was available for inspection but that the Board might withhold any information contained in the application, if the Board deemed its release to be inconsistent with the public interest.

In concluding his remarks, Mr. Hackley said that it seemed obvious that bank holding companies would object to the proposed procedure of announcing receipt of all applications under the Bank Holding Company Act. He recalled that soon after that Act was passed in 1956, Transamerica Corporation raised the question as to whether such applications would be made public and that the Board had replied that they would be regarded as unpublished information. Nevertheless, the Board's Rules of Organization included provisions under which the Board might make available unpublished information, and in public

hearings on holding company applications the content of such applications had been made public. The proposed procedure for announcing all such applications would be a further departure from the general provisions of the Board's Rules of Organization regarding unpublished information. Valid reasons could be advanced against such a departure, Mr. Hackley said, and the question seemed to be whether such reasons were sufficiently strong to outweigh the advantages that might result from the suggested procedure for announcing receipt of these applications. While he was not sure that the proposed procedure would work any better than the present one, Mr. Hackley stated that the Legal Division had reached the conclusion that it probably would be preferable, and the recommendation was, therefore, submitted for the consideration of the Board.

Governor Mills said that any suggestion to open to public examination even on a restricted basis applications under the Bank Holding Company Act would result in a break with tradition that deserved the most serious consideration of the Board and other bank supervisory agencies. In his view, if the difficulties cited with the tentative decision procedure warranted a change, that procedure could be abandoned and the Board could handle applications under the Bank Holding Company Act in the same manner as it did applications of member banks to establish branches, with the understanding that each applicant had the right to seek judicial review of the Board's

decision. Governor Mills went on to say that he was disturbed by the suggestion that applications from bank holding companies should be treated any differently than the applications of member banks to establish branches. The major distinction between the two, he noted, was that there were two separate laws, and the holding company law was more exacting in the requirements that it imposed upon the Board and in the restrictions that it set upon the activities of holding companies. In his opinion, the Board could be getting into difficulties if it gave notice of the receipt of applications under the Holding Company Act and opened to examination those applications. As he recalled, legislation had been proposed in the Congress that would require that hearings be held on applications for the establishment of branches of insured banks. The Congress had not enacted such legislation and it would be inappropriate in Governor Mills' view for the Board at this stage to adopt a procedure of giving public notice of the receipt of applications. This would be a break with the past, and while there possibly were good reasons for a change in the tentative decision procedure, he could not bring himself to feel that the suggestion submitted in the Legal Division's memorandum represented the answer to the problem.

At this point, Chairman Martin, who had withdrawn from the meeting during Mr. Hackley's statement, re-entered the room, and Mr. Farrell, Director, Division of Bank Operations, joined the meeting.

Mr. Hackley said that the Legal Division recognized the possible disadvantages to the proposed procedure that were indicated by Governor Mills' comments. It also recognized that the Board had the possible alternative Governor Mills had suggested of abandoning the tentative decision procedure and treating holding company applications in the same manner as branch applications, except in those cases where a public hearing was ordered. Such a procedure would entirely avoid the matter of publishing confidential information except, of course, in the cases where public hearings were ordered.

Governor Robertson said that he felt the Legal Division had done a good job of pointing up the experience with the tentative decision procedure over the past year and some of the problems, even though he did not fully agree with the suggestions for change in the procedure. He went on to say that he used to feel very strongly that the Board should treat all holding company applications just like it treated branch applications. Traditionally, a bank supervisory agency did not tell anyone of the receipt of a branch application and considered that it was confidential among the supervisory agencies until a decision was announced. However, he had changed his view in connection with the handling of these matters and he personally now would be inclined to go so far as to make public branch applications. This was not a question that could be answered in black and white, but by and large he felt the bank supervisory agencies would get better

decisions if everybody concerned had a chance to know about the facts and if the supervisory agencies could act on these applications in the open. In his opinion, the same reasoning applied to applications under the Holding Company Act. In so far as the Legal Division's recommendation was concerned, he would concur in the proposal that the Board publish a notice of the receipt of each application by a holding company, stating the kind of company, the location, and certain other essential details, thus giving a chance for the Board to get conflicting views. This, he thought, would avoid what he believed were bad results under the tentative decision procedure--a procedure that he was strongly in favor of when it was adopted. He would depart from one of the suggestions of the Legal Division in that he would not allow public inspection of an application filed by a holding company. He would prefer the Legal Division's suggestion 3(b) under which the Board would make no commitment regarding inspection of an application and would leave for consideration on an ad hoc basis any requests that might be received from interested parties for such inspection. Eventually the Board might get to the position where applications would be made available without requiring that written requests for inspection would be passed upon by the Board, but that would take some time and the Board should have a chance to observe the nature of a procedure under which the receipt of applications was announced before it opened such applications for inspection. Governor Robertson then went on to

suggest certain deletions from the Legal Division's draft of possible amendment to Regulation Y and of the draft notice of receipt of an application, in the event the Board adopted a procedure along the lines recommended by the Legal Division.

A long discussion then followed during which Chairman Martin stated that, after having twice read the Legal Division's memorandum, he had been inclined to follow the proposal for revising the tentative decision procedure. However, having listened to the discussion this morning, he believed that the present tentative decision procedure was probably about as acceptable at this stage as anything the Board was likely to agree upon. If all seven members of the Board could agree upon a change that they believed would be an improvement, he would be willing to experiment, but it now appeared that the Board was divided and he could see little to be gained by a change from the present procedure to one that obviously involved experimentation and which was not acceptable to some members of the Board. He noted that a principal difficulty arising from the current procedure was the fact that some Board members might not be present when both the tentative and actual decisions were reached in a given case, and these differences would result in having a formal decision that differed from the tentative decision even though no new facts had been brought to the Board's attention. Chairman Martin suggested

that this might be overcome by scheduling such matters for action when most or all of the Board members would be in attendance.

In response to Chairman Martin's latter comment, Mr. Hackley said that the present tentative decision procedure apparently had worked satisfactorily except for the procedural difficulty to which the Chairman had referred. He suggested that this point might largely be taken care of if the Board were to have an understanding that action would not be taken on any tentative decision unless at least four members of the Board concurred in such decision.

Governor Szymczak commented to the effect that, if the Legal Division's proposal were adopted and the result did not prove to be satisfactory, the Board would then have abandoned the tentative decision procedure which had worked reasonably well and it would be left with the problem of what to do next. He questioned whether it would be desirable to stir up the holding companies and others without being more certain as to where the Board would come out in the end.

Governor Balderston said that he came to about the same conclusion as Chairman Martin, partly because he felt that the number of holding company cases was likely to decrease rather than to increase and because in most cases it should be possible for the Board to arrange to vote on both the tentative and final decisions when all members of the Board were present.

Governor Shepardson referred to a statement that he had made earlier in the discussion that full disclosure of applications in a regulated industry was generally desirable. This statement was made, he said, on the assumption that if the Board desired to make a change in its present procedure it could reach agreement on an alternative that clearly would eliminate some of the disadvantages of the tentative decision procedure. As he thought back over the cases under the latter procedure, he could recall only one where the Board's final decision might have been different if all Board members had been present when the final decision was taken. This might indicate that the disadvantages with the tentative decision procedure were not too great.

Mr. Hexter suggested that perhaps a more fundamental objection to the tentative decision procedure than that which could arise because of differences in the number of Board members participating in a decision was that it might tend to deprive the Board from receiving comments from interested parties at the stage when the matter was actively under consideration.

Governor Szymczak suggested that this would not apply in cases involving public hearings, where presumably arguments pro and con would be brought out in the record.

In this connection, Mr. Hackley suggested that the Board might wish to consider the desirability of ordering public hearings in each case, adding that such a procedure would not necessarily

burden the Board unduly since Hearing Examiners were hired to conduct such proceedings.

After Chairman Martin commented that, as Governor Balderston had suggested, the number of cases under the Bank Holding Company Act might be expected to decline, he suggested that for the present the Board leave this question with the understanding that the present tentative decision procedure would be continued.

None of the members of the Board indicated disagreement with this suggestion.

Messrs. Hexter and Davis then withdrew from the meeting.

Continuous borrowing at discount window. Governor Balderston inquired as to the information available in the Board's offices on continuous borrowing by member banks at the Federal Reserve Banks, observing that in a period of continuing monetary restraint information of this type probably should be available to the Board as well as to the individual Federal Reserve Banks.

Mr. Farrell replied that such information was available on a weekly basis for all member banks indebted to the Federal Reserve Banks for the preceding 13 week period, and at Chairman Martin's suggestion it was understood that such information would be circulated to the Board.

Call for condition reports. It was reported that advice had been received yesterday from the Office of the Comptroller of the

Currency that the Comptroller would make a call on all national banks on October 9, 1959, for reports of condition as of the close of business October 6, 1959; and that in accordance with the usual practice a telegram had been sent to the Federal Reserve Banks indicating that a similar call should be made upon State member banks.

The action taken in sending the telegram to the Reserve Banks was ratified by unanimous vote.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Minneapolis (attached Item No. 2) regarding the assistance of M. H. Strothman, Jr., Vice President, Counsel and Assistant Secretary of that Bank, to the Board's Division of Examinations for a period of eight weeks.

Governor Shepardson also approved today on behalf of the Board the recommendation contained in a memorandum dated October 7, 1959, from Mr. Hackley, General Counsel, that Hallie A. Desmond, Secretary in the Legal Division, be granted an extension of leave without pay for a period of three months, effective October 11, 1959.

Secretary

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

Item No. 1
10/8/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 8, 1959

Board of Directors,
First Bank and Trust Company
of South Bend,
South Bend, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago and subject to the circumstances described therein, the Board of Governors of the Federal Reserve System approves the establishment of branches by First Bank and Trust Company of South Bend at the locations listed below following consummation of the proposed merger of your bank and St. Joseph Bank and Trust Company, South Bend, Indiana, under the new title of First Bank St. Joseph Trust Company:

2113 Miami Street, South Bend, Indiana,

U. S. Highway 31 North and Darden Road, Clay Township, St. Joseph County, Indiana,

133 South Main Street, South Bend, Indiana.

This approval is given provided:

(a) Shares of stock acquired from dissenting shareholders are disposed of within six months from the date of acquisition; and

(b) The branches are established within six months from the date of this letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
10/8/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 8, 1959.

Mr. Frederick L. Deming,
President,
Federal Reserve Bank of Minneapolis,
Minneapolis 2, Minnesota.

Dear Mr. Deming:

This will confirm the arrangements you have made with Mr. Solomon, Director of the Board's Division of Examinations, for Mr. M. H. Strothman, Jr., Vice President, Counsel and Assistant Secretary of your Bank, to participate and assist in the work of the Division of Examinations for a period of approximately eight weeks beginning October 12, 1959. In accordance with your preference, Mr. Strothman's salary and expenses will continue to be paid by your Bank without reimbursement.

The Board greatly appreciates your cooperation and assistance in this matter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.