The attached minutes of the meeting of the Board of Governors of the Federal Reserve System on March 2, 1960, which you have previously initialed, have been amended at the request of Governor Mills to revise his remarks beginning on page 6.

If you approve these minutes as amended, please initial below.

Chairman Martin

Governor Szymczak
Minutes for March 2, 1960.

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 Wednesday, March 2, 1960. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Farrell, Assistant Counsel, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on February 29, 1960, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Item circulated to the Board. The following item, which had been circulated to the Board and a copy of which is attached to these minutes as Item No. 1, was approved unanimously:

Letter to the Federal Reserve Bank of Kansas City waiving assessment of a penalty incurred by the Goodland State Bank, Goodland, Kansas, because of a deficiency in its required reserves.

Mr. Conkling withdrew from the meeting at this point.
Applicability of Regulation T to a "reorganization" (Item No. 2).

There had been distributed a memorandum dated March 1, 1960, from Mr. Hexter relating to a question that had arisen under Regulation T, Credit by Brokers, Dealers, and Members of National Securities Exchanges, in connection with the plan of International Harvester Company, a New Jersey corporation, to acquire control of Solar Aircraft Company, a California corporation.

Mr. Hexter stated that International Harvester was currently offering to stockholders of Solar one share of Harvester stock in exchange for 2-1/4 shares of Solar stock, the offer being conditioned upon at least 80 per cent of all outstanding Solar stock being exchanged. The purpose of this condition was to make the exchange transaction a tax-free "reorganization" under sections 354 and 368 of the Internal Revenue Code of 1954. A substantial amount (perhaps 10 per cent) of outstanding Solar stock was said to be held in undermargined brokerage accounts. If the Board were to rule that the proposed exchange of stock constituted a "withdrawal of . . . registered securities" under section 220.3(b)(2) of Regulation T and was not exempted from that section by some other provision of the Regulation, the exchange could be effected only if additional cash or collateral were placed in any undermargined brokerage accounts. It was also understood that many of the customers with Solar stock in their undermargined accounts were not in a position to furnish such additional collateral or cash; and if such persons were unable to
accept the exchange offer, less than 80 per cent of outstanding Solar stock might be deposited, thereby preventing consummation of the plan.

Mr. Hexter said that Solar took the position that the proposed exchange was a "reorganization" and therefore was exempted from Regulation T by virtue of section 220.6(e), which provides that "a creditor may, without regard to the other provisions of this part, effect for a customer the exchange of any registered or exempted security in a general account for the purpose of participating in a reorganization or recapitalization in which the security is involved . . . .". There was no doubt, he said, that "reorganization" included a merger, consolidation, or similar arrangement under which stock of one corporation was exchanged for stock of another corporation by operation of law, pursuant to corporate action rather than by individual choice. It was the recommendation of the Legal Division that the Board interpret the term "reorganization" in this section 220.6(e) of Regulation T as including the Harvester-Solar plan since, broadly speaking, the objective of this exchange plan was the same as that of a merger--namely, to bring the operations and assets of Solar at least mainly under the ownership and control of Harvester. The underlying purpose of the "reorganization" exception in Regulation T was presumably to enable an undermargined customer, without depositing additional cash or collateral, to participate in a fundamental change in the status of a particular company. The proposed interpretation would not provide a loophole that undermargined customers could utilize at
will to avoid the application of the retention requirements to their accounts, and it was also persuasive that the term "reorganization" is defined in the Internal Revenue Code to include transactions such as the Solar-Harvester plan.

There being no objection, unanimous approval was given to the recommendation of the Legal Division, with the understanding that a letter would be sent to Counsel for Solar Aircraft in the form attached as Item No. 2.

Messrs. Molony and Fauver, Assistants to the Board, entered the room at this point and Mr. Farrell withdrew.

Application of First Wisconsin Bankshares Corporation to acquire shares of Mayfair National Bank (Items 3 and 4). There had been distributed a memorandum from the Legal Division dated March 1, 1960, attaching for the Board's consideration a proposed Order and Statement that would approve the application of First Wisconsin Bankshares Corporation, (formerly Wisconsin Bankshares Corporation), Milwaukee, Wisconsin, to acquire 2,950 of the 3,000 voting shares to be issued by Mayfair National Bank, Wauwatosa, Wisconsin, a proposed new bank.

Mr. Hackley said that in accordance with the understanding reached at the meeting on Monday, February 29, the Statement incorporated a change from the Tentative Statement issued on November 30, 1959, that was intended to clarify the portion of the earlier statement which had been construed in some quarters as an invitation to submit competing applications.
A number of clarifying changes were then suggested and agreed upon with a view to improving this portion of the Statement. During this discussion, Governor Robertson expressed a view that some of the difficulties encountered by the Board in this particular case would not have occurred had the tentative decision of the Board been its final decision.

Unanimous approval was then given to the Order approving the application of First Wisconsin Bankshares Corporation for prior approval of acquisition of voting shares of Mayfair National Bank, and to the accompanying Statement, together with a press release to be issued at 4 p.m. EST, March 2, 1960. Copies of the Order and Statement are attached as Items 3 and 4, respectively.

Proposed Amendment to Regulation Y (Item No. 5). Pursuant to the understanding reached at the Board meeting on Monday, February 29, 1960, there had been redistributed copies of a Legal Division memorandum dated September 28, 1959, relating to the Board's tentative decision procedure regarding applications under the Bank Holding Company Act, along with an excerpt from the minutes of the meeting of the Board on October 8, 1959, at which this memorandum had been considered.

Chairman Martin recalled that during discussion of the tentative decision procedure at the meeting of October 8, 1959, attention had been directed particularly to an alternative procedure recommended by the Legal Division under which the issuance of tentative decisions would be discontinued and the receipt of all applications under the Bank Holding Company Act would be promptly announced in the Federal Register stating
the names of the applicant and the bank or banks involved, indicating the general nature of the proposed transaction, and allowing 30 days for the submission of comments. The announcement, under the proposed procedure, also would state that the application, except such portions thereof as the Board may determine to withhold from disclosure, would be available for public inspection if a written request for such inspection was granted by the Board. The Chairman suggested that the Board begin this discussion of alternative procedures by considering the pros and cons of that proposal. He made it clear, however, that this was not intended to preclude discussion of other alternatives contained in the memorandum.

Governor Mills said he would continue the tentative decision procedure or go to a procedure of making the initial decision of the Board its final decision, thus completing the Board's action on the application and permitting an appeal to the courts if there was disagreement with that decision. He would dispute the Legal Division's proposal on two grounds. First, the Board is dealing in a competitive area in these applications and he believed that competition should allow the bank holding company to have the initiative and foresight to advance its considerations with the administrative agency without being obliged to admit competitors into the picture to interpose objections and possibly to seek to have a subsequent application take precedence over the initiative thus shown by the applicant. He believed this was necessary in order to
be completely equitable with the holding companies under the kind of system we operate in. By opening the application of a holding company to inspection, which would be tantamount to inviting objections to the application, would in a sense derogate from the Board's responsibility for independently judging the application and thus would disparage the self esteem that the Board should properly have. The Board should arrive at a reasoned judgment on such applications fairly and equitably and let that judgment be disputed in the courts as far as the applicant was concerned. This would recognize that objectors to the application would not have the same opportunity. Governor Mills said his second reason for disputing the proposal of the Legal Division was that by making public applications the Board would in a sense be indicating sympathy with proposed legislation now before the Congress that would require the Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency to make public applications by banks to establish branches. Up to the present time the Board has felt that that area of decision fell within the domain of the Board and should not be exposed to a public hearing. For the same reason, Governor Mills said that if the Board moved to public hearings on branch applications it would be treading on the edge of a controlled economy and would be detracting from the ability of a bank to enjoy the initiative and foresight to which it was entitled and which it should be permitted to pursue in confidence. Therefore, unless and until the Board wished to change its position on secrecy for handling
of branch applications, he felt that it would be wrong considering the Board's dual responsibility to member banks and to bank holding companies to publish in the Federal Register the receipt of applications by holding companies.

In reply to a question by Chairman Martin, Mr. Hackley said the Legal Division believed that bank holding companies would object to publication of notice of receipt of applications under the Bank Holding Company Act. Furthermore, the Board had stated to Transamerica Corporation in 1956 that receipt of applications would be treated by the Board as "unpublished information" under its Rules of Organization and Procedure. As he saw it, the applicant would be placed at a disadvantage by such publication, and he gave as an example the bidding up by competing interests of the price of stock of a bank proposed to be acquired. If it was the feeling of the Board that publication would be desirable, he suggested that a proposed amendment to Regulation Y, Bank Holding Companies, be published in the Federal Register in order to solicit comments.

Mr. Hackley also observed that if notice were published of every application, there would be cases in which an interested party would not be in a position to make intelligent comment without examining the application itself. This consideration had dictated the formulation of the alternative in the Legal Division's memorandum of September 28 pursuant to which an application would be made available for public
inspection upon written request, with the Board reserving the right to withhold such portions of the application as it might determine should not be disclosed.

Mr. Hackley noted that another alternative set forth in the Legal Division's memorandum called for abandoning the present tentative decision procedure and, except in cases where a public hearing was required by the Bank Holding Company Act, treating applications under that Act in the same manner as any other applications; for example, applications for branches of State member banks. There would be a disadvantage for the Board under such a procedure, however, since the Board might be in a vulnerable position in the event of judicial review of its decision which was more likely to occur in connection with holding company applications than with branch applications. Under the terms of the Bank Holding Company Act, the Board is required to publish its Order in the Federal Register, but this is not the case so far as its decisions regarding branch bank applications are concerned.

Governor Robertson said he perceived no distinction in principle between the application of a bank holding company under the Bank Holding Company Act and the application, for example, of a broadcasting company to acquire an additional station. He agreed with the recommendation of the Legal Division that the tentative decision procedure should be abandoned and that the Board should adopt a procedure of publishing
notice of the receipt of all holding company applications and allow
30 days for the filing of comments, with a provision that on written
request the application would be available for public inspection, except
for such portions as the Board might determine to withhold from disclosure
in the public interest. It was his guess that the Board, after a period
of experimentation, would decide to provide for inspection without
written request. In agreeing with the recommendation of the Legal
Division, he realized that this represented a reversal of his views when
the tentative decision procedure was adopted.

In reply to a question from Governor Shepardson as to the points
of information that would be necessary for an interested party to obtain
by inspecting an application under the Bank Holding Company Act, Mr.
Hackley said that usually it might be sufficient to have knowledge that
a particular holding company had applied for prior approval to acquire
a particular bank in a particular location. However, there might be
cases in which a third party would like to know such things as the type
of business the bank involved intended to engage in and the nature of the
competitive situation.

Mr. Solomon agreed with the views expressed by Mr. Hackley. He
added that in a good many cases a potential objector to an application
might be able to get along without actually examining the application,
but in other cases counsel for an interested party would be under a
severe handicap if he did not have an opportunity to examine into what
he was objecting to and thus was forced to make his comments more or less in the dark. It was Mr. Solomon's view that in the event of judicial review a court would take the same position.

Governor Shepardson said that he found himself between two points of view. On the one hand, since banking institutions require a public charter and are subject to public supervision, public notice of applications would seem to be indicated. In addition, technological developments in banking make it more difficult to resist the continuing movement toward consolidations into larger units in this part of the economy. On the other hand, he found it difficult to support disclosure of applications under the Bank Holding Company Act until disclosure of applications for bank branches was required, since the considerations seemed to him to be essentially the same. Personally, he felt the sound procedure ultimately would be to publish notice of applications for acquisitions under the Bank Holding Company Act and for establishment of branches. This reasoning suggested the possibility of adopting an alternative to which Mr. Hackley had referred in the memorandum of September 28 that the tentative decision procedure be abandoned and that holding company applications be treated like any other applications, except where a public hearing was required by the Bank Holding Company Act or was ordered by the Board. The adoption of that alternative procedure would place a burden on the staff in attempting to make a complete analysis of each situation without having the advantage of the viewpoint of possible
objectors. If this was considered a serious obstacle, he would lean toward retaining the tentative decision procedure until legislation, if enacted, clarified the situation so far as branch bank applications were concerned.

Governor King said that his views were much the same as those expressed by Governor Shepardson. If the Board were to decide that the advantages of disclosure of holding company applications would outweigh the disadvantages pointed out by Governor Mills—and for his part, Governor King said he would weight those disadvantages very considerably—he believed that a decision to publish notice of branch applications should be reached at the same time. He would not object to the Board reaching a decision on the latter point at this time, but that might seem to be pre-empting the right of Congress to legislate on the matter of requiring public notice of branch applications. Until such a decision was reached, however, he felt it would be better to continue the present procedure regarding applications under the Bank Holding Company Act.

Mr. Hackley commented, in response to a question from Governor Robertson, that there were bills in the Congress at present that would require public hearings on all applications for the establishment of branches by banks and there was also a bill that would take away all authority for the Board to pass on the establishment of branches by State member banks. His understanding was that these bills were not receiving active consideration at this time. In any event, Mr. Hackley
pointed out, despite the similarities between holding company acquisitions and the establishment of branches, there was a significant distinction in the Board's position from the legal standpoint in passing upon applications under the Bank Holding Company Act of 1956 and in passing upon branch applications under existing legislation.

Governor Szymczak stated that he would favor adoption of part of the procedure recommended in the Legal Division's memorandum, in that he would abandon the tentative decision procedure and would publish notice of the receipt of applications from holding companies. However, he would not include in such notices any statement indicating that the application would be available for inspection but would meet that problem in any individual case when it arose.

Governor Balderston said he found difficulty in reaching a decision on this question but that he came out about where Governor Szymczak did. He believed the tentative decision procedure had worked well except in the case of Wisconsin Bankshares application to acquire stock of Mayfair National Bank, when it had worked badly. He could see the merits of the argument presented by the Legal Division, however, even though he would be content to continue what the Board was now doing.

Mr. Hackley said that, the tentative decision procedure having been followed for 1-1/2 years, it had become well known to the bank holding companies. The procedure does provide some opportunity for the expression of objections. If the Board should decide to abandon this procedure and
announce that it would give notice of the receipt of applications, such action would no doubt cause questions as to reasons for the change and might even give rise to action in Congress to require public hearings on all bank holding company applications. The bank holding companies could be expected to object to the procedure recommended by the Legal Division and, if the Board were to adopt it over their objections, they might not furnish as full information in the future as they have in the past. It might be that they would be deterred from filing applications. If the Board should decide to adopt the recommendation of the Legal Division, Mr. Hackley felt it would be desirable to amend Regulation Y to make clear that any objector to an application must furnish a copy of his objection directly to the applicant at the same time it was sent to the Board, in order that the applicant would be aware of the nature of any objection being filed with the Board.

Governor Balderston said that when the proposal was considered last October, a view was expressed, with which he concurred, that the Board had had good experience with the tentative decision procedure. Should the Board now decide to change this procedure, he was concerned as to what explanation would be made to justify a change from a procedure that had worked fairly well and which had become known to holding companies and their lawyers. He did not believe the Board had been wrong in following this procedure, and he found difficulty in convincing himself that it needed to be changed and why.
Chairman Martin commented that this was the same point that the Board arrived at when it discussed the question last October. He had studied the September 28 memorandum of the Legal Division again last night and had noted the statement near its end that "bank holding companies and the public have become accustomed to the 'tentative decision' procedure."

Mr. Molony noted that the banking group would hardly have been expected to take issue with the procedure that had been followed. He questioned, however, whether the public was well informed about this procedure. If the public knew of it and thought secret applications favored the banks involved, he wondered what explanation would be made by the Board. Specifically, he inquired what response would be given by the Board as to why it did not give notice of the receipt of holding company applications, if such a question were to be directed to the Board by a member of the Congress, or what reply would the Board make if he were to ask to see an application that had been filed. Mr. Molony doubted that the answer suggested by Governor Mills' comments— that, in effect, to furnish such information would do mischief—would be convincing in a matter where an agency of the Congress was handling public business. He would think that the Board would wish to publish notice of the receipt of applications unless it had a persuasive answer to questions such as he posed.
Mr. O'Connell said that he believed he could provide a legal answer to the questions Mr. Molony posed, and he commented in some detail as to how he would base a reply. He came out, however, with a statement that in his judgment notice of the receipt of an application under the Act, with reasonable availability of data in the application to a potential objector, would be desirable.

Chairman Martin said that he still had not changed his view that the Board had operated quite satisfactorily under the tentative decision procedure. If, however, it wished to experiment with a different procedure, he did not think it should feel frozen into the present one, and he would not object to trying the one proposed by the Legal Division.

Governor Shepardson stated that on principle he favored public notice of applications and full disclosure of the contents to interested parties, although he was still concerned about the difference in handling of applications under the Bank Holding Company Act and applications for bank branches. He was also disturbed by the fact that at present no notice was required of receipt of applications for approval of bank mergers.

Mr. Hackley reviewed the origin of the tentative decision procedure in 1958 and the suggestion then that it might be observed in operation for a year or so, after which the Legal Division might have a further recommendation, which was now before the Board. Ideally, from a legal point of view, a hearing would be desirable on every application
filed under the Bank Holding Company Act. In practice, that seemed unnecessary, and the suggested procedure was one designed to provide full opportunity for the Board to hear not only from the applicant but also from potential objectors.

In response to a question from Governor Balderston, Mr. O'Connell said he favored giving public notice of receipt of applications under the Bank Holding Company Act and making the contents of each application available to an interested party. In this manner, any party opposing the application would have had an opportunity to see the record upon which the Board had relied in reaching its decision. In his judgment, this would be a better procedure from the legal standpoint than that represented by the tentative decision procedure.

Chairman Martin then inquired whether the Board wished to experiment with the Legal Division's recommendation.

Governor King said that he could not agree with the argument for revealing an application under the Bank Holding Company Act without doing the same on a branch application. If the Board made a decision to change the present procedure, he hoped that applications under the Bank Holding Company Act would not be revealed in full. He would not object to making public the fact that an application had been received to acquire stock of a particular bank in a particular location, provided a similar procedure was followed with respect to branch bank applications.
Governor Robertson said he disagreed with the judgment that there would be objections from the holding companies to disclosure that their applications had been filed. As to branch applications, the Board did not act on those until after the state authorities had acted and in some states the fact that a branch application had been filed became known. In any event, he could see no real basis for having holding company applications depend on what was done on branch applications.

Mr. Hexter noted that the Board's position with respect to branch bank applications differed somewhat from that involving applications under the Bank Holding Company Act. In the former case, the Board was one of three supervisory agencies before which such applications came, whereas in the latter instance its jurisdiction was exclusive.

Mr. O'Connell added that the basic legislation in each case differs. The sections of the Federal Reserve Act under which the Board considers branch bank applications contain no reference to holding hearings, while the Board has discretionary power in connection with applications under the Bank Holding Company Act where a hearing is not required by law.

Chairman Martin then asked Mr. O'Connell to confirm whether he favored, on legal grounds, a change in the procedure to publish notice of applications under the Bank Holding Company Act and to make available the applications, with some restrictions as indicated, upon written requests, and Mr. O'Connell replied in the affirmative.
Governor Shepardson noted a suggestion that there might be a segregation of information in the application, with one section containing data of a type that would not be disclosed.

Mr. Hexter said that this would be possible, but as a practical matter it would be difficult to know in advance just how to define information to be made public and that which would be unsuitable for disclosure. His judgment was that it would be preferable, at least at the outset, to make the application available on written request, subject to withholding of any information not suitable for disclosure. Such information, he felt, would be a relatively insignificant portion of any application and in most cases the question probably would not arise at all.

Governor Shepardson said that, in the light of the whole discussion, he still was bothered about treating holding company applications differently from those for branches. However, he would be willing to approve the proposal of the Legal Division.

Chairman Martin said that this would be an experiment. The matter of privacy of information was a difficult one, he felt, and there was a difference between banks and airline routes or television channels. The only reason he had been able to find for treating the banking matters with greater privacy was that it was possible to start a run on a bank. A run on even a small bank and its failure would be a matter of public interest that could have an impact different from anything that could result from public concern over an airline or a broadcaster.
Governor Mills said that, if the Board was about to adopt the proposal of the Legal Division for giving notice of applications under the Bank Holding Company Act, he wished to make his dissent a matter of record. He also suggested, as an aside, an examination of a new book by Friedrich A. Hayek, "The Constitution of Liberty."

Governor King said that he too would record a dissent from the proposed action. He had not been able to convince himself that this was a desirable move and under the circumstances he preferred to make no change in the present procedure.

Mr. Hackley stated that he gathered the Board was about to approve the Legal Division's recommendation, including the proposal to make applications available on written request, subject to withholding portions from disclosure, and with the further understanding that any person who filed with the Board an objection to an application must at the same time send a copy of his objection to the applicant.

Chairman Martin indicated that this was the proposal on which he was polling the members of the Board.

Thereupon, approval was given to the proposed amendment to Regulation Y, Bank Holding Companies, that would supersede the tentative decision procedure and provide for publishing notice of 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
submission of comments, with a statement that the application, except such portions thereof as the Board may determine to withhold from disclosure, would be available for public inspection if a written request for such inspection is granted by the Board. In approving the proposed amendment, it was understood that it would provide that any objector to the application must send to the applicant a copy of the objection at the same time that it was filed with the Board. Governors Mills and King dissented from this action.

It was also agreed that an appropriate notice of proposed rule making in the form attached to these minutes as Item No. 5 would be submitted for publication in the Federal Register, with a request that comments be submitted to the Board or a Federal Reserve Bank not later than April 15, 1960, and that letters would be sent to the Federal Reserve Banks, all registered bank holding companies, and other interested persons informing them of the proposed amendment.

All of the members of the staff except Messrs. Sherman, Molony, and Fauver then withdrew from the meeting.

Memorandum regarding Directors' Day. Before this meeting, there had been distributed a memorandum from Mr. Fauver regarding the Directors' Day Program held on February 17 and 18, 1960. There was a brief discussion of the memorandum and of modifications that might be desirable in arrangements for a subsequent meeting of this type.
Presentation of computer developments. Governor Shepardson inquired whether the Board would wish to have a presentation of developments in the use of the Board's computer, such presentation to be in charge of Mr. Schwartz, Chief Analyst, Statistical Operations Planning, Division of Research and Statistics, and to take not over one hour. It was agreed that such a presentation should be arranged for during the next few weeks.

Appointment of Mr. George Rudy. Governor Shepardson referred to discussions with President Irons of the Dallas Reserve Bank regarding the temporary assignment to the Board of George F. Rudy, General Counsel and Assistant Secretary of that Bank, for a period of one year from about April 1, 1960 to March 31, 1961. He stated that Mr. Irons was agreeable to the arrangement and that Mr. Rudy had indicated he would like to accept the assignment. Governor Shepardson indicated he would recommend the Board's approval of the arrangement under which Mr. Rudy would continue as a regular employee of the Dallas Bank and continue to receive his salary directly from that Bank; and he outlined the basis on which it was contemplated that Mr. Rudy would be reimbursed for transportation and other costs.

Unanimous approval was then given to this arrangement. A copy of the letter to President Irons pursuant to this action is attached Item No. 6.

The meeting then adjourned.
Secretary's Notes: On February 3, 1960, the Board approved a revision of the Loss Sharing Agreement of the Federal Reserve Banks with the understanding that the revision would become effective when a duly executed counterpart original had been received from each Reserve Bank. Such counterpart originals having been received, the Federal Reserve Banks were notified yesterday that the revised Agreement became effective March 1, 1960.

Pursuant to the recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on March 1, 1960, on behalf of the Board, the following actions affecting the Board's staff:

**Advance of sick leave**

M. Callie Wickline, Nurse, Division of Personnel Administration, an additional advance of sick leave through March 31, 1960.

**Acceptance of resignation**

Thomas G. Cook, Guard, Division of Administrative Services, effective March 5, 1960.

On March 1, 1960, Governor Shepardson noted on behalf of the Board the death of Marie Butler Leven, Chief, Economic Editing, Division of Research and Statistics, on February 21, 1960.

[Signature]

Secretary
Mr. John T. Boysen,
Vice President and Cashier,
Federal Reserve Bank of Kansas City,
Kansas City 6, Missouri.

Dear Mr. Boysen:

This refers to your letter of February 1, regarding a penalty of $58.52 incurred by the Goodland State Bank, Goodland, Kansas, on a deficiency in its required reserves for the biweekly computation period ended January 27.

It is noted that the deficiency was attributable to the fact that the bank, which is under new management, had been operating under a misunderstanding as to the proper method of handling its reserve account; because of this misunderstanding it was deficient in reserves in six periods since October 15, 1959, penalties for three of which your Bank was able to waive under provisions of the Board's instructions, and assessments were made on the others; and that the member bank is cooperating in correcting its practice, although too late to prevent the deficiency in the period ended January 27.

In the circumstances, and in view of your recommendation, the Board authorizes your Bank to waive assessment of the penalty of $58.52 for the period ended January 27.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
This is in reply to your letter of February 23, relating to the plan for acquisition by International Harvester Company of at least 80 per cent of the outstanding stock of Solar Aircraft Company.

On the basis of the information contained in your letter and enclosures, it is the opinion of the Board of Governors that the plan described constitutes a "reorganization" within the meaning of that term as used in section 220.6(e) of Federal Reserve Regulation T. Consequently, a creditor may, without regard to the other provisions of Regulation T, effect for a customer the exchange of Solar stock for Harvester stock pursuant to the terms of the exchange offer.

Very truly yours,

Merritt Sherman,
Secretary.
UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

FIRST WISCONSIN BANKSHARES CORPORATION
(formerly Wisconsin Bankshares Corporation)

for prior approval of acquisition of voting shares of Mayfair National Bank, Wauwatosa, 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 USC 1843) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), an application on behalf of First Wisconsin Bankshares Corporation (formerly Wisconsin Bankshares Corporation), whose principal office is in Milwaukee, Wisconsin, for the Board's prior approval of the acquisition of 2,950 of the 3,000 voting shares of a proposed bank, the Mayfair National Bank, Wauwatosa, Wisconsin; a Notice of Tentative Decision referring to a Tentative Statement on said applications having been published in the Federal Register on December 5, 1959 (24 F.R. 9801); said Notice having provided interested persons...
an opportunity, before issuance of the Board's Order, to file objections to and 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 comments and objections having been duly considered;

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is granted, and the acquisition by First Wisconsin Bankshares Corporation of 2,950 voting shares of the proposed bank, the Mayfair National Bank, Wauwatosa, Wisconsin, is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington, D. C., this 2nd day of March, 1960.

By order of the Board of Governors.

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

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)
APPLICATION BY FIRST WISCONSIN BANKSHARES CORPORATION OF MILWAUKEE, WISCONSIN, FOR PRIOR APPROVAL OF ACQUISITION OF VOTING SHARES OF MAYFAIR NATIONAL BANK

STATEMENT

First Wisconsin Bankshares Corporation (formerly Wisconsin Bankshares Corporation), Milwaukee, Wisconsin ("Bankshares"), 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 Bankshares' acquisition of 2,950 of the 3,000 voting shares to be issued by Mayfair National Bank of Wauwatosa, Wauwatosa, Wisconsin ("Mayfair"), a proposed new bank.

Views and recommendations of the Comptroller of the Currency. - Since Mayfair would be a national bank, notice of the application was given, as required by section 3(b) of the Act, to the United States Comptroller of the Currency. In his reply, the Comptroller commented on the application from the point of view of each of the factors enumerated in section 3(c) of the Act (see following paragraph) and recommended that the Board approve the application.

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

**Discussion.** - Bankshares is a bank holding company, as defined in section 2(a)(1) of the Act. It owns a large majority of the stock of six commercial banks in Wisconsin, with aggregate deposits in the neighborhood of $880 million at the end of 1958. By far the largest of these subsidiary banks is the First Wisconsin National Bank of Milwaukee, the largest bank in Wisconsin, with deposits in excess of $700 million. In Milwaukee County (in which Milwaukee and Wauwatosa are situated) Bankshares' banks maintain fourteen offices, thirteen being offices of First Wisconsin National Bank. The remaining banks in the group, located in Eau Claire, Fond du Lac, Madison, and Oshkosh, compete only to a negligible extent, if at all, in the Milwaukee area.

Mayfair National Bank is to be located in the Mayfair Shopping Center, a large new center in the community of Wauwatosa, which is chiefly a residential suburb of Milwaukee, located to the west of that city and extending to the western boundary of Milwaukee County. The primary service area of the bank would include part
of Wauwatosa and would extend into Waukesha County to the west and slightly into the residential portion of Milwaukee to the east. The population of this area has more than doubled within the past decade, and is estimated to exceed 60,000 at present. There are no banking offices in the primary service area, but there are two banks in the business section of Wauwatosa, a little more than two miles from the proposed site of Mayfair.

The financial history, condition, prospects, and management of the holding company are satisfactory. The prospects and proposed management of Mayfair also are satisfactory; since the bank has not yet been established, financial history and condition are not relevant factors with respect to it.

First Wisconsin National Bank, Bankshares' principal subsidiary, is unquestionably the dominant banking institution in the major urban area centered about the city of Milwaukee. Together with the small Southgate National Bank (Bankshares' other subsidiary in that area), it has almost 33 per cent of the banking offices and over 43 per cent of the deposits held by all banks in Milwaukee County. In these circumstances, any expansion in the size or extent of the holding company system - even the relatively small expansion that would result from the establishment of Mayfair - necessarily raises the question whether the acquisition would be "consistent with . . . the public interest and the preservation of competition in the field of banking", which is one of the factors enumerated in section 3(c) of the Act.
However, the decisive factor in this situation, in the Board's judgment, relates to "the convenience, needs, and welfare of the communities and the area concerned." As previously indicated, the area that would be served by Mayfair has been growing in population at a rapid rate, and further growth must be anticipated. Despite the increase in population of the area by tens of thousands, as well as the substantial increase in business activity in the area, no additional banking offices have been established in Wauwatosa since 1920. The numerous business interests in the large Mayfair Shopping Center and elsewhere in the area, as well as the residents of the area and others who would be drawn to the shopping center, are entitled to the very considerable convenience that would result from the establishment of the proposed bank.

In view of the continuing growth of the area involved, it does not appear to the Board that the establishment of the proposed new bank would have a materially adverse effect on the soundness or prospects of the two existing banks in Wauwatosa. These are substantial institutions with total deposits in excess of $16 million in one case and $28 million in the other (including the deposits of a branch situated about 2-1/2 miles from the proposed site of Mayfair). It also seems quite clear that no other bank could be materially affected by the establishment of Mayfair, although some business that currently goes to offices within a four-mile radius
of the site of the new bank inevitably would be drawn to Mayfair, which would be more conveniently situated for some present customers of existing banks.

The situation regarding this application is similar, in many respects, to that involved in the application by Bankshares to establish a new bank in the Southgate Shopping Center, which was approved by the Board on October 9, 1957 (1958 Fed. Res. Bulletin 10). As pointed out in a later decision, in that case

"...the Board granted its approval for a large holding company to establish a new bank in a shopping center because, considering all the relevant circumstances, including the population and prospects of the area concerned and the existing banking facilities, the probable service to the area was deemed by the Board to outweigh adverse considerations with respect to the fifth factor." (Statement re First Eastern Heights State Bank of Saint Paul, 1958 Fed. Res. Bulletin 1063.)

In the present case, also, it seems clear that the convenience, needs, and welfare of the area concerned would be served by establishment of the new bank to a degree that outweighs the adverse consideration that the proposed acquisition will increase, in small measure, the extent to which banking offices and bank deposits in Milwaukee County will be concentrated in the Bankshares holding company group.

In connection with Notice of the Tentative Decision in this matter, the Board observed that, in view of Bankshares' dominant position in Milwaukee and its vicinity, the public interest might be better served if banking facilities could be
furnished to the area around the Mayfair Shopping Center by an institution that would not be a part of that holding company group, but that, although the shopping center had been planned for many years and had been in operation for some time, it did not appear that any other groups or individuals had evinced interest in establishing banking facilities in the neighborhood. Apparently misconstruing this observation as an invitation to encourage potential competitors even at this late date, another bank holding company and a group of individuals each expressed interest in establishing a bank in or near the Mayfair Shopping Center. The Board has carefully considered these representations. In view of the circumstances, however, it is believed that to deny Bankshares' application because of these recent indications of interest would tend to discourage initiative in providing needed banking facilities. The Board has concluded that such an outcome would not be in the public interest.

Conclusion. - Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), and after due consideration of comments received, it is the judgment of the Board that the proposed acquisition would be consistent with the statutory objectives and the public interest and that the application should be approved. It is so ordered.

March 2, 1960
The Board is considering amending Part 222 (Reg. Y) so as to provide for the publication in the Federal Register of notice of receipt of all applications under § 222.4.

The purpose of this amendment is to afford interested persons full opportunity to submit to the Board comments and views with respect to applications filed by bank holding companies pursuant to § 222.4 and to facilitate prompt consideration thereof by the Board in the light of any such comments or views.

The proposed amendments would change paragraphs (d) and (e) of § 222.4 to read as follows:

(d) Submission of applications. Application for approval by the Board of any transaction requiring such approval under paragraph (a) of this section shall be filed with the Federal Reserve Bank. Five copies of such application shall be filed except where, pursuant to the provisions of paragraph (e) of this section, copies of the application are required to be transmitted to both the Comptroller of the Currency and the appropriate State supervisory authority, in which circumstances six copies of the application shall be filed. Any such application shall be filed not less than
60 days before the date on which it is proposed that the transaction requiring approval be consummated. Upon timely request and upon a satisfactory showing as to the need therefor, the Board in its discretion may accept an application although submitted within such period of 60 days. A separate application shall be filed with respect to each bank the voting shares or assets of which are sought to be acquired by an existing bank holding company or nonbanking subsidiary thereof.

(e) Procedure on applications. (1) A Federal Reserve Bank receiving an application under this section will retain two copies thereof and will forward all other copies to the Board. If either the applicant or the bank the voting shares or assets of which are to be acquired is a national bank or a District bank, the Board will transmit a copy of the application to the Comptroller of the Currency. If either the applicant or the bank the voting shares or assets of which are sought to be acquired is a State bank, the Board will transmit a copy of the application to the appropriate supervisory authority of the State in which such bank is located.

(2) Following the receipt of any application under this section, the Board will publish in the Federal Register a notice of such receipt, stating the names and addresses of the applicant.

\(^3\) In some cases it may not be possible for the Board to act upon an application within such period of 60 days and this requirement should not be regarded as suggesting that the Board will act upon all applications within that period of time, although every effort will be made to expedite such action.
and the bank or banks involved, indicating the general nature of the proposed transaction, and allowing 30 days for the submission of written comments or views by interested persons. Any such comments or views may be submitted directly to the Board or to the Federal Reserve Bank for transmission to the Board. Persons submitting comments or views shall furnish a copy thereof to the applicant and shall advise the Board directly or through the Federal Reserve Bank in writing of such transmission to the applicant. All applications filed will be available at the offices of the Board or of the Federal Reserve Bank for inspection by any person to whom permission for such inspection is granted by the Board. Written requests for such permission shall be submitted to the Board, either directly or through the Federal Reserve Bank, and shall clearly state the person's interest in the matter and the reasons for which the request for inspection is made. Notwithstanding a showing of good cause for inspection, the Board may decline to permit inspection of any part of the application with respect to which disclosure would not, in the Board's judgment, be in accordance with the public interest.

This notice is published pursuant to section 4 of the Administrative Procedure Act and section 2 of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2). Authority to amend this Part is contained in Sec. 5(b) of the Bank Holding Company Act of 1956 (12 U.S.C. 1844(b)).
To aid in the consideration of the foregoing matter, the Board will be glad to receive from interested persons any relevant data, views, or arguments. Although such material may be sent directly to the Board, it is preferable that it be sent to the Federal Reserve Bank of the appropriate district for transmission to the Board. All such material should be submitted in writing to be received not later than April 15, 1960.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mr. Watrous H. Irons, President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Irons:

This is to confirm the informal arrangement made with you by Governor Shepardson regarding the assignment to the Board of Mr. George F. Rudy.

The Board would appreciate the temporary assignment to its offices in Washington of Mr. Rudy for a period of one year from about April 1, 1960, to March 31, 1961. As you suggested, Mr. Rudy will continue as a regular employee of the Federal Reserve Bank of Dallas and will receive his salary directly from you.

The Board will pay for the movement of his household goods and personal effects from Dallas to the residence established in the Washington, D. C., area. When Mr. Rudy has decided on the carrier which will move his household furnishings, please let us know and we will send him the necessary Government bill of lading in order that the shipment may be made without transportation tax.

Also, the Board will pay transportation expenses for himself and family. This will be on the basis of 10¢ per mile, plus actual additional necessary travel expense.

Recognizing that Mr. Rudy's living expenses in Washington will be somewhat higher than Dallas, the Board will also pay him a per diem allowance during this temporary assignment, the amount of which can be mutually decided upon at a later date.

The Board is appreciative of your willingness to make Mr. Rudy’s services available, and hopes that the above arrangements will be satisfactory to you.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.