

Minutes for June 1, 1960

To: Members of the Board

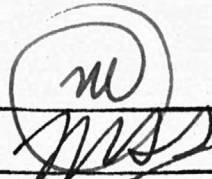
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

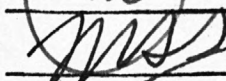
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

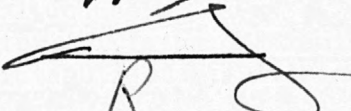
Chm. Martin



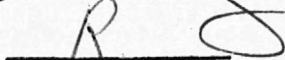
Gov. Szymczak



Gov. Mills




Gov. Robertson



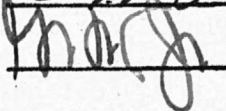
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, June 1, 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. King

Mr. Sherman, Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of
Research and Statistics
Mr. Koch, Adviser, Division of Research
and Statistics
Mr. Landry, Assistant to the Secretary
Mr. Keir, Chief, Government Finance Section,
Division of Research and Statistics

Report on money market developments. Messrs. Thomas and Keir reported on recent developments in the money market, including reference to changes in bank loans and holdings of Government securities.

Following this presentation, Messrs. Koch and Keir withdrew, and the following entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Masters, Associate Director, Division
of Examinations
Mr. Hostrup, Assistant Director, Division
of Examinations
Mr. Nelson, Assistant Director, Division
of Examinations
Mr. Rudy, Special Assistant, Legal Division
Mr. Leavitt, Supervisory Review Examiner,
Division of Examinations
Mr. Reynolds, Economist, Division of
International Finance
Miss Hart, Assistant Counsel

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Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on May 30 and the Federal Reserve Bank of Boston on May 31, 1960, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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 Green Lake State Bank, Green Lake, Wisconsin, approving an investment in bank premises.

Notice of Tentative Decision regarding application by Eastern Trust and Banking Company, Bangor, Maine (Items 2 and 3). Copies had been distributed of a draft Notice of Tentative Decision prepared by the Legal Division stating that the Board proposed to approve the application by Eastern Trust and Banking Company, Bangor, Maine, to acquire 70 per cent of the voting shares of Guilford Trust Company, Guilford, Maine. The draft Notice was accompanied by drafts of a Tentative Statement and press release along with a memorandum dated May 31, 1960, from the Legal Division that indicated the draft Notice and statements were presented for consideration by the Board pursuant to its action on this matter on May 25, 1960.

Miss Hart said that the Legal Division had prepared a substitute paragraph to be placed in the Tentative Statement regarding the effect of the proposed acquisition on the convenience, needs, and welfare of

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the community and area concerned. She then read the substitute paragraph.

Noting that he was favorably impressed by this change in the wording of the tentative statement, Governor Mills said that he would like to submit a line of reasoning stemming from this and similar cases that had come before the Board in the recent past. His statement read as follows:

In line with Section 3(c) of the Bank Holding Company Act of 1956, the Federal Reserve Board in passing upon a bank holding company application is required 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 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.

As time passes and a line of decisions sets precedents for future Board decision, the weight that past decisions has placed on these various factors will assume increasing importance both in guiding the direction of the Board's findings and in enlightening bank holding companies as to the treatment to be expected from their applications. The Board's rationalization and actions relating to factors 4 and 5 have most to do with setting precedents.

As regards factor 4, question can be raised whether the Board, when considering the convenience, needs, and welfare of the communities and the area concerned, should interpret its regulatory duty as a requirement for passing a favorable decision on either a finding that the effect of the transaction would be a positive benefit to the community or area involved, or would at least be neutral in that neither a positive or negative benefit would result. A case can be made that this sort of a Board approach to passing on factor 4 raised it to greater importance than is intended by the Act in that a

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precedential inference is given that when the Board considers factor 4, it is definitely seeking for positive evidence of a community benefit deriving from the application, and that in the absence of such a discovery a passive finding in effect downgrades the merit of the application. Viewed in this light, it would be preferable for the Board's comments on factor 4 in a bank holding company application to confine their tenor either to commendation where positive benefits are recorded, or to a minimum of passive comment where the effects of the transaction are neutral.

As regards factor 5, serious question can be raised whether a favorable Board decision should hinge on a finding that competition would not be reduced as a result of a proposed bank holding company acquisition. Although factor 5 demands inquiry into the competitive effects deriving from a bank holding company application, it does not dictate that a Board finding should hinge on the absence of any reduction in competition. Many bank holding company cases can occur where a favorable Board decision would be justified even though it would result in a minimal lessening of competition. According to this point of view, Board decisions on bank holding company applications that emphasized the fact that competition "would not be reduced" are in a sense damaging and contrary to the principles of the Bank Holding Company Act in that the competitive factor is raised out of context with the provisions and intention of the law and, in consequence, if repeated in continuing decisions, would set an undesirable precedent.

Following this statement, Governor Mills commented on the importance of careful wording of decisions under the Bank Holding Company Act of 1956, since otherwise the Board might find itself frozen into positions out of consistency with the statute.

Mr. Hackley stated that the Legal Division had given careful attention to the language in this and other cases that had come before the Board. Although it was recognized that under the law the Board was required not to give undue attention to any one of the five statutory factors in section 3(c) of the Bank Holding Company Act, the legislative

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history indicated an intent that the fifth factor relating in part to the preservation of competition in the field of banking be of primary importance. Where there was no lessening of competition, this factor was to be taken into consideration and weighed against a lack of positive benefits under the fourth factor relating to convenience, needs, and welfare of the communities and area concerned. On the other hand, where there was a significant lessening of competition, benefit would have to be shown under the other four factors to offset such a lessening in order to warrant approval of an application by the Board.

Following further discussion, unanimous approval was given to the Notice of Tentative Decision and to its publication in the Federal Register, to the accompanying Tentative Statement, and to a statement for the press, with the understanding that the Legal Division was authorized to make minor editorial changes in the statements. Copies of the Notice of Tentative Decision and Tentative Statement are attached to these minutes as Items 2 and 3.

Mr. Hostrup and Miss Hart then withdrew from the meeting.

Letter to Congressman Patman (Item No. 4). There had been distributed to the Board copies of a draft letter to Congressman Patman, together with an accompanying report on capital ownership and management of foreign central banks, replying to his letter of May 20, 1960, written in his capacity as Chairman of a Subcommittee of the House Banking and Currency Committee. Mr. Patman's letter had requested a list of the

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central banks of the world, with information as to whether or not such banks have capital stock and, if so, the ownership of the stock. This information was requested in preparation for hearings on H. R. 8516, a bill to provide for the retirement of Federal Reserve Bank stock, which were to commence on June 6, 1960. In addition to the above information, Mr. Patman had also inquired regarding the manner in which the management of these central banks was selected.

Governor Balderston said that the form of the draft report could be variously interpreted with respect to the desirability of retaining the present structure of the Federal Reserve System, and he inquired whether it would be desirable to rearrange the information so as to separate the larger from the smaller central banks.

Mr. Reynolds replied that such a rearrangement might not accomplish the purpose that Governor Balderston apparently had in mind of showing that the larger foreign central banks were owned and managed in a fashion similar to the ownership and management of the Federal Reserve System. He cited the Bank of England and the Deutsche Bundesbank, both of which are government-owned, and went on to say that the table as presented merely represented an up-dating of a similar report transmitted to Congress in 1952. There were, however, minor corrections to be made in the tabulation which had been undergoing rechecking since draft copies were distributed.

After further discussion, unanimous approval was given to the letter transmitting the report to Mr. Patman with the understanding that

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the letter and report would be sent when the data in the report had been verified, and with the further understanding that copies would be sent to the Presidents of all Federal Reserve Banks. A copy of the letter sent to Mr. Patman on June 3, 1960, is attached as Item No. 4.

Messrs. Thomas, Shay, and Reynolds then withdrew from the meeting. Letter to the Federal Reserve Bank of New York regarding Regulation Q grace periods (Item No. 5). There had been circulated under date of May 24, 1960, a memorandum from Mr. Rudy of the Legal Division noting that the Board had received a letter from the New York Reserve Bank transmitting a copy of a letter dated April 20, 1960, from Mr. Dorsey, Counsel for the New York State Bankers Association. Mr. Dorsey had requested that Regulation Q be amended so as to permit a member bank to pay interest on savings accounts in accordance with the present provisions of subsection (d) of section 3 or, at its option, to pay interest during the first 10 business days of a calendar month commencing a regular quarterly or semi-annual interest period and during the first five business days of any other month. Reference was made in the memorandum to the fact that the Board had previously considered such a proposal and expressed its views declining the amendment in a letter to the Reserve Bank dated April 18, 1960. Although Mr. Dorsey had been furnished with the gist of the Board's letter of April 18, he had requested that his letter be forwarded to the Board.

Mr. Rudy said that in a telephone conversation with the Federal Deposit Insurance Corporation it was learned that Mr. Dorsey had submitted

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the same proposal to that Corporation. Subsequently, the Legal Division had been furnished a copy of the Federal Deposit Insurance Corporation's reply dated April 29, 1960, along the lines of the Board's previous correspondence of April 18 with the New York Reserve Bank. He referred to the recommendation in his memorandum of May 24, that the Board reaffirm its previous conclusion as expressed in the April 18 letter to the New York Reserve Bank. He noted that the draft letter to the New York Reserve Bank would be consistent with the Federal Deposit Insurance Corporation's reply to Mr. Dorsey.

There being no objection, a letter to the New York Reserve Bank was approved unanimously in the form of attached Item No. 5.

Messrs. Young, Noyes, and Rudy then withdrew from the meeting.

Report on proposed merger of banks in Brookville and Salina, Kansas (Items 6 and 7). Copies of a memorandum dated May 31, 1960, from the Division of Examinations had been distributed relating to the competitive factors involved in a proposed merger of The Brookville State Bank, Brookville, Kansas, with and into The Farmers National Bank of Salina, Salina, Kansas, under section 18(c) of the Federal Deposit Insurance Act, as amended on May 13, 1960. There had also been distributed a draft of letter that would transmit the report required by the law to be sent to the Comptroller of the Currency. The memorandum proposed that this report on an actual case also be sent to all Federal Reserve Banks as a sample of an appropriate form of analysis, and a draft of letter for this purpose was attached.

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Mr. Solomon stated that when the bank merger bill was signed into law on May 13, 1960, about 17 merger applications were in process at the Comptroller's Office, all of which were then sent to the Board and to the Justice Department for the written reports required by the law to be made to the originating agency within 30 days with respect to the competitive effects involved in each merger. Requests for information needed to prepare these reports had been forwarded to the Reserve Banks, and since time was of the essence so far as this group of applications was concerned, the Division of Examinations had considered how best to process these applications and others that would be forthcoming. The first thought of the Division with respect to the length of these reports was that they might conform to the reports prepared by the Legal Division and the Division of Examinations for transmittal to the Comptroller of the Currency concerning national bank charters. However, further consideration had led to the conclusion that it would be more in harmony with the new bank merger law to have a "full dress" reporting of the information coming to the Board on each application, since this information might very well be made available to the public subsequently. A further consideration strengthening this conclusion was the provision in the law stipulating that the Attorney General must summarize each report, suggesting that the reports should be fairly complete.

Mr. Solomon then referred to the specific case before the Board for action, the application for merger of Farmers National Bank of Salina

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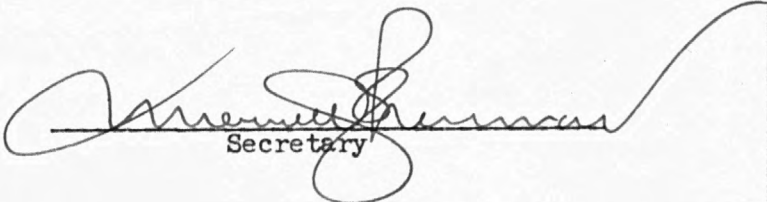
and Brookville State Bank. This represented a fairly simple case, he said, and if the Board approved the proposed report, he believed it would be helpful both to the Reserve Banks and to the Division of Examinations if it could be sent promptly as a sample.

Following discussion, the report to the Comptroller of the Currency and the letter transmitting copies of the report to all Federal Reserve Banks were approved unanimously. Copies of the report and letter to the Reserve Banks are attached to these minutes as Items 6 and 7.

The meeting then adjourned.

Secretary's Notes: Pursuant to the action taken on May 10, 1960, in which the Board authorized a leave of absence with pay for Milton Moss, Economist, Division of Research and Statistics, for the purpose of completing a doctoral dissertation, Governor Robertson today approved in the absence of Governor Shepardson an arrangement under which Mr. Moss would be on leave with pay from September 6, 1960, through May 31, 1961, and on annual leave from June 1, 1961, through August 31, 1961.

Acting in the absence of Governor Shepardson, Governor Robertson also approved today on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 8) approving the appointment of Whitney R. Irwin as assistant examiner.


Secretary

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

Item No. 1
6/1/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 1, 1960

Board of Directors,
Green Lake State Bank,
Green Lake, Wisconsin.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by Green Lake State Bank of not to exceed \$8,000 for the purpose of constructing a new bank building.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Item No. 2
6/1/60

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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

Notice is hereby given that, pursuant to section 3(a) of the Bank Holding Company Act of 1956, Eastern Trust and Banking Company, Bangor, Maine, a bank holding company, has applied for the Board's prior approval of the acquisition of up to 70 per cent of the 2,000 outstanding voting shares of Guilford Trust Company, Guilford, Maine. Information relied upon by the Board in making its tentative decision is summarized in the Board's Tentative Statement of this date, which is attached hereto and made a part hereof, and which is available for inspection at the Office of the Board's Secretary, at all Federal Reserve Banks, and at the Office of the Federal Register.

The record in this proceeding to date consists of the application, the Board's letter to the Bank Commissioner for the State of Maine inviting his views and recommendations on the application, the Commissioner's reply, this Notice of Tentative Decision, and the Tentative Statement.

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

Notice is further given that any interested person may, not later than fifteen (15) days after the publication of this notice in the Federal Register, file with the Board in writing any comments upon or objections to the Board's proposed action. Communications should be addressed to the Secretary, Board of Governors of the Federal Reserve System, Washington 25, D. C.

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

Dated at Washington, D. C., this 1st day of June 1960.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 3
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY EASTERN TRUST AND BANKING COMPANY,
BANGOR, MAINE, FOR PRIOR APPROVAL OF ACQUISITION OF
VOTING SHARES OF GUILFORD TRUST COMPANY, GUILFORD, MAINE

TENTATIVE STATEMENT

Eastern Trust and Banking Company, Bangor, Maine ("Applicant"), 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 the acquisition of up to 70 per cent of the 2,000 outstanding voting shares of Guilford Trust Company, Guilford, Maine ("Bank").

Views and recommendations of the Bank Commissioner for the State of Maine. - As required by section 3(b) of the Act, the Board forwarded notice of the application to the Bank Commissioner for the State of Maine. The Commissioner interposed no objection to the application.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and 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. - Applicant is a State bank which owns a majority of the shares of each of two other commercial banks in Maine, the three banks having total deposits of approximately \$30,000,000.

The towns of Guilford and Greenville, where Bank and its branch, respectively, are situated, are in Piscataquis County. The area is described by Applicant as one in which the population derives its income from activities such as lumber and pulp operations, textiles, slate quarries, hardwood products, furniture manufacturing, and tourist trade. The population of Guilford is about 1,850 and of Greenville, 1,900. There are no other banking offices in either town.

The financial history and condition, the prospects, and the management of both Applicant and Bank are satisfactory.

The Applicant states that the principal effect of the proposed acquisition upon the convenience, needs, and welfare of the communities and the area concerned would be the advantages derived by Bank and its customers from supervision of Bank by a larger institution. Applicant also states that the population of the area concerned is remaining fairly stable. Nor is there any indication that the needs of the community will increase for any

other reason in the near future. Consequently, there appears to be no strong evidence supporting a community need to be satisfied by, or benefit to the community welfare to result from, this acquisition. At the same time, the Board finds no adverse considerations insofar as the fourth statutory factor is concerned.

An additional judgment required of the Board in its consideration of this application is whether the effects of the acquisition proposed would be to expand the size or extent of Applicant's bank holding company system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of banking competition.

Applicant and its two subsidiary banks hold approximately 5 per cent of the total deposits of commercial banks in Maine, and have about 6 per cent of the total offices of such banks in the State. Acquisition of Guilford would increase Applicant's control of total commercial bank deposits and of such offices by approximately one percentage point. The office of Applicant's subsidiary banks which is nearest to Bank is some 43 miles from Guilford. Bangor, where the Applicant's head office and several of its branches are located, is 48 miles from Guilford. Offices of a substantial competing commercial bank are located on the highways between Bangor and Guilford, and between Guilford and the areas served by Applicant's present subsidiaries.

It was found that an insignificant amount of deposits of individuals, partnerships, and corporations held by Bank originates in the areas in which Applicant's banks primarily operate. Likewise,

the business derived by Applicant's banks from the service area of Bank appears to be negligible. The competition between offices of the present Eastern group and those of Bank that would be reduced or eliminated, if Bank were acquired by Applicant, would therefore be insignificant.

Bank has approximately 57 per cent of the total deposits of all commercial banks, and about 35 per cent of the deposits of all banks located in Piscataquis County. While there are no other banking offices in the area designated by Applicant as Bank's primary service area, Applicant also states that Bank is in active competition with the remaining banks which have offices in Piscataquis County.

On the basis of the evidence adduced it does not appear that Applicant's acquisition of Bank would result in an undue concentration of banking resources in the area concerned, or produce results inconsistent with adequate and sound banking, the public interest, and the preservation of banking competition.

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

June 1, 1960.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
6/1/60

OFFICE OF THE CHAIRMAN

June 3, 1960

The Honorable Wright Patman,
House of Representatives,
Washington 25, D. C.

Dear Mr. Patman:

In response to your letter of May 20, 1960,
I enclose tables showing the ownership of capital stock
and the selection of the management of all foreign
central banks (excluding banks in Communist countries)
for which information is available to the Board's staff.

You will note that the heads of the banks are
called "Governors" in the tables, for the sake of sim-
plicity, regardless of their official titles.

Central banks in Communist countries have been
excluded because all financial institutions in these
countries are so completely dominated by their govern-
ments that the details of their legal provisions concern-
ing capital and selection of management are immaterial.

Sincerely yours,

Wm. McC. Martin, Jr.

Enclosures

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

Item No. 5
6/1/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 1, 1960

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

This refers to your letter of April 25, 1960, with which you submitted a copy of a letter from Mr. Leo P. Dorsey dated April 20, 1960. Mr. Dorsey, as counsel for and on behalf of the New York State Bankers Association, requests that Regulation Q be further amended to permit a member bank to pay interest on savings accounts in accordance with the present provision of subsection (d) of section 3 or, at its option, to pay interest during the first ten business days of a calendar month commencing a regular quarterly or semiannual interest period and during the first five business days of any other calendar month.

The Board has carefully considered the amendment suggested by Mr. Dorsey and arrived at the same conclusions expressed in the Board's letter to you dated April 18, 1960. The Board's decision is, therefore, to decline the amendment suggested by Mr. Dorsey. Please advise Mr. Dorsey along the lines of the Board's April 18, 1960 letter to you. In the event your previous letter to Mr. Dorsey has already furnished those views, it would be appropriate to advise Mr. Dorsey of the Board's reconsideration of the matter as set forth above.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 6
6/1/60

June 1, 1960.

Report by the Board of Governors of the Federal Reserve System, under section 18(c) of the Act of September 21, 1950 (12 USC 1828(c)), as amended by the Act of May 13, 1960, to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Brookville State Bank, Brookville, Kansas, with and into The Farmers National Bank of Salina, Salina, Kansas.

I. THE PROPOSAL

The Farmers National Bank of Salina, Salina, Kansas, (deposits \$11,977,000) has requested prior written consent of the Comptroller of the Currency to merge The Brookville State Bank, Brookville, Kansas, (deposits \$941,000) into the national bank. Neither bank now operates any branches, and the national bank cannot establish a branch in the present quarters of the State bank as the establishment of branches is prohibited (except to a very limited degree) by Kansas law.

II. THE COMMUNITIES

Brookville, a small town of about 250 situated approximately 15 miles west southwest of Salina, is located within the general trade area served by Salina which is the fourth largest city in Kansas, having an estimated population of 40,000. At the beginning of World War II the United States Government acquired 25,600 acres of land south and east of Brookville which diminished the town's trade territory and reduced job opportunities. Of the total population of 250 people, 34 (probably 40 per cent or more of area wage earners) work in Salina.

III. COMPETITION BETWEEN THE TWO INSTITUTIONS

The Brookville State Bank derives about 84 per cent (\$760,000) of deposits and 64 per cent (\$245,000) of loans from Salina and within ten miles of Salina. Despite the fact these two banks serve the same area and, percentagewise, have similar deposit structures, their lending activities are different. The State bank lends primarily to farmers and to borrowers who secure their loans with automobiles whereas the national bank lends primarily to business and industry and to borrowers who pledge real estate as security.

These two banks have 13 common borrowers currently owing \$37,900 to the Brookville bank and \$120,800 to the Salina bank. In addition to the Saline County Treasurer who has \$299,300 on deposit at Brookville and \$141,400 on deposit at Salina, the two banks have 28 common depositors with \$80,600 and \$148,900, respectively, on deposit at Brookville and Salina. Both banks, in common with all other area banks, pay 3 per cent interest on savings. The following table indicates by percentages the sources of The Brookville State Bank's savings deposits, demand deposits, and loans and discounts.

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	<u>Savings Deposits</u>	<u>Demand Deposits</u>	<u>Loans and Discounts</u>
Originating in Brookville	13	8	10
Originating in Salina	35	82	57
Originating within 10 miles of Salina	6	5	7
All other areas	46	5	26

The proposed merger would eliminate banking facilities in the small community of Brookville, and although The Brookville State Bank is operating profitably, a charter for a new bank probably would not be granted by State or Federal authorities at the present time for a bank to be established in a town of the present size and prospects of Brookville. Officers and directors of the Salina bank now own a majority of the stock of the State bank so probably little competition between the two banks actually now exists. There is, of course, a certain amount of potential competition should the relationship between the two banks change through sale of stock, a different business relationship, etc. It appears unlikely that competition would be appreciably lessened by the proposed merger.

IV. EFFECT ON OTHER INSTITUTIONS

In addition to the effect upon competition between the two banks concerned, the probable competitive effect of the proposed merger upon all banking institutions in the Salina area must be considered. Six commercial banks located in this trade area held deposits aggregating \$44,341,500 as of December 31, 1959. The following table shows the percentage of bank resources held by each of the area banks as of December 31, 1959.

<u>Bank</u>	<u>Percentage of Total Resources</u>
Farmers National Bank, Salina, Kansas	29.17
Brookville State Bank, Brookville, Kansas	2.59
National Bank of America, Salina, Kansas	31.73
Planters State Bank, Salina, Kansas	32.62
Assaria State Bank, Assaria, Kansas	2.48
Falum State Bank, Falum, Kansas	1.39
Merger Farmers National Bank of Salina	31.76

Neither of the two banks now has, nor will the continuing bank have, a dominant position in the Salina area banking picture. After the proposed merger the three largest banks will have 96.11 per cent of area resources, will all be very nearly the same size, and none is likely to obtain a competitive advantage which would adversely affect existing or potential competition. Consummation of the proposed merger would not seem likely to lend significant impetus to further bank mergers in the community. In addition to the six banks, there are several other lending institutions

competing for area business. There are two building and loan associations which, together, have total resources of \$15,000,000, twelve small loan companies, a production credit association, a national farm loan association, and one trust company which has deposits of about \$500,000 consisting solely of public funds and time certificates of deposit.

V. SUMMARY AND CONCLUSIONS

The proposed merger will combine a very small bank located in a town of declining population and opportunity with a much larger bank operating in a growing community. The small Brookville institution is, due to its size and location, not now nor is it likely to become a significant factor in the Salina area banking picture. Cessation of operations by this bank will leave Brookville with no banking facilities; however, the effect on the Salina area competitive picture will be negligible.

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

Item No. 7
6/1/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 1, 1960



Dear Sir:

As you know, section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, requires the Board to submit a report, to the Comptroller of the Currency where the continuing bank is to be a national bank or the Federal Deposit Insurance Corporation where the continuing bank is to be a nonmember insured bank, on the competitive factors involved in a proposed merger.

There is enclosed for your information a copy of such a report that is being forwarded to the Comptroller of the Currency. This is being sent to you because of possible assistance it may afford in indicating the various steps of analysis in such cases. Since this particular case was a relatively simple one, it should be clearly recognized that the report can be considered an example only as to the steps of analysis and not as to the conclusion or the amount of information or discussion. In most cases, considerably more information and analysis would be needed.

Discussions of competition in various statements of the Board in decisions pursuant to the Bank Holding Company Act, such as at pp. 912-915 of the 1958 Federal Reserve Bulletin captioned "Preservation of Competition," may also be helpful in preparing your memoranda to the Board under the new merger legislation.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosure

TO THE PRESIDENTS OF THE FEDERAL RESERVE BANKS

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

Item No. 8
6/1/60



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 1, 1960

Mr. H. A. Bilby, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Bilby:

In accordance with the request contained
in your letter of May 25, 1960, the Board approves
the appointment of Whitney R. Irwin as an assistant
examiner for the Federal Reserve Bank of New York.
Please advise as to the date on which the appointment
is made effective.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.