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 Tuesday, August 30, 1960. The Board met in the Board Room at 10:00 a.m.

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

         Mr. Kenyon, Assistant Secretary
         Mr. Hackley, General Counsel
         Mr. Masters, Associate Director, Division of Examinations
         Mr. Daniels, Assistant Director, Division of Bank Operations
         Mr. Hostrup, Assistant Director, Division of Examinations
         Mr. Sprecher, Assistant Director, Division of Personnel Administration
         Mr. Rudy, Special Assistant, Legal Division
         Mr. Landry, Assistant to the Secretary
         Miss Hart, Assistant Counsel

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on August 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.

Items circulated to the Board. The following items, which had been circulated to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Letter to The Vienna Trust Company, Vienna, Virginia, approving the establishment of a branch at Maple Avenue and Berry Street.
Letter to the Comptroller of the Currency recommending favorably with respect to the application of Merchants Trust Company, Muncie, Indiana, to convert into a national banking association.

Letter to the Traverse City State Bank, Traverse City, Michigan, approving the establishment of a branch in Kingsley.

Letter to the Arkansas Trust Company, Hot Springs, Arkansas, approving the establishment of a branch at 3015 Central Avenue.

Letter to the Normandy State Bank, Normandy, Missouri, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.

Letter to the Security Bank, Myrtle Point, Oregon, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.

Application of Northwest Bancorporation. Copies had been distributed of two memoranda from the Division of Examinations (August 10, 1960) and a memorandum from the Legal Division (August 25, 1960) regarding an application of Northwest Bancorporation, Minneapolis, Minnesota, for prior approval of the acquisition of 80 per cent or more of the voting shares of The First National Bank of Pipestone, Pipestone, Minnesota. It was noted that the Federal Reserve Bank of Minneapolis and the Comptroller of the Currency had recommended approval. The Division of Examinations likewise recommended favorably, and the Legal Division expressed the opinion that approval of the application probably would be sustained by a reviewing court.
The material from the Division of Examinations pointed out, among other things, that The First National Bank of Pipestone had operated continuously since 1889 and as of March 15, 1960, had deposits of $7.6 million, loans of $4.8 million, and capital accounts of $1.4 million. The Minneapolis Reserve Bank reported that various businessmen in Pipestone and bankers from surrounding towns referred to First as having been a dominant factor in community growth. The applicant, Northwest Bancorporation, now had no affiliated banks in either the primary or secondary service areas of First. Acquisition of that bank by Northwest would increase the assets of the latter by less than one-half of one percent, and local competition would continue to be provided by The Pipestone National Bank, a subsidiary of First Bank Stock Corporation with total deposits of $3.2 million as of December 31, 1959, as well as by a savings and loan association and a number of other lending institutions serving the surrounding area, which is predominantly agricultural in nature.

According to the Reserve Bank, which had interviewed all bankers in the area, no strong objections were raised to the proposed acquisition; it was common knowledge that disposition of the controlling stock of First by the Feldman family was a possibility.

At the request of the Board, Mr. Hostrup summarized the foregoing and other factors relevant to consideration of the application. He concluded by commenting that, following the proposed acquisition, Northwest
Bancorporation would control about 32 per cent of the deposits of individuals, partnerships, and corporations in the primary and secondary service areas of First National, but that it would not occupy a dominant position. In his view, the point at issue in this case appeared to be whether, in the circumstances involved, the Bank Holding Company Act required the Board to stand between a willing, almost anxious, seller and a willing buyer.

Mr. Hackley expressed the view that, as indicated in the memorandum of the Legal Division, approval of the application would probably be sustained by a reviewing court as a reasonable exercise of the Board's discretion. The case, he pointed out, could give rise to the question how far the Board might go, consistent with the provisions of the statute, in restraining expansion of this large bank holding company, the question being further complicated by the existence of a second large holding company in the same area. In other words, there was the question whether the dominance of these two companies in the general area constituted a relevant factor on the basis of which the Board might turn down an application of this kind, even though otherwise the case might seem to be one where the factors were more or less neutral. This was a philosophical question—one relating to the objectives of the statute. If the Board should deny a case of this kind on the basis of the dominance of the two large holding companies, then as to these companies the Board would seem to be adopting, in effect, the position that it would thereafter disapprove any further expansion unless
in a particular case there were offsetting factors providing an affirmative reason for approval. This would differ from the policy of the Board in other cases, although the difference might be reconciled by saying that the mere existence of the two large companies was an overwhelmingly adverse factor that would justify disapproval in the absence of offsetting affirmative factors.

Mr. Hackley also referred to the agreement, contingent upon Board approval of the application by Northwest, whereby Union Investment Company, a wholly-owned subsidiary, would purchase an unincorporated insurance agency owned by various officers of the Pipestone bank. It was the opinion of the Legal Division, he said, that the proposal would not change the factors that the Board considered in making its favorable determination on July 21, 1959, permitting Northwest to retain shares of Union.

Mr. Hostrup referred to certain additional information regarding the primary and secondary service areas of First National that had been developed by the Division of Examinations pursuant to a suggestion by Governor Mills. These data, not yet distributed to the Board, indicated, within approximately a 50-mile radius of Pipestone, the percentages of deposits of individuals, partnerships, and corporations now controlled by Northwest Bancorporation and First Bank Stock Corporation, along with the percentages that would obtain if the proposed transaction should be consummated.
Governor Mills stated that regardless of the decision reached by the Board on this application, the record should include expanded information of the nature referred to by Mr. Hostrup. Also, the resources controlled by Northwest Bancorporation in the Pipestone trade area and in the State of Minnesota should be detailed. The same sort of information likewise should be provided for First Bank Stock Corporation, and all such information should be taken account of in the Board's decision. He agreed with a point raised by Mr. Hackley that care should be exercised not to overemphasize the dominance of the two leading bank holding companies in Minnesota and in the entire area they serve. This should not be a cardinal factor in reaching a decision on an application submitted by either company. He felt with equal conviction, however, that the dominant position of these two bank holding companies was relevant to reaching a decision on applications submitted by either company.

Governor Mills then stated that, based on the available information, he would be opposed to approval of the present application. He noted that the circumstances surrounding the application differed somewhat from those that obtained in the application made by Northwest Bancorporation in 1958 to acquire control of The First National Bank at Eveleth, Eveleth, Minnesota, decided favorably by the Board on January 20, 1959. As he recalled that application, the decision was recognized as a close one. In that case the argument likewise was advanced by the applicant, rather persuasively, that
the national bank was handicapped by elderly management whose replacement would be difficult. However, the situation in the two communities involved was different. Eveleth is located in the northern part of Minnesota, fairly close to Duluth in the iron range area, and there would appear to be different area characteristics in terms of population and economic activity. Further, Northwest Bancorporation and First Bank Stock Corporation were already strongly entrenched in that area, and it did not appear that addition of the Eveleth bank to the holdings of Northwest Bancorporation would upset the existing competitive situation. Moreover, there were two independent banks, controlled by the same interests, that provided competition in the immediate area. In Pipestone, on the other hand, First Bank Stock owned the smaller of the two banks and Northwest Bancorporation was proposing to acquire the larger national bank, so that the two holding companies would have complete control of the banking resources in the community and would dominate the surrounding area. In that general area, there were quite a number of small independent banks, more than in the Eveleth area. Should the Board approve the present application, over a period of time the dominance of Northwest and First Bank Stock could prove detrimental and adverse to the galaxy of smaller banks.

It was then agreed that the application of Northwest Bancorporation would be considered further at tomorrow's meeting following submission to the Board by the Division of Examinations of additional information along the lines Governor Mills had suggested.
In a discussion that followed, which included comments by Mr. Hackley on distinctions between the bank merger and bank holding company legislation, Governor Balderston suggested that the staff provide the Board with a summary of the factors involved in the cases decided by the Board under the new bank merger legislation.

Mr. Fauver, Assistant to the Board, entered the room during the foregoing discussion.

Applications by Brenton Companies, Inc. (Items 7 and 8). Under date of August 25, 1960, copies had been distributed of a proposed Notice of Tentative Decision approving applications by Brenton Companies, Inc., Des Moines, Iowa, for acquisition of 25 per cent of the voting shares of the following banks:

Brenton State Bank, Dallas Center, Iowa
Jefferson State Bank, Jefferson, Iowa
The First National Bank of Perry, Perry, Iowa
The Poweshiek County National Bank of Grinnell, Grinnell, Iowa

There had also been distributed a draft of Tentative Statement.

The Notice of Tentative Decision and the Tentative Statement were designed to carry out the position indicated by the Board on August 19, 1960.

Following discussion, unanimous approval was given to the Notice of Tentative Decision and the Tentative Statement, subject to minor editorial changes, with the understanding that the Notice would be published
in the Federal Register and that both documents would be released to the press this afternoon. Copies of the documents, as issued, are attached as Items 7 and 8.

Messrs. Hostrup and Rudy and Miss Hart then withdrew from the meeting and Mr. Shay, Legislative Counsel, entered the room.

Advertising of space in Reserve Bank building. At the request of Governor Balderston there had been placed on the agenda for consideration the question of advertising the availability of space in the head office building of the Federal Reserve Bank of Chicago.

Governor Balderston referred to the view of the Board, as expressed in its outstanding letter to the Reserve Banks, to the effect that it would be preferable for each Bank to do its own leasing, but that if local conditions required, a Bank involved would be permitted to engage the services of an agent. He noted that President Allen of the Chicago Reserve Bank had originally raised the question in connection with renting space in that Bank, and that Scribner & Company, which had been engaged by the Reserve Bank as agent, now proposed to advertise the availability of space in the building through issuance of a brochure.

Mr. Daniels noted that the advertising brochure prepared by Scribner & Company had been submitted to the Reserve Bank for consideration, and that a copy had been sent by the latter to the Board.
The brochure was then circulated among the members of the Board for inspection.

Following discussion it was agreed, at the suggestion of Governor Mills, that the matter would be held in abeyance until Mr. Daniels had ascertained from General Services Administration its practices with regard to the advertisement of rental space in Federal buildings.

Mr. Daniels then withdrew from the meeting.

Action affecting Board Plan of Retirement System (Item No. 9).

There had been circulated to the Board a memorandum from the Division of Personnel Administration dated August 17, 1960, recommending that the Board take no action to prevent the incorporation of the benefits of Public Law 86-622, approved July 12, 1960, into the Board Plan of the Retirement System of the Federal Reserve Banks. The memorandum explained the effect of the recent amendment to the Civil Service Retirement Act substantially as follows:

The Civil Service Retirement Act provides for limiting the annuities of retirees to a maximum of 80 per cent of their high five-year average salary. Employees with high five-year average salaries exceeding $5,000 attain this 80 per cent figure after approximately 42 years of service. Where the annuity would be more than 80 per cent, it is automatically reduced to that figure at the time of retirement.

A recent amendment to the Civil Service Retirement Act (Public Law 86-622) provides that the excess contributions deducted and withheld from the basic salary of an employee after his years of service have placed him at the point where his retirement annuity would equal the maximum 80 per cent of his high five-year average salary are to be considered as voluntary contributions. Three per cent interest compounded annually is to be paid on these excess
8/30/60

-11-

retirement contributions (voluntary contribution account) from the date of deduction to the date of retirement or death in active service. The voluntary contribution account is used to purchase an additional annuity at retirement and is payable in a lump sum on death in active service. After retirement the account is reduced by the annuity purchased thereby and any balance may be paid in a lump sum upon the retiree's death. The new benefits are available only to employees who separate from service after the effective date of the amendment.

As to the other provisions of Public Law 86-622, only one of them had relevance from the standpoint of the Board Plan, and in that case the possibility of any applicable situation actually arising seemed remote.

Following comments by Mr. Sprecher based on the information contained in the memorandum from the Division of Personnel Administration, unanimous approval was given to a letter to the Secretary of the Retirement System of the Federal Reserve Banks indicating that the Board interposed no objection to increasing the benefits of the Board Plan in order that they might conform with the benefits provided by Public Law 86-622. A copy of the letter is attached as Item No. 9.

Information requested by Congressman Patman (Item No. 10). There had been distributed to the members of the Board copies of a proposed letter to the Federal Reserve Banks requesting information that would be needed in responding to a letter from Congressman Patman dated August 20, 1960, asking for "a list of the officers and employees of each of the Federal Reserve banks who have received training at one or more of the banking schools conducted by
the American Institute of Banking." The listing was requested in terms of titles and job classifications rather than names.

Mr. Shay commented that clarification of Mr. Patman's question had been sought, following which a member of Mr. Patman's staff indicated that the request should be construed broadly to include not only courses given by local chapters of the American Institute of Banking but also training such as graduate school work of the Rutgers type. The proposed letter to the Reserve Banks therefore would ask each Bank to furnish the Board a listing by present title and position classification of all current officers and employees who during any period of their Reserve Bank service have taken courses conducted by local chapters of the American Institute of Banking or have attended a school of banking sponsored, conducted, or approved by bankers' associations.

In discussion of the matter, reference was made to the various types of educational opportunities provided by the Board and the Federal Reserve Banks for officers and employees, and to the growing trend in branches of the Government and in private industry toward providing such opportunities. Also, certain tentative suggestions were made for possible rephrasing of the letter to the Reserve Banks for the purpose of obtaining additional information, such as data on the number of officers and employees attending various schools each year or a breakdown according to schools attended. At the conclusion of the discussion, however, it was the consensus that the transmittal of
information to Mr. Patman according to the terms of his request would be appropriate and that the letter to the Reserve Banks should be phrased accordingly. Therefore, unanimous approval was given to the letter to the Presidents of all Federal Reserve Banks of which a copy is attached as Item No. 10.

The meeting then adjourned.

Secretary's Notes: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on August 29, 1960, the following items relating to the Board's staff:

**Appointments**

Suzanne C. Davis as Statistical Clerk in the Division of Research and Statistics, with basic annual salary at the rate of $3,865, effective the date of entrance upon duty.

Robert M. Steinberg as Economist in the Division of Research and Statistics, with basic annual salary at the rate of $6,435, effective September 6, 1960.

**Salary increases, effective September 4, 1960**

<table>
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<tr>
<th>Name and title</th>
<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audrey Lynn Allen, Records Clerk</td>
<td>Office of the Secretary</td>
<td>$4,145 $4,250</td>
</tr>
<tr>
<td>Charlotte Hanovega, Statistical Assistant</td>
<td>Research and Statistics</td>
<td>4,345 4,510</td>
</tr>
<tr>
<td>Joanne Jessup, Clerk-Typist</td>
<td></td>
<td>4,180 4,285</td>
</tr>
<tr>
<td>Paul F. McGouldrick, Economist</td>
<td></td>
<td>7,560 7,820</td>
</tr>
<tr>
<td>Elizabeth A. Ulrey, Economist</td>
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<td>9,215 9,475</td>
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</table>
Salary increases, effective September 4, 1960 (continued)

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<tr>
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<th>Division</th>
<th>Basic annual salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew N. Thompson, Supervisory Review Examiner</td>
<td>Examinations</td>
<td>$14,380 $14,705</td>
</tr>
<tr>
<td>Leroy H. Cooley, Telegraph Operator</td>
<td>Administrative Services</td>
<td>5,500 5,665</td>
</tr>
<tr>
<td>Gladys H. Garber, Mailing List Clerk and Flexowriter Operator</td>
<td></td>
<td>4,180 4,285</td>
</tr>
<tr>
<td>Dorothy L. Mosher, Charwoman</td>
<td></td>
<td>3,815 3,920</td>
</tr>
</tbody>
</table>

Transfer

Shirley Register Sherman, from the position of Special Assistant Federal Reserve Examiner in the Division of Examinations to the position of Secretary in the Office of the Secretary, with no change in her basic annual salary at the rate of $4,840, effective the date she assumes her new duties.

Governor Shepardson also approved on behalf of the Board on August 29, 1960, a letter to the Federal Reserve Bank of Richmond (attached Item No. 11) approving the designation of Frank T. Brizzolara as special assistant examiner.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following items relating to the Board's staff:

Appointments

Grace R. MacVean as Reservations Clerk in the Division of Administrative Services, with basic annual salary at the rate of $5,005, effective the date of entrance upon duty.

Edwin G. White as Analyst in the Division of Bank Operations, with basic annual salary at the rate of $6,930, effective the date of entrance upon duty.
Leave without pay

Robert B. Bangs, Senior Economist, Division of Research and Statistics; additional leave without pay from September 8 through September 30, 1960, in order to complete his work with the Congressional Joint Committee on Internal Revenue Taxation.

Stephen F. Taylor, Economist, Division of Research and Statistics; additional leave without pay from September 1 through September 16, 1960, to complete his assignment as a member of an operational mission for the International Bank for Reconstruction and Development to the Government of Malaya.

Governor Shepardson also approved today on behalf of the Board a letter to the Federal Reserve Bank of Cleveland (attached Item No. 12) approving the appointment of David Eugene Bricker as assistant examiner.

[Signature]
Assistant Secretary
Board of Directors,
Vienna Trust Company,
Vienna, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment by The Vienna Trust Company, Vienna, Virginia, of a branch at the intersection of Maple Avenue and Berry Street, Vienna, Virginia, provided the branch is established within twelve months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. C. C. Fleming,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated August 9, 1960, regarding the application of Merchants Trust Company, Muncie, Indiana, to convert into a national banking association and requesting a recommendation as to whether or not the application should be approved.

A field investigation of the application has not been made, but the Federal Reserve Bank of Chicago has furnished us with a report on the application based upon the examination of the bank as of June 13, 1960, and other data available.

The Merchants Trust Company has been a member of the Federal Reserve System since 1934. The financial history of the bank, its capital structure, earnings prospects, and general character of management are regarded as favorable. The subject bank has provided satisfactory service to the community for a number of years and it appears that its continued existence is justified. Accordingly, the Board of Governors recommends favorable consideration of the application of the bank to convert into a national banking association.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
Traverse City State Bank,
Traverse City, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch in Kingsley, Michigan, by Traverse City State Bank, Traverse City, Michigan, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
Arkansas Trust Company,
Hot Springs, Arkansas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Arkansas Trust Company, Hot Springs, Arkansas, at 3015 Central Avenue, in an unincorporated area immediately outside the southern corporate limits of Hot Springs, Arkansas, provided the branch is established within six months from the date of this letter.

In its letter of May 27, 1960, the Board granted approval, under the provision of Section 24A of the Federal Reserve Act, of an investment of $771,100, by Arkansas Trust Company for the purpose of constructing a new banking house. This approval referred solely to your main office building and, should the establishment of the proposed facility require an investment of the funds of the Arkansas Trust Company in banking premises, such investment would require the approval of the Board.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
Normandy State Bank,
Normandy, Missouri.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors your letter, together with the accompanying resolution dated August 11, 1960, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months’ notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months’ notice of withdrawal. Upon surrender to the Federal Reserve Bank of St. Louis of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board’s Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of St. Louis.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Board of Directors,
Security Bank,
Myrtle Point, Oregon.

Gentlemen:

The Federal Reserve Bank of San Francisco has forwarded to the Board of Governors your letter dated August 13, 1960, together with the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of San Francisco of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of San Francisco.

Attention is invited to the fact that if your bank is desirous of continuing deposit insurance after withdrawal from membership in the Federal Reserve System, it will be necessary that application be made to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

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

Notice is hereby given that, pursuant to section 3(a)
of the Bank Holding Company Act of 1956, Brenton Companies, Inc.,
Des Moines, Iowa, a bank holding company, filed with the Board,
prior to July 1, 1960, applications for the Board's prior
approval of the acquisition of the voting control of 25 per cent
of the voting shares of the following four banks:

Brenton State Bank, Dallas Center, Iowa
Jefferson State Bank, Jefferson, Iowa
The First National Bank of Perry, Perry, Iowa
Pemiscott County National Bank of Grinnell, Grinnell, Iowa

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 applications, the Board's letters to the Comptroller of the Currency inviting his views and recommendations on the two national bank applications, the replies of the Comptroller, the Board's letters to the Superintendent of Banking for the State of Iowa inviting his views and recommendations on the two State bank applications, the replies of the Superintendent, this Notice of Tentative Decision, and the facts set forth in the Board's Tentative Statement.

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

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 30th day of August 1960.

By order of the Board of Governors.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon, Assistant Secretary.
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATIONS BY BRENTON COMPANIES, INC.,
FOR PRIOR APPROVAL OF ACQUISITION OF VOTING SHARES OF FOUR BANKS

TENTATIVE STATEMENT

Brenton Companies, Inc., Des Moines, Iowa ("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 25 per cent of the voting shares of the following four banks:

Brenton State Bank, Dallas Center, Iowa
Jefferson State Bank, Jefferson, Iowa
The First National Bank of Perry, Perry, Iowa
Poweshiek County National Bank of Grinnell, Grinnell, Iowa

Views and recommendations of the Comptroller of the Currency and Superintendent of Banking. - As required by section 3(b) of the Act, the Board forwarded notice of the applications concerning the two national banks to the Comptroller of the Currency and notice of the applications concerning the two State banks to the Superintendent of Banking for the State of Iowa. The Comptroller responded by recommending approval of each of the national bank applications. The
Superintendent of Banking responded by recommending favorable action concerning each of the State bank applications.

**Statutory factors.** - Section 3(c) of the Act requires the Board in each instance 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.** - The proposal to acquire the voting control of 25 per cent of the voting shares of each of the four banks involved was prompted by an interpretation of the Board in December 1959 (Federal Reserve Bulletin, December 1959, p. 1475) to the effect that Brenton Companies was in violation of section 4(a)(2) of the Act in that it was "furnishing services to or performing services for" the four banks named, such activity not being permissible since the holding company owned or controlled less than 25 per cent of the voting shares of each bank receiving the services.

It appears that, while the Applicant itself now owns or controls less than 25 per cent of the stock of each of the four banks, a majority of the stock of each of the banks has been owned since...
before the passage of the Bank Holding Company Act by the Applicant and individual stockholders who are members of the Brenton family and who also own a majority of the stock of the Applicant. It is contemplated that the proposed acquisition by Applicant of additional stock of the banks will be accomplished by means of a voting trust agreement to be executed by the Applicant and one of the major individual stockholders. A Memorandum of Agreement as to each of the banks provides that the Applicant shall continue to provide management services in the same manner and upon the same terms as heretofore.

The financial history and condition, prospects, and management of both Applicant and each of the four banks are satisfactory.

Each of the four banks is located in a small farming community with the business of the bank originating in the rural area of the town of its domicile and the surrounding agricultural area within a radius varying from 5 to 20 miles. There is a nonsubsidiary bank in the primary service area of each of the four banks, except that of the Brenton State Bank, Dallas Center, Iowa. In addition, the primary service area of each of the four banks is surrounded by a number of banks which, while not having offices in that area, and presently not serving the area to any material extent, are, however, so located geographically that they are potential competitors.

Since the proposed acquisitions would not seem to result in any substantial change in the operation of the banks involved, it does not appear that the proposed acquisitions would have any material effect on the convenience, needs, and welfare of the communities and areas concerned.
Similarly, it does not appear that the acquisitions proposed would have any significant effect upon banking competition or that they would expand the size or extent of banking resources under Applicant’s control beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

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

August 30, 1960
August 30, 1960

Mrs. Valerie R. Frank, Secretary,
Retirement System of the
Federal Reserve Banks,
Federal Reserve Bank of New York,

Dear Mrs. Frank:

The Board of Governors interposes no objection to increasing the benefits of the Board Plan in order that they may conform with the benefits under Public Law 86-622 which amends the Civil Service Retirement Act to provide for the disposition of contributions in the case of annuitants whose length of service exceeds the amount necessary to provide the maximum annuity allowable under such Act, and for other purposes.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
August 30, 1960.

Dear Sir:

In a letter to Chairman Martin dated August 20, 1960, Representative Patman made the following request:

"It would be appreciated if you would furnish a list of the officers and employees of each of the Federal Reserve banks who have received training at one or more of the banking schools conducted by the American Institute of Banking.

"It is not necessary to give the names of the individuals who have received such training but only their titles and job classifications."

In response to our request for clarification, a member of Mr. Patman's staff replied that the inquiry should be considered broadly as covering not only courses given by local chapters of the American Institute of Banking, but also training such as graduate school work of the Rutgers type.

It will be appreciated, therefore, if you will forward to the Board a listing, by title and position classification, of all current officers and employees who during any period of their Reserve Bank service have taken courses conducted by local chapters of the American Institute of Banking or have attended a school of banking sponsored, conducted, or approved by banking associations. The present title of the employee should be used, regardless of his title at the time the courses were taken or the schools were attended. If an employee has taken AIB courses and also attended a school of banking, his title should be included only once.

It is noted that Mr. Patman has not requested a separate breakdown of those who have attended schools of banking, or the name of the school attended.

Very truly yours,

Kenneth A. Kenyon,
Assistant Secretary.
August 29, 1960

Mr. N. L. Armistead, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Armistead:

In accordance with the request contained in your letter of August 24, 1960, the Board approves the designation of Frank T. Brizzolara as a special assistant examiner for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks only.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of August 23, 1960, the Board approves the appointment of David Eugene Bricker as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise as to the effective date of the appointment.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.