

Minutes for October 19, 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	<u></u>
Gov. Szymczak	<u></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on
Wednesday, October 19, 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. Sherman, Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Hooff, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Rudy, Special Assistant, Legal Division
Mr. Landry, Assistant to the Secretary
Mr. Leavitt, Supervisory Review Examiner, Division
of Examinations

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 Southwest Bank of St. Louis, St. Louis,
Missouri, consenting to the retirement of its out-
standing preferred stock.

Application of Marine Corporation (Items 2 and 3). Pursuant to
the understanding reached at the meeting of the Board on September 30, 1960,
there had been distributed a memorandum dated October 13, 1960, from Mr.
Rudy attaching a Notice of Tentative Decision, Tentative Statement, and
press release indicating Board approval of the application by The Marine
Corporation, Milwaukee, Wisconsin, to acquire 60 per cent or more of the
voting shares of Oak Creek Marine National Bank, Oak Creek, Wisconsin.
Subsequently, a revised draft of pages 3, 4, and 5 of the Tentative Statement

10/19/60

-2-

had also been distributed to the Board in the light of certain suggestions made by Governor Mills.

Following an observation by Mr. Hackley that one further change in wording of the Tentative Statement would be desirable, unanimous approval was given to the issuance of a Notice of Tentative Decision and Tentative Statement in the form attached as Items 2 and 3, respectively.

Messrs. Hostrup and Rudy then withdrew from the meeting.

Report on competitive factors (Louisville and Middletown, Kentucky).

Copies had been distributed of a draft of report to the Comptroller of the Currency on the competitive factors involved in a proposed merger of Liberty National Bank and Trust Company of Louisville, Louisville, Kentucky, with Bank of Middletown, Middletown, Kentucky. This report concluded as follows:

Constituent banks appear no more than nominally competitive. Bank of Middletown evidently enjoys relative freedom from competition, by reason of geographical removal from competitive service areas, and such competition as it faces would originate from the solicitation of large accounts in its area by the major Louisville banks. Liberty National is one of such major banks, but enjoys no dominant position over other Louisville banks in soliciting such business. The effects of the proposed transaction on competition do not appear adverse.

The report was approved unanimously.

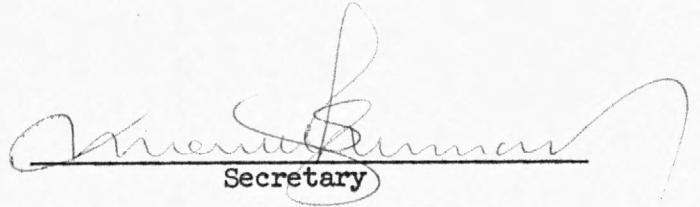
The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board a memorandum dated October 13, 1960, from Mr. Koch, Adviser, Division of Research and Statistics, recommending the appointment of Vita Rose Monaco as Statistical Clerk in that Division, with basic annual salary at the rate of \$4,145, effective the date of entrance upon duty.

10/19/60

-3-

Pursuant to the request contained in a memorandum dated October 14, 1960, from Mr. Brill, Associate Adviser, Division of Research and Statistics, Governor Shepardson today granted permission for him to review, for the American University, a doctoral dissertation in the field of corporate finance.



Secretary

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

Item No. 1
10/19/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 19, 1960

Board of Directors,
Southwest Bank of St. Louis,
St. Louis, Missouri.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System hereby gives its consent, under the provisions of Section 9 of the Federal Reserve Act, to the retirement of \$220,000 outstanding preferred stock of Southwest Bank of St. Louis, St. Louis, Missouri.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 2
10/19/60

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, The Marine Corporation, Milwaukee, Wisconsin, a bank holding company, has applied for the Board's prior approval of the acquisition of 60 per cent or more of the 20,000 voting shares of Oak Creek Marine National Bank, Oak Creek, Wisconsin. 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 Comptroller of the Currency inviting his views and recommendations on the application, the reply of the Comptroller, this Notice of Tentative Decision, and the facts set forth in the Board's Tentative Statement.

-2-

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 19th day of October 1960.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 3
10/19/60

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY THE MARINE CORPORATION, MILWAUKEE, WISCONSIN,
FOR PRIOR APPROVAL OF ACQUISITION OF VOTING SHARES OF THE
OAK CREEK MARINE NATIONAL BANK, OAK CREEK, WISCONSIN

TENTATIVE STATEMENT

The Marine Corporation, Milwaukee, Wisconsin ("Marine"), a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of the acquisition of 60 per cent or more of the 20,000 voting shares of a proposed new bank, to be called the Oak Creek Marine National Bank, Oak Creek, Wisconsin ("Bank").

Views and recommendations of the Comptroller of the Currency. - As required by section 3(b) of the Act, the Board forwarded notice of the application to the office of the Comptroller of the Currency. The Comptroller responded by recommending approval of the transaction.

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

-2-

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. - Marine now has four subsidiary banks in Milwaukee County, one in adjacent Waukesha County, and one in the city of Green Bay. Its principal subsidiary is Marine National Exchange Bank, the third largest bank in Milwaukee County.

The city of Oak Creek has a population of about 9,300. Its area of about 29.5 square miles occupies the southeastern portion of Milwaukee County, and is bounded on the north by the cities of Milwaukee, Cudahy, and South Milwaukee, and on the south by the Milwaukee County line. The application includes a "Comprehensive City Plan" report dated February 5, 1959, which contains a statement that retail trade and service establishments are widely scattered, and a greater central focus, functional arrangement, and shopper conveniences need to be developed. Marine points out that the urban development of the area has been comparatively slow, due primarily to financial and other hindrances which have been cleared away in the last two years. The "Comprehensive City Plan" report estimates that the population of Oak Creek will be about 19,000 in 1965.

The site of the Bank would be approximately 10-1/2 miles from downtown Milwaukee, and would be located at the approximate geographic center of the city of Oak Creek in a shopping center which is to be constructed on a 60-acre tract. Other developments in this newly designated downtown area of Oak Creek include a City Hall and Administration Building, a high school (on both of which construction is expected to be started in 1960), and an apartment project now under construction or planned for the near future which will consist of a total of 1,600 apartments. The plant of the largest employer in the city is within one-half mile of the proposed bank site.

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

A consideration of the factor "convenience, needs, and welfare of the communities and area concerned" lends rather strong support for approval of the application. This conclusion is based upon (1) the fact that there is now no bank in the city and that the two banks nearest the proposed bank site are 3-1/2 miles distant in South Milwaukee; (2) the existing population of the city and the anticipated growth thereof; (3) the potential for increased industry; and (4) the rather extensive municipal and private construction under way and in the planning stage in the immediate vicinity of the proposed bank site.

An additional judgment required of the Board by section 3(c) of the Act is whether the effects of the proposed acquisition would be to expand the size or extent of Marine's holding company system

-4-

beyond limits consistent with adequate and sound banking, the public interest, and the preservation of banking competition.

Marine now controls four of the 46 offices of commercial banks in Milwaukee County. The total deposits of such banks amount to \$1,661 million, of which Marine's banking offices hold \$215 million or about 13 per cent. Marine's acquisition of Bank would not appear to involve an undue concentration of banking resources.

Marine and two other bank holding companies control a large proportion of the deposits held by all commercial banks in Milwaukee County. However, this is not regarded as a controlling factor in this case in view of the situation in the primary service area of Bank and the considerations with respect to "convenience, needs, and welfare" mentioned above.

It is probable that Bank's business would be derived principally from Oak Creek. The two existing banks most likely to be affected by the establishment and operation of Bank would be the two banks in South Milwaukee. One of these, South Milwaukee Marine Bank, is a subsidiary of Marine and, according to Marine, holds less than \$500,000 of deposits of individuals, partnerships, and corporations (IPC) derived from the anticipated primary service area of Bank. The other bank in South Milwaukee, the Home State Bank, is not a subsidiary of any bank holding company, and having no time deposits would not be competing with Bank for such deposits. The main competition of

-5-

Home State for demand IPC deposits would continue to be South Milwaukee Marine Bank, and as between those two banks the competitive situation would not be changed by the proposed acquisition. Accordingly, Bank's acquisition by Marine would not, in the Board's judgment, have any material adverse effect upon Home State Bank or other banks.

The Board concludes that the proposed acquisition would not expand the size or extent of Marine's holding company system 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 acquisition would be consistent with the statutory objectives and the public interest and that the application should be approved.

October 19, 1960.