

Minutes for December 13, 1960

To: Members of the Board

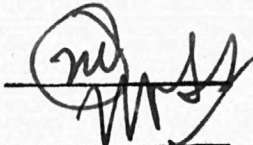
From: Office of the Secretary

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.

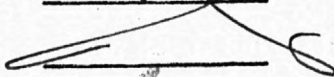
Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin



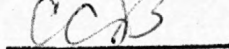
Gov. Szymczak

Gov. Mills



Gov. Robertson

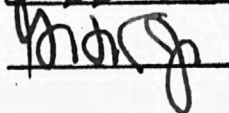
Gov. Balderston



Gov. Shepardson



Gov. King



Minutes of the Board of Governors of the Federal Reserve System on
 Tuesday, December 13, 1960. The Board met in the Board Room at 2:30 p.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Fauver, Assistant to the Board
 Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Hexter, Assistant General Counsel
 Mr. Hooff, Assistant General Counsel
 Mr. Hostrup, Assistant Director, Division of
 Examinations
 Mr. Nelson, Assistant Director, Division of
 Examinations
 Mr. Landry, Assistant to the Secretary
 Miss Hart, Assistant Counsel
 Mr. Leavitt, Supervisory Review Examiner,
 Division of Examinations
 Mr. Troup, Supervisory Review Examiner,
 Division of Examinations

Application by Bank Stock Corporation of Milwaukee. On November
 29, 1960, the Board considered an application from Bank Stock Corporation
 of Milwaukee, Milwaukee, Wisconsin, for approval, pursuant to section
 3(a)(2) of the Bank Holding Company Act, of acquisition of 80 per cent
 or more of the common stock of The Bank of Commerce, Milwaukee, Wisconsin,
 concerning which there previously had been distributed memoranda from the
 Division of Examinations dated July 18, 1960, and a memorandum from the
 Legal Division dated November 23, 1960. It was the recommendation of the

^{1/} Withdrew from meeting and reentered at points indicated in minutes.

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Division of Examinations that a Notice of Tentative Decision granting the application be issued. The recommendation of the Federal Reserve Bank of Chicago was also favorable. Questions arising under section 7 of the Clayton Act were discussed in the memorandum of the Legal Division, which also made reference to statements filed by the Department of Justice and the applicant subsequent to the preparation of the memoranda of the Division of Examinations. At the November 29 meeting, the Board requested the staff to communicate with the Federal Reserve Bank of Chicago to obtain additional information and comments to aid the Board in its further consideration of the application. Pursuant thereto, Mr. Allen, President of the Chicago Reserve Bank, had written to the Board under date of December 2, 1960, commenting further on the information previously given and expressing the opinion that:

(1) The present management of The Bank of Commerce under the leadership of Mr. A. S. Puelicher is satisfactory and that acquisition of the bank by Bank Stock Corporation of Milwaukee would ensure continuity of such management,

(2) The acquisition of the bank would not result in any material lessening of competition in the Milwaukee area but that, conversely, the operation of the bank by competent and aggressive management would increase its competitive ability both in relation to other banks in the area and with the present subsidiaries of the holding company and thus enhance the public welfare, and

(3) The acquisition would not 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.

Mr. Allen's letter concluded with the statement that, for the reasons stated, the Chicago Reserve Bank reiterated its recommendation of June 24, 1960, that favorable consideration be given to the application of Bank Stock Corporation.

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Asked by Chairman Martin to comment, Mr. Hostrup said it was the opinion of the Division of Examinations that the first three statutory factors to be considered in applications of this kind, namely, the financial condition and history, prospects, and character of management of Bank Stock Corporation and Bank of Commerce appeared to be satisfactory. With respect to the fourth factor specified in section 3(c) of the Bank Holding Company Act, relating to the convenience, needs, and welfare of the communities and the area concerned, he noted that the Division felt that the area had benefited from the improved service provided by Bank of Commerce since acquisition of control in 1959 by Mr. A. S. Puelicher. It was believed by the Division, Mr. Hostrup said, that satisfactory management of Bank of Commerce and the improved services provided since 1959 would be continued if it were acquired by Bank Stock Corporation. However, if the application were denied and Bank of Commerce were sold to other interested parties and continued as a separate bank, its prospects and management would depend on the quality of the purchaser. Mr. Hostrup went on to say, with reference to the fifth statutory factor in section 3(c) of the Bank Holding Company Act, that approval of the application would not so expand Bank Stock's system as to give it an undue concentration of deposits in the area concerned, nor would the acquisition be inconsistent with the public interest or the preservation of competition in the field of banking. The Division felt that in an overall view of the present application in the light of the five statutory factors to be considered under the

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Bank Holding Company Act, favorable indications outweighed the possible unfavorable effects on bank competition. In this latter connection, he observed that the acquisition of Bank of Commerce by Bank Stock Corporation would not reduce the number of banking offices in the area concerned, although it would reduce by one the number of competitors.

Mr. Solomon commented that any reduction in area competition resulting from the proposed acquisition of Bank of Commerce by Bank Stock would not be substantial. Although it would be possible to take the position that the reduction by one in the number of competitors constituted a reduction in competition if the surrounding circumstances were not considered, taking these circumstances into account revealed that Bank of Commerce, which had as of the latest examination IPC deposits (i.e., deposits of individuals, partnerships, and corporations) of around \$19 million, was one of the two smallest banks in the immediate area concerned, which generates a large volume of deposits. Should Bank of Commerce be acquired by Bank Stock Corporation, Mr. Solomon said, there would remain in the area ten banks of appreciable size with IPC deposits ranging from \$8 million to \$40 million. In his opinion, approval of the application would neither be contrary to the standards in the Bank Holding Company Act nor to the provisions of the Clayton Act.

Mr. Hackley stated that the instant application presented difficulties, since it involved a question of judgment as to whether the beneficial effect of the proposed stock acquisition by Bank Stock

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Corporation outweighed the effect on competition. It was the Legal Division's view that either approval or denial of the application could be substantiated as being consistent with prior determinations of the Board under the Bank Holding Company Act. He referred to the fact that acquisition of Bank of Commerce by Bank Stock Corporation would not only eliminate one competitor from the relevant area and thereby cause some diminution of competition but would also increase the size of the second largest bank holding company in the Milwaukee area, where three holding companies, including the applicant, now control approximately 80 per cent of bank deposits. On the other hand, as indicated, it was not clear that competition would be diminished to a substantial degree. Mr. Hackley went on to say that it could be argued that the proposed acquisition would intensify competition by permitting Bank of Commerce to compete more effectively in Milwaukee and by enabling Bank Stock Corporation to compete more effectively with the largest bank holding company, First Wisconsin Bankshares Corporation. He recalled that on September 3, 1959, the Board approved the application of Bank Stock Corporation of Milwaukee to become a bank holding company and that subsequently it acquired two subsidiaries, Marshall and Ilsley Bank and Northern Bank, both of Milwaukee. He thought it pertinent to ask whether, if at the time of acquiring these subsidiaries Bank of Commerce had been suggested as a third subsidiary of the holding company, the Board would have given its consent to the 1959 application. If the answer to this question was

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in the negative, apparently the same answer should be given to the current application.

With respect to the bearing of the Clayton Act upon the present application, Mr. Hackley said that the Board was on record as saying that it would take into account Clayton Act standards regarding substantial effects on competition of bank holding company applications under the fifth statutory factor of the Bank Holding Company Act. Were this not the case, he observed, the Board could find itself in the paradoxical position of approving an application under the Bank Holding Company Act and then being under an obligation, if it felt there was a substantial lessening of competition involved under section 7 of the Clayton Act, to prevent the same transaction that it had approved under the Bank Holding Company Act. Since, however, there appeared to be no substantial lessening of competition in the present case, it was the opinion of the Legal Division, Mr. Hackley said, that there was no problem of the Board's being bound by the Clayton Act or the recent decision under that Act against a merger in the steel industry which would have joined the second and fifth largest integrated steel companies in the United States to create a competitor with 20.1 per cent of industry capacity to offset United States Steel's 29.7 per cent (U. S. v. Bethlehem Steel Corporation, 168 F. Supp. 576, S.D.N.Y. 1958).

Miss Hart called attention to the apparent intent of Congress that the Board consider the concentration of the bank holding company

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system in considering the fifth statutory factor in the Bank Holding Company Act. She noted that the Senate Committee on Banking and Currency (in Senate Report 1095, First Session, 84th Congress), stated on July 25, 1955:

"...The factors required to be taken into consideration by the Federal Reserve Board under this bill also require contemplation of the prevention of undue concentration of control in the banking field to the detriment of public interest and the encouragement of competition in banking. It is the lack of any effective requirement of this nature in present Federal laws which has led your committee to the conviction that legislation such as that contained in this bill is needed. Under its provisions, the expansion of bank holding companies in the banking field would not be prohibited, but would be regulated in the public interest."

Since the Board has an administrative role to play under the provisions of the Clayton Act, she said, Congress had put the Board in a difficult position, as indicated by Mr. Hackley's comments. In the present case, the Legal Division had tried to analyze the competitive aspects of Bank Stock's application with this fact in mind, especially in light of the decision in the Bethlehem Steel Corporation case. However, it was the view of the Division that it was possible to distinguish the lessening of competition in the present application from that in the Bethlehem case. The Board could find in its discretion that the lessening of competition was not substantial in the instant case, thereby making possible its approval without consideration of section 7 of the Clayton Act.

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Noting that both the Bank Holding Company Act of 1956 and the Bank Merger Act of 1960 had become law many years after the passage of the Clayton Act, Governor Mills said this suggested a presumption that the two more recent Acts set special standards applicable to banking situations. In his view the Clayton Act held precedence with respect to competitive factors. In any application under the Bank Holding Company or Bank Merger Acts, the provision of section 7 of the Clayton Act relating to stock acquisition where the effect might be substantially to lessen competition and to tend to create a monopoly, would be of obvious relevance. This being the case, Governor Mills said, since both the fifth statutory factor in the Bank Holding Company Act and the corresponding factor in the Bank Merger Act focused on the competitive question, it seemed apparent that Congress intended by such emphasis that this factor be of pre-eminent importance compared to the other factors to be considered relating to bank holding company expansion and bank mergers.

In the discussion of this point that followed, Mr. Hackley noted that the reason the Legal Division had brought up the question of the relevance of the Clayton Act to the present application was that the Justice Department had filed a memorandum with the Board opposing approval on the ground that the Clayton Act would be violated.

Governor Mills remarked that his own analysis of the application led him to accept the favorable recommendation of the Division of Examinations, since he believed the Board should focus its consideration on

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all five factors in the Bank Holding Company Act with proper deference to the fifth factor relating to competition. He observed that the application if approved would permit an extension of banking facilities in the downtown Milwaukee area, which was well populated with alternative banking offices, and that the net result would not expand Bank Stock Corporation's control of banking resources to a point contrary to the public interest. Governor Mills stated that, as on similar occasions in the past when bank holding company applications were under consideration, he would distinguish in this case between a holding company's desire to expand its services beyond the metropolitan area through penetration of a new region and expansion into a contiguous area. He observed that penetration of a new region was not present in the instant case and that acquisition of Bank of Commerce by Bank Stock Corporation would, under the circumstances, be similar to establishment of a branch in a State that permitted branch banking expansion.

Governor Robertson stated that competition would be diminished by approval of the application, since a \$19 million bank presently competing with other banks, including those of the applicant, would be eliminated. In the absence of offsetting favorable factors, he said, a denial of the application would be indicated. With respect to mention of Mr. Puelicher's management of Bank of Commerce as a favorable factor and the question whether the good management would continue if Bank Stock Corporation did not acquire the bank, he thought it likely that an

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efficient institution of this kind would be easily salable to some other buyer. Therefore, since he could find no adequate offsetting factor to the diminution that would occur in competition, and in view of the finding of the Justice Department that consummation of the planned acquisition would violate the Clayton Act, he would vote to deny the application.

Governor Shepardson expressed agreement with the favorable recommendation of the Division of Examinations on this application, adding that he did not believe a case had been made for regarding the decrease in competition that would result as being substantial. Furthermore, he was impressed by the importance of the management factor in this case. While Governor Robertson had indicated there was no assurance that Bank of Commerce could not be sold readily by Mr. Puelicher to interests that would continue strong management, on the other hand there was no assurance that a sale would be made that would provide this kind of management. Like Governor Mills, he believed that acquisition of Bank of Commerce by Bank Stock Corporation would be analogous to authorizing a branch in the Milwaukee area, and in all the circumstances he would vote to approve the application.

Governor King said that as he understood the intent of Congress in passing the Bank Holding Company Act, the Board was not expected to prevent smaller bank holding companies from expanding to a size that would enable them to compete more effectively with larger holding companies.

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He too was concerned about the tendency for smaller banks and businesses to disappear, but he did not believe that an administrative agency could correct that development by denial of an application of the kind before the Board. He also shared Governor Mills' belief that, in effect, what was involved in this case was creation of a "branch" bank in a large city where alternative banking facilities were well established. Accordingly, he would vote to approve the application.

Governor Szymczak said that he would vote to deny the application although he recognized the case as a close one and that the courts would probably sustain a decision either way. In reaching his conclusion, he was influenced by what he felt was a definite trend for three large bank holding companies to dominate banking in the area involved, a trend that he believed to be undesirable.

Upon indication from Governor Balderston and Chairman Martin that they also favored the recommendation of the Division of Examinations for approval of the application, the staff was requested to prepare for the Board's consideration a Notice of Tentative Decision and a Tentative Statement that would approve the application. Governors Szymczak and Robertson dissented from this action.

Mr. Hostrup and Miss Hart withdrew from the meeting at this point.

Reconsideration of application of Deposit Guaranty Bank & Trust Company, Jackson, Mississippi (Item No. 1). On November 16, 1960, an

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oral presentation before the Board was made by representatives of Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, and Bank of Hazlehurst, Hazlehurst, Mississippi, with respect to the merger proposal that had been denied by the Board on October 12, 1960. Representatives of Merchants and Planters Bank of Hazlehurst, which opposed the merger, and other individuals also testified at the meeting. A stenographic transcript of the statements made at this meeting had been reviewed by the staff of the Division of Examinations, which had prepared a memorandum distributed under date of November 25, 1960. It was indicated in the memorandum that with the exception of letters supplied by Deposit Guaranty from business people in Hazlehurst, a number of banks in Mississippi, and State officials favoring the merger, the presentation by representatives of that bank and Bank of Hazlehurst added little to the information previously made available with the original application under the Bank Merger Act of 1960 and in an oral presentation to members of the staff as outlined in a memorandum to the Board dated October 26, 1960. As stated in the November 25 memorandum, the presentation made by representatives of Merchants and Planters Bank of Hazlehurst in opposition to the merger emphasized that the two banks in Hazlehurst had supplied adequate banking services in the community and would continue to do so. They contended, moreover, that if the merger were permitted Merchants and Planters would be unable to compete effectively with the branch of a bank 30 times its size. It was the conclusion of the Division of Examinations, as expressed in its November 25 memorandum,

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that no important new factors were presented during the oral presentation before the Board to warrant a reversal of the Board's original disapproval of the transaction. However, the Division felt that weighing of the arguments outlined during the presentation necessarily involved an exercise of judgment, since opinions on this matter might differ.

With reference to the memorandum of the Division of Examinations, Mr. Solomon said that technically the question before the Board at this stage was whether in weighing the various points of view expressed at the oral presentation on November 16, the Board wished to grant the request of Deposit Guaranty for reconsideration of the decision by the Board on October 12, 1960, to deny the application by Deposit Guaranty to merge with Bank of Hazlehurst.

Chairman Martin left the meeting at this point.

Mr. Hackley recalled that at the time Deposit Guaranty made its request for reconsideration of its application, he had distinguished between such a request and the act of reconsideration itself, having in mind that the latter would involve participation by opposing parties in the presentation of their views. Since the Board on November 16 permitted such expression of views by opposing parties, it could be said that reconsideration had been accomplished, since there had been an oral presentation with both parties present.

Mr. Solomon replied that he had not intended to give the impression that merely a procedural question was presented at the present time. Should

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the Board agree to reconsideration of Deposit Guaranty's application under the Bank Merger Act, it would be superfluous to have another hearing as was implied by Mr. Hackley's comments.

Mr. Hackley said that he thought it clear that the Board could now say that it had reconsidered Deposit Guaranty's application on the basis of the oral presentation on November 16 participated in by both the applicant and opponents and that, on that basis, the Board had decided either to reverse or to reaffirm its decision of October 12.

Governor Mills stated that after careful study of all the information produced regarding this case he found no reason to change his original judgment that the application should be denied and that, consequently, the Board's October 12 decision should stand.

Governor Robertson referred to the close nature of the case, indicating as a favorable aspect the strengthening of Deposit Guaranty's capital structure that would result from acquisition of Bank of Hazlehurst. However, he did not regard this favorable aspect as being sufficient by itself to warrant changing the Board's original decision. He referred to the precedent that might be created by a reversal of the Board's position on this case which could suggest that appeal of the Board's decisions by means of oral presentations would cause the Board to reverse itself. For these reasons, he would vote to affirm the Board's original decision.

Recalling that originally he had voted against approval of the application by Deposit Guaranty, Governor Shepardson said that in his

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opinion there had been additional important information provided during the oral presentation. Although originally it had appeared to him that extension of Deposit Guaranty's influence might cause it to blanket the State of Mississippi, he had subsequently learned of the Mississippi statute limiting the scope of a bank operating within that State to a radius of 100 miles and 15 counties. He said that, as he had stated before, he was sympathetic with the need in the South for stronger financial institutions. In his estimation Deposit Guaranty was a major bank competing with other banks as large and even larger from some neighboring States. Therefore, in the light of the restriction imposed on Deposit Guaranty's growth by the Mississippi statute referred to, he felt justified in voting for approval of the application at this time.

Governor King indicated that he continued to abstain from consideration of this case.

Governor Szymczak said that he would vote to reaffirm the Board's position to deny the application.

Governor Balderston said that he had been impressed during the hearing by reference to the capital factor previously noted by Governor Robertson. With reference to Governor Robertson's fear of establishing a precedent, he did not feel that the Board should be influenced by this consideration should it decide to reverse its decision following an oral presentation, since this would suggest that the rehearing had not been undertaken in good faith. So far as his opinion of the Board's original

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decision was concerned, on balance, he had the feeling that the community of Hazlehurst and the State of Mississippi would be served by approval of Deposit Guaranty's application. Here was a large, aggressive bank that had grown too fast for its capital. It was now being given an opportunity to strengthen that capital and at the same time to provide more effective banking services for the community of Hazlehurst. Therefore, he would vote to reverse the Board's original decision and approve the application.

Chairman Martin having reentered the room at this point, Governor Balderston informed him of the views of the Board members expressed during his absence.

Chairman Martin stated that he had found the oral presentation by representatives of Deposit Guaranty Bank and Trust Company and by opponents to the proposed merger both interesting and broadening to perspective on the general problem, not only for the area involved in this application but for the country as a whole. He had turned the matter over in his mind at length and would favor reversal of the Board's October 12 decision denying Deposit Guaranty's application. Since Governor King had indicated that he would continue to abstain in the Board's consideration and decision on this case, the Chairman said that this meant that the Board was evenly divided on the question whether to affirm or reverse the decision of October 12. Although an even division on such question might seem to be unfortunate, it had the effect of

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letting the October 12 decision stand and thus of denying the application by Deposit Guaranty for permission to merge with Bank of Hazlehurst and to establish a branch in the town of Hazlehurst.

It being understood that the Board's October 12 decision to disapprove the application of Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, to merge with Bank of Hazlehurst, Hazlehurst, Mississippi, was reaffirmed, approval was given to a letter to Deposit Guaranty to this effect. A copy of the letter is attached as Item No. 1.

Application by Deposit Guaranty Bank & Trust Company (Item No. 2).

Distribution had been made before the meeting under date of December 13, 1960, of a memorandum from Mr. Solomon regarding an application of Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, to merge with Rankin County Bank, Brandon, Mississippi, and to establish branches at the locations of the present offices of Rankin County Bank. In addition there had been distributed previously memoranda from the Division of Examinations dated October 12, 1960, and November 15, 1960, relating respectively to the proposed merger and oral presentation to the staff on October 31, 1960, by representatives of Deposit Guaranty in connection with the application. The Division of Examinations recommended disapproval of the application, whereas the Federal Reserve Bank of Atlanta recommended approval.

Speaking with reference to his December 13 memorandum, Mr. Solomon noted that Mr. W. P. McMullan, Jr., Vice President of Deposit

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Guaranty, had provided additional information relating to the competitive situation in Rankin County during a visit to his (Mr. Solomon's) office. He said that Mr. McMullan had also brought with him a resolution of the Rankin County Chamber of Commerce endorsing the proposed merger and urging the Board of Governors of the Federal Reserve System to give its approval thereto. He noted that the first point concerning which Mr. McMullan had information related to a statement on page 3⁴ of the original application that "the Citizens Bank [of Florence, Mississippi, located 13 miles southwest of Brandon in Rankin County] is owned and controlled by certain officers of the Deposit Guaranty Bank & Trust Company." Mr. McMullan had stated that this was an error, since his father, who is Chairman of the Board of Citizens Bank, and his family own only about 20 per cent of the stock of Citizens, whereas Mr. McKell, the President of Citizens, and his wife own around 37 per cent of the stock, fully paid for and unpledged, and there were no other shares owned by officers of Deposit Guaranty. The second matter mentioned by Mr. McMullan, Jr., Mr. Solomon said, was a recent opinion of the Mississippi Attorney General dated December 12, 1960, regarding the branch banking laws of that State which provide that "no parent bank be permitted to establish a branch bank in any town or city of less than 3,100 population...where such town or city has one or more banks in operation." He noted that the opinion of the Mississippi Attorney General, of which a copy was attached to his memorandum, stated that this prohibition applies only if the bank

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in the small city or town is a unit bank, but does not apply if the bank is a "branch bank." From this Mr. McMullan argued that acquisition of Rankin County Bank by Deposit Guaranty would actually open up Rankin County to competition because the presence of the former as a unit bank in Brandon now prohibits any other bank from establishing a branch there. Should that bank be converted to a branch of Deposit Guaranty, then other banks in Mississippi would be able to open branches in Brandon. Mr. Solomon said that the additional information relating to ownership of Citizens Bank might influence the opinion that had been expressed by the Federal Deposit Insurance Corporation regarding the proposed merger of Rankin County Bank into Deposit Guaranty, since the Corporation had reported "...the effect of the transaction is concluded to be seriously adverse for the people of Rankin County, as 100 per cent of the banking resources of this county would then rest in the hands of one management group and such control is deemed to be monopolistic." For this reason, the Board might wish to resubmit the application to the Federal Deposit Insurance Corporation for a new report in the light of the additional information regarding ownership of Citizens Bank. Mr. Solomon said that it was not clear as to the weight the Justice Department would attach to this new information.

Mr. Hackley observed that there was no legal necessity for the Board to resubmit the application to the other Federal bank supervisory agencies and the Justice Department; this was solely a matter of judgment

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for the Board. In this connection, he noted that reasons for approval of bank merger cases needed to be published in the Board's Annual Report and that should the Board approve the application, its approval could carry greater weight if it were indicated that the Justice Department and the other Federal bank supervisory agencies had supported the Board's action.

Governor Mills said that inasmuch as the final responsibility regarding this application rested with the Board, and since he believed there had been no additional information of substance to justify resubmitting the application by Deposit Guaranty to the other agencies indicated, he believed it would be desirable to settle the case on the basis of information now before the Board. He then expressed himself as opposing the application, pursuant to the recommendation of the Division of Examinations, since the facts involved were not substantially different from those present in the application of Deposit Guaranty to merge with Bank of Hazlehurst.

It being indicated that the other members of the Board were of a similar view, the application by Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, to merge with Rankin County Bank, Brandon, Mississippi, was thereupon disapproved. In taking this action it was understood that the letter to Deposit Guaranty containing the Board's decision would refer to provision by the applicant of additional

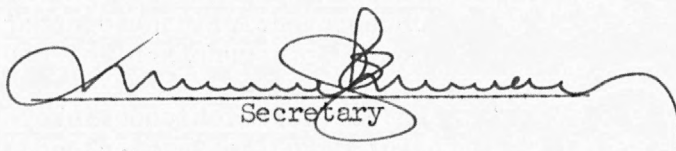
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information subsequent to the application. A copy of the letter sent to Deposit Guaranty Bank & Trust Company is attached as Item No. 2. Governor King abstained from participation in the decision on this matter.

With reference to the informal request made of Mr. Solomon by a representative of Deposit Guaranty that an opportunity be given for an appearance before the Board if the Board should be inclined to deny the application, it was agreed that such a hearing should not be granted in the absence of an indication that the bank had substantial additional information to present beyond that already available to the Board.

The meeting then adjourned.


Secretary

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

Item No. 1
12/13/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 14, 1960

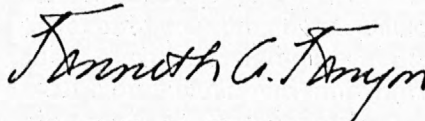
Board of Directors,
Deposit Guaranty Bank & Trust Company,
Jackson, Mississippi.

Gentlemen:

The Board has reconsidered on the basis of all available information, including that submitted during the oral argument on November 16, 1960, the application of your bank for consent under the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended, to merge with Bank of Hazlehurst, Hazlehurst, Mississippi, and for approval to establish a branch at the present location of the office of Bank of Hazlehurst.

However, after careful consideration of the matter in the light of all the factors set forth in the statute, the Board has concluded that it would not be warranted in changing the position stated in its letter of October 12, 1960.

Very truly yours,



Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
12/13/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 14, 1960

Board of Directors,
Deposit Guaranty Bank & Trust Company,
Jackson, Mississippi.

Gentlemen:

Reference is made to your request submitted through the Federal Reserve Bank of Atlanta for consent of the Board of Governors of the Federal Reserve System under the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended, to the merger of Rankin County Bank, Brandon, Mississippi, into Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, and for approval of the establishment of branches at the present location of Rankin County Bank, and its two branches located in Pelahatchie and Pearl, Mississippi.

After reviewing the proposal in the light of all the factors to be considered under the provisions of section 18(c) of the Federal Deposit Insurance Act, as amended, including information submitted subsequent to the application and as recently as December 13, the Board of Governors does not feel justified in giving its consent to the proposed transaction.

It is the Board's judgment that the favorable factors are insufficient to counterbalance other aspects of the transaction, including the elimination of one alternative source of banking services in the area and a further increase in the already high concentration of banking resources in the area in your bank and another large banking institution. In the circumstances, the transaction would not appear to be in the public interest.

Very truly yours,

Kenneth A. Kenyon,
Assistant Secretary.