

Minutes for January 12, 1961

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

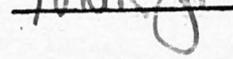
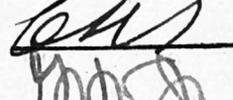
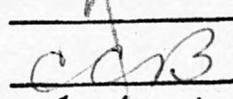
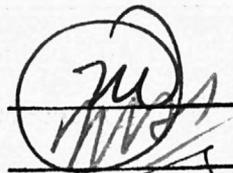
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King



Minutes of the Board of Governors of the Federal Reserve System on
Thursday, January 12, 1961. 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. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mr. Smith, Legal Assistant
Mr. Leavitt, Supervisory Review Examiner, Division of Examinations

Report on competitive factors (Cassopolis and Constantine, Michigan). There had been distributed to the Board a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed consolidation of The Cass County State Bank, Cassopolis, Michigan, and First Commercial Savings Bank, Constantine, Michigan.

In discussion of the proposed consolidation, Governor Mills suggested certain changes in the conclusion of the report that he felt would serve to set forth more accurately the apparent effect on competition of consummation of the transaction. In making these

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suggestions, he related the situation to the circumstances described in the Board's report to the Comptroller of the Currency on September 20, 1960, in connection with the competitive aspects of the merger of two national banks in Niles and Dowagiac, Michigan.

Agreement having been expressed with the changes suggested by Governor Mills, the report was approved unanimously for transmittal to the Federal Deposit Insurance Corporation in a form containing the following conclusion:

The proposed consolidation will eliminate the moderate amount of competition now existing between the two banks at interest and will expose the remaining bank in Cassopolis to enhanced competition by a larger institution. It would have no other significant effect on competition in the Constantine area, and the resulting bank could provide more effective competition for the substantially larger bank in Niles, Michigan.

Application by Long Island Trust Company (Item No. 1). There had been distributed to the Board a memorandum from the Division of Examinations dated January 6, 1961, regarding an application by Long Island Trust Company, Garden City, New York, for consent to merge with The Lindenhurst Bank, Lindenhurst, New York, and to operate a branch at the present location of The Lindenhurst Bank. Both the Board's Division of Examinations and the Federal Reserve Bank of New York recommended that the application be approved, and the views expressed by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice were to the effect that consummation of the merger would not affect competition adversely.

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After discussion, unanimous approval was given to a letter to Long Island Trust Company consenting to the merger and approving the operation of the branch. A copy is attached as Item No. 1.

Request of City Commerce Corporation (Item No. 2). A memorandum from the Division of Examinations dated January 10, 1961, relating to the status of City Commerce Corporation, Anchorage, Alaska, had been distributed. The corporation had applied for a determination exempting it from status as a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and it was the recommendation of the Division that the requested determination be made.

As pointed out in the memorandum, City Commerce Corporation controlled only one bank (City National Bank of Anchorage). In addition, the corporation owned a majority of the stock of two finance companies. However, advice had been received recently that, although the two finance companies were still in existence, they had sold their business, were inactive, and would be completely liquidated within the next twelve months. In the circumstances, it appeared that the requested determination would fall within the Board's policy of making favorable determinations in one-bank cases except under extraordinary circumstances.

The proposed letter, a copy of which is attached as Item No. 2, was approved unanimously, Governor Robertson stating that his vote was on the basis that the case appeared to fall within the scope of the general policy in one-bank cases that the Board had followed for several years.

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Messrs. Hooff and Leavitt withdrew from the meeting at this point.

Request of Otto Bremer Company (Item No. 3). There had been distributed to the members of the Board a memorandum from the Legal Division dated January 9, 1961, relating to a request from Otto Bremer Company, St. Paul, Minnesota, for a determination under section 4(c)(6) of the Bank Holding Company Act of 1956. Pursuant to an order of the Board issued on September 16, 1960, and in accordance with the requirements of section 4(c)(6), a hearing was held in Minneapolis, Minnesota, on October 12, 1960, before Hearing Examiner Charles W. Schneider, regarding this request. Otto Bremer Company sought a determination by the Board that shares of stock in the proposed Western State Credit Co., Marshall, Minnesota, would be exempt from the provisions of section 4(a) of the Act prohibiting acquisition or retention by a bank holding company of any voting shares of a nonbanking organization.

Following the hearing and filing of proposed findings and supporting briefs by Otto Bremer Company, the Hearing Examiner filed his Report and Recommended Decision, wherein it was recommended that the Board grant the company's request. The time for filing exceptions and supporting brief to the Hearing Examiner's Report and Recommended Decision had expired without any exceptions or brief being filed. As indicated in the memorandum, it now remained for the Board to issue an order in this matter.

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In his Report and Recommended Decision the Hearing Examiner found that Western State Credit Co. would be organized for the purpose of making farm loans to be discounted with the Federal Intermediate Credit Bank of St. Paul, that it would engage in no other business, and that it would be operated in connection with Western State Bank of Marshall, Marshall, Minnesota, a subsidiary of Otto Bremer Company. Western State Credit Co. would have the same stockholders, officers, and directors as the Western State Bank of Marshall. It would do business in the banking quarters of the bank and would use the bank's personnel.

The Hearing Examiner also found that an organization of the type proposed was permitted under Minnesota law and that at the present time twenty-one agricultural credit companies in the States of Minnesota, Wisconsin, and North Dakota either borrowed from or discounted with the Federal Intermediate Credit Bank of St. Paul. Of these companies, nine were affiliated with banks in the State of Minnesota. After investigation, the Federal Intermediate Credit Bank of St. Paul had determined that the proposed Western State Credit Co. would be eligible to use its services.

On the basis of the entire record, the Hearing Examiner concluded that all of the activities of the proposed credit company would be of a financial nature, thereby fulfilling the initial condition of eligibility for exemption under section 4(c)(6) of the Bank Holding Company Act. He concluded further, on the basis of oral and documentary evidence submitted,

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that the activities of the proposed credit company would be so closely related to the business of banking, as conducted by Otto Bremer Company through the Western State Bank of Marshall, as to be a proper incident thereto and as to make it unnecessary for the prohibitions of section 4 of the Act to apply.

As pointed out in the memorandum, the Legal Division concurred in the findings and recommendations contained in the Hearing Examiner's Report and Recommended Decision and recommended that the Board authorize the issuance of an order that would adopt the findings, conclusions of law, and recommendations of the Hearing Examiner and would grant the determination requested by Otto Bremer Company. Attached to the memorandum was a draft of such an order.

Governor Mills commented that he thought it would be in order for the Board to approve this request. He also thought, however, that there were surrounding circumstances that deserved to be recorded. In issuing the proposed order, the Board would be approving a certain type of transaction in a manner that would be consistent with the position it had taken previously in respect to bank holding companies operating in the northwest area, where there are State laws permitting banks to engage through subsidiaries in the insurance business. In such instances the Board recognized the State statutes and permitted a type of operation that it might have been less willing to approve in areas where State legislation was not so broad. In this instance the Board would be

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approving a type of transaction that was blessed by State statute and possibly also by Federal statutes, to the extent that they may permit banks in some cases to be affiliated with Federal Intermediate Credit Banks. Here, the holding company would own a credit company having recourse to the credit facilities of the Federal Intermediate Credit Bank of St. Paul. The Board should have in mind, of course, that in essence it was permitting a holding company to control a subsidiary company on the ground that the latter's activities were closely related to commercial banking and would fall within the permissive provisions of the Bank Holding Company Act. There was, he felt, a narrow distinction between considering this an appropriate function and denying, properly in his judgment, the retention by First Bank Stock Corporation, Minneapolis, Minnesota, of First Banccredit Corporation. In both cases the subsidiary was operating, or would operate, in the credit field. The only seeming justification--and he thought it was a proper one--for approving this type of operation was that it had the blessing of State law and that the activities of the proposed credit company would be more closely related to the activities of a subsidiary bank of the holding company than was true in the case of First Banccredit Corporation, which operated as almost an independent entity.

Governor Balderston said that he also was concerned about the problem mentioned by Governor Mills. In considering this problem he had in mind the fact of local practice; nine agricultural credit

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companies of this kind in the State of Minnesota were affiliated with banks. Likewise, he had in mind the blessing of State legislation. Then he recalled that, in the case of certain holding company decisions, the Board had been strong in its belief that it had a responsibility under the Federal statute that ought not be distorted by State legislation or the implementation thereof. He thought that the Hearing Examiner was correct in his judgment that in this case the activity was closely associated with banking. However, if a holding company had control of a mortgage operation that was nationwide in scope, he would be greatly concerned. All things considered, he came out in his thinking to the view that a matter of degree was involved, and that is a rather difficult thing to explain in a finding. While he felt that he could vote in this case to adopt the findings of the Hearing Examiner, he also felt that the Board should be cautious in order that it might follow a consistent course in the future.

Governor Robertson and Governor Shepardson each indicated that he would favor issuance of the proposed order as drafted. Governor Shepardson added that he thought in the instant case a distinction might be made because of the local nature of the activities to be carried on by the subsidiary. There were, he noted, a number of similar organizations in the State, several affiliated with banks, and all of them, as far as he knew, were local operations dealing with the Federal Intermediate Credit Bank of the district. He believed that this situation could be

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distinguished from that of a subsidiary credit agency which went outside of its district to seek business in various parts of the country. In cases like the one being considered, where the operations were local in scope, he was of the opinion that there was a discernible dividing line.

Mr. O'Connell pointed out that the hearing record, as reflected in the Report and Recommended Decision, emphasized the local nature of the proposed activities of Western State Credit Co. It was substantiated in the hearing record that the company was to be associated solely with Western State Bank of Marshall and that the operations of the credit company would be carried on in the bank's premises by the bank's personnel. Also, the shareholders of the credit company would be the same as those of the bank.

After further discussion, the issuance of the proposed Order was approved unanimously. A copy of the Order is attached as Item No. 3.

Matter involving Texas Gulf Industries, Inc. On November 25, 1960, the Board received through the Federal Reserve Bank of Dallas a request from Texas Gulf Industries, Inc., Houston, Texas, for a determination that, except for the purposes of section 23A of the Federal Reserve Act, it would not be regarded as a holding company affiliate. At the time of its application Texas Gulf Industries owned 54,900 of the 60,000 outstanding shares of stock of The Federal National Bank and Trust Company of Shawnee, Oklahoma; these shares were acquired

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on July 2, 1959. In a letter of December 12, 1960, to the Federal Reserve Bank of Dallas, Texas Gulf Industries withdrew its request for a determination as to its holding company affiliate status "for the reason that on December 7, 1960, Texas Gulf disposed of all its shares of The Federal National Bank and Trust Company . . . and no longer has any ownership interest therein." It was understood that Texas Gulf Industries presently did not own or control, directly or indirectly, any bank stock, nor did it manage or control, directly or indirectly, any banking institution.

As pointed out in a memorandum from the Legal Division dated January 10, 1961, which had been distributed to the Board, the fact that Texas Gulf Industries had disposed of all of its shares of The Federal National Bank and Trust Company resolved the question of its status as a holding company affiliate. However, there remained the question of an apparent violation of section 3(a)(1) of the Bank Holding Company Act of 1956, which makes unlawful, except with the prior approval of the Board, any action which results in a company becoming a bank holding company. On July 2, 1959, the date on which Texas Gulf Industries acquired its shares of The Federal National Bank and Trust Company, it also owned more than 25 per cent of the stock of The Citizens National Bank of Greenville, Texas. These shares were sold on January 29, 1960. Accordingly, by Texas Gulf's acquisition of stock on July 2, 1959, that company became a bank holding company without the Board's prior approval and thereby apparently violated section 3(a)(1) of the Act.

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It was the opinion of the Legal Division that the facts presented did not warrant a conclusion that the apparent violation of the Act was "willful", as that term is used in section 8 of the Bank Holding Company Act. As of this date, Texas Gulf Industries might still be unaware that its acquisition of stock on July 2, 1959, made it a bank holding company or that such status, without the Board's approval, constituted a violation of the Act. In view of the circumstances involved, including the subsequent disposition of all bank shares, it was the opinion of the Legal Division that no useful purpose would be served in reporting the matter to the Department of Justice. The Legal Division recommended, however, that the Board request the Federal Reserve Bank of Dallas to apprise Texas Gulf Industries of the provisions of section 3 of the Bank Holding Company Act in order to preclude repetition of a situation such as had occurred. Attached to the memorandum was a proposed letter to such effect.

In a discussion of the matter, Governor King expressed himself to the effect that, although he appreciated that there could be oversights, it was difficult for him to believe that Texas Gulf Industries was unaware of the provisions of the Bank Holding Company Act. Therefore, he felt that it would be reasonable to ask Texas Gulf Industries whether it was aware of those provisions. In other words, he would prefer to have the company go on record rather than to have the Board assume the responsibility of determining that there had been no willful violation of the law.

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Following receipt of a statement from the company, the Board might decide that no willful violation had occurred, but at that point the Board would have had the satisfaction of knowing that the company had made a direct statement. If the Board made a decision on the matter at the present time, he felt that its action might tend to set a precedent that would tend to invite further violations of the law.

There followed suggestions by members of the Board regarding alternative procedures that might be appropriate in the light of the comments made by Governor King.

In the course of this discussion, Governor Mills said it was his impression that in matters of this general nature the Board's decisions had been influenced by whether injury had been suffered by any parties, even though there might have been a possible violation of the law. In this case it did not appear that any injury had been suffered as the result of the apparent violation or that anyone had been placed at a competitive disadvantage. It was his recollection that in such circumstances the Board customarily had not carried its investigations to the point that had been suggested by Governor King. If the Board appeared to be unduly severe, Governor Mills felt that it might be charged with a **lack** of the reasonableness that an administrative agency should be expected to exercise in the conduct of its responsibilities. Accordingly, he did not share the deep concern that had been expressed by Governor King, and he would favor sending the proposed letter to the Federal Reserve Bank of Dallas.

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Governor Robertson's comments were to the effect that it was not clear from the available information whether there had or had not been a willful violation of the law, or whether, as the result of the actions of Texas Gulf Industries, injury had or had not been sustained by any parties. In the absence of further information, he doubted that the Board should make a determination of the matter. Accordingly, he would take the matter up with Texas Gulf Industries, through the Federal Reserve Bank of Dallas, to develop additional information, following which the Board could give further consideration to the question.

Governor Shepardson pointed out that the circumstances reflecting an apparent violation of the law no longer existed. He then reviewed the available information and said that he would not be inclined to refer the case to the Department of Justice. However, he suggested a possible rephrasing of the Board's letter that would state certain assumptions, indicate that the Board had decided not to carry the matter further on the basis of those assumptions, but admonish the company against violations of the law in the future. In the alternative, he indicated that he would favor sending the letter that had been submitted to the Board for consideration, subject to certain changes suggested by the legal staff in the course of the discussion at this meeting.

Governor King again stated that he would not be agreeable to such a letter, because he continued to feel that Texas Gulf Industries should be asked whether it was aware of the provisions of the Bank

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Holding Company Act that appeared to have been violated. However, he would go along with the suggestion of Governor Robertson that the matter be taken up with the Federal Reserve Bank of Dallas informally, with the request that the Reserve Bank investigate the matter further.

Governors Szymczak and Balderston indicated that they would also be agreeable to following the procedure suggested by Governor Robertson.

Mr. O'Connell then stated that he would have in mind, if such a procedure should be decided upon by the Board, that in the course of conversation with the Dallas Reserve Bank, the Bank might be asked to have Texas Gulf Industries provide in writing an explanation of the circumstances involved in the apparent violation of the law that could be transmitted by the Reserve Bank to the Board.

Accordingly, subject to the understanding that the views that had been expressed by the members of the Board would be reflected in the minutes, it was understood that the procedure suggested by Governor Robertson would be followed and that the matter would be given further consideration by the Board after additional information was available.

All of the members of the staff except Messrs. Sherman, Kenyon, Hexter, and Sprecher then withdrew from the meeting.

Appointment of Mr. Roosa to Treasury post. Mr. Sherman reported on a telephone call he had received yesterday from Mr. Tiebout, Vice President and General Counsel of the Federal Reserve Bank of New York,

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regarding certain questions that had arisen relative to acceptance by Vice President Roosa of appointment as Under Secretary of the Treasury for Monetary Affairs. During this telephone conversation, in which Mr. Sprecher participated, Mr. Tiebout indicated that the New York Bank had been considering how the matter might most appropriately be handled and that two possible approaches had been under study, from the standpoint of being as fair and reasonable with an employee as possible but at the same time having everything in appropriate form in the light of the relationship between Mr. Roosa's present position and the position to which he had been appointed. It appeared that the matter had been discussed first in terms of a possible leave of absence without pay, but it was recognized that this raised the question whether such a procedure would be acceptable to the Board of Governors in the light of pertinent considerations, including the Board's 1915 resolution expressing the opinion that persons holding political or public office cannot consistently serve as directors or officers of Federal Reserve Banks. Also, such a procedure would have to be explained to the Senate Finance Committee when Mr. Roosa's appointment went before that Committee for confirmation, and it would have to be satisfactory to the Secretary of the Treasury. The other possibility would be to effect complete severance of Mr. Roosa's connection with the New York Reserve Bank, in which event Mr. Roosa could fully protect himself for a period of five years, as far as his rights under the Retirement System of the Federal

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Reserve Banks were concerned, by recourse to the provisions of section 5A of the Rules and Regulations, which relate to privileges accorded to Reserve Bank employees entering military or public service who return to the Reserve Bank within a period not exceeding five years. According to this section, if Mr. Roosa should return to the Reserve Bank within five years he could get credit under the Retirement System for the period of his service as Under Secretary, subject to appropriate contributions being made to the Retirement System on the basis of the salary he was receiving when he left the Reserve Bank to accept the appointment at the Treasury.

According to Mr. Tiebout, Mr. Sherman said, the matter was presented last week to the directors of the New York Bank on the basis of granting Mr. Roosa a leave of absence without pay during the period of his service as Under Secretary of the Treasury, subject to the approval of the Board of Governors, but with the explanation that if, upon further investigation, such a procedure was found not to be feasible, the procedure to be followed would be complete separation of Mr. Roosa from the Bank, with the provisions of section 5A of the Rules and Regulations of the Retirement System coming into effect. The directors were understood to have agreed to a leave of absence without pay, subject to the understanding indicated as to use of the alternate procedure if that were found to be more appropriate.

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Mr. Sherman also said that Mr. Tiebout had indicated that if the procedure of complete separation were followed, the New York Bank might like to place in its files a memorandum of intent setting forth that the Reserve Bank would be sympathetic to the re-employment of Mr. Roosa, if Mr. Roosa should wish to return to the Bank, and that it would be the intent of the Bank, in such event, to make reimbursement to Mr. Roosa for certain additional fringe benefit costs that he might have incurred by entering the service of the Treasury Department instead of continuing at the Reserve Bank.

From the discussion that ensued, it developed that it was the unanimous view of the Board that, in the circumstances involved, a leave of absence without pay would not be regarded by the Board as an acceptable arrangement and that Mr. Roosa should sever completely his connection with the New York Reserve Bank upon entering into his duties as Under Secretary of the Treasury, it being understood that in the latter event the provisions of section 5A of the Rules and Regulations of the Retirement System would be applicable in the event that Mr. Roosa should return to the employ of the Reserve Bank within a period not to exceed five years from the date of his leaving the Bank to accept the post at the Treasury Department. With regard to the memorandum of intent that Mr. Tiebout had suggested might be placed in the files of the New York Bank, it was noted that such a memorandum would have no legally binding effect on a future Board of Directors of the Bank, or of course

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on a future Board of Governors. It was suggested, therefore, that little would be gained by placing such a memorandum in the files of the Bank and that, on the other hand, the existence of such a memorandum, whether or not Mr. Roosa was aware of its existence, could conceivably be a source of embarrassment to him, the Bank, the Board of Governors, and the Treasury under certain conditions. Accordingly, it was the consensus that the view should be expressed to the New York Bank informally that no such memorandum should be placed in the files.

Question was raised regarding the views of Mr. Roosa himself as to the alternatives of complete severance and a leave without pay arrangement, and, after discussion of this point, it was agreed that Vice Chairman Balderston should arrange to have the thinking of the Board conveyed to Mr. Roosa. It was also agreed that, this having been done, the views of the Board on this aspect of the matter and on the suggested memorandum of intent would be conveyed to Mr. Tiebout informally by the Secretary of the Board.

The meeting then adjourned.

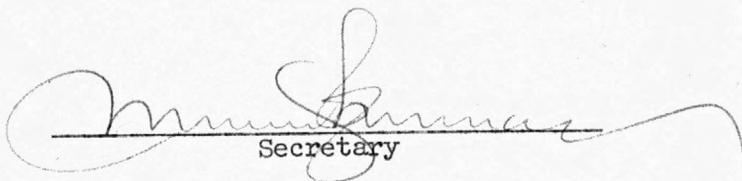
Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Administrative Services dated January 10, 1961, recommending that Lettie Reddick, Charwoman in that Division, be granted an advance of sick leave of 23 days, 6-1/2 hours, effective at the conclusion of her present advance on January 12, 1961.

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Letter to Professor Edwin L. Stevens, Washington, D. C., confirming arrangements made by the Board's Division of Personnel Administration for Professor Stevens to conduct a 20-hour Discussion and Conference Leadership Course for members of the Board's staff beginning April 5, 1961, at a fee of \$500.


Secretary

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

Item No. 1
1/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 12, 1961



Board of Directors,
Long Island Trust Company,
Garden City, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all factors set forth in section 18(c) of the Federal Deposit Insurance Act, as amended by the Act of May 13, 1960, and finding the transaction to be in the public interest, hereby consents to the merger of The Lindenhurst Bank, Lindenhurst, New York, into and with the Long Island Trust Company, Garden City, New York, under the charter and title of the latter. The Board of Governors also approves the operation of a branch by the resulting bank at 166 South Wellwood Avenue, Lindenhurst, New York.

This approval is given provided: (1) the proposed merger is effected within six months from the date of this letter and substantially in accordance with the Plan and Agreement of merger approved by the board of directors of both banks on October 20, 1960, and (2) shares of stock acquired from dissenting stockholders are disposed of within six months from the date of acquisition.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 2
1/12/61



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 12, 1961

City Commerce Corporation,
Anchorage, Alaska.

Gentlemen:

This refers to the holding company affiliate status of City Commerce Corporation with respect to the right to vote stock which it owns of City National Bank of Anchorage, Anchorage, Alaska.

The Board understands that City Commerce Corporation operates as an investment company; that its principal assets consist of notes and contracts receivable, fixed assets, and stock of other corporations, including one bank and two inactive finance companies; that the two finance companies are in process of liquidation, which is expected to be completed within the next twelve months; that City Commerce Corporation owns a majority of the outstanding common stock of City National Bank of Anchorage; and that City Commerce Corporation does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than City National Bank of Anchorage.

In view of these facts, the Board has determined that City Commerce Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and accordingly, City Commerce Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that City Commerce Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 3
1/12/61

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of the Application of :
OTTO BREMER COMPANY :
Pursuant to Section 4(c)(6) of the :
Bank Holding Company Act of 1956 :

DOCKET NO.
BHC - 58

ORDER

The Otto Bremer Company, St. Paul, Minnesota, a bank holding company within the meaning of Section 2(a) of the Bank Holding Company Act of 1956 (12 USC 1841), has filed a request for a determination by the Board of Governors of the Federal Reserve System that a company proposed to be formed, the Western State Credit Co., Marshall, Minnesota, and its activities are of the kind described in Section 4(c)(6) of the Act and Section 5(b) of the Board's Regulation Y (12 CFR 222.5(b)), so as to make it unnecessary for the prohibitions of Section 4 of the Act with respect to acquisition and retention of shares in nonbanking organizations to apply in order to carry out the purposes of the Act.

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A hearing having been held pursuant to Section 4(c)(6) of the Act and in accordance with Sections 5(b) and 7(a) of the Board's Regulation Y; the Hearing Examiner having filed on November 22, 1960, his Report and Recommended Decision wherein he recommended that the request with respect to Western State Credit Co. be granted; the time for filing with the Board exceptions and brief to the recommended decision of the Hearing Examiner having expired without any exceptions or brief having been filed; the Board having given due consideration to all relevant aspects of the matter; and all such steps having been taken in accordance with the Board's Rules of Practice for Formal Hearings (12 CFR 263), the Board hereby adopts the findings of fact, conclusions of law, and recommendations of the Hearing Examiner as set forth in the attached copy of his Report and Recommended Decision, and, further, makes the following Order:

IT IS HEREBY ORDERED, on the basis of the findings of fact and conclusions of law hereinbefore adopted, that Western State Credit Co. and its activities are determined to be so closely related to the business of banking or of managing or controlling banks as to be a proper incident thereto and as to make it unnecessary for the prohibitions of Section 4 of the Bank Holding Company Act of 1956 to apply in order to carry out the purposes of that Act, and, therefore, Applicant's request with respect to

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Western State Credit Co. shall be, and hereby is, granted; provided that this determination shall be subject to revocation by the Board if the facts upon which it is based should change in such a manner as to make the reasons for such determination no longer applicable.

Dated at Washington, D. C. this 12th day of January, 1961.

By order of the Board of Governors.

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

Absent and not voting: Chairman Martin.

(Signed) Herritt Sherman

Herritt Sherman,
Secretary.

(SEAL)