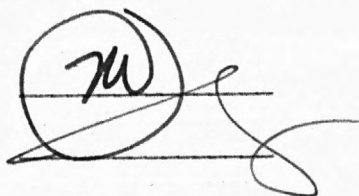


The attached minutes of the meeting of the Board of Governors of the Federal Reserve System on June 1, 1961, which you have previously initialed, have been amended at the request of Governor Robertson to revise the first full paragraph on page 10.

If you approve these minutes as amended, please initial below.

Chairman Martin

Governor Mills



Minutes of the Board of Governors of the Federal Reserve System
on Thursday, June 1, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Solomon, Director, Division of
Examinations
Mr. Hexter, Assistant General Counsel
Mr. Masters, Associate Director, Division
of Examinations
Mr. Hostrup, Assistant Director, Division
of Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary
Mr. Potter, Legal Assistant

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:

	<u>Item No.</u>
Letter to Norfolk County Trust Company, Brookline, Massachusetts, approving the establishment of a branch in West Medway.	1
Letter to the Federal Deposit Insurance Corpo- ration regarding the application of Security State Bank, Fredericksburg, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	2

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	<u>Item No.</u>
Letter to The Carlsbad National Bank, Carlsbad, New Mexico, approving its application for fiduciary powers.	3
Letter to The First National Bank of Brownfield, Brownfield, Texas, approving its application for fiduciary powers.	4
Letter to First State Bank and Trust Company, Bryan, Texas, approving its request to exercise fiduciary powers.	5

Application by Marine Corporation. Under date of July 29, 1960, application was made to the Board by The Marine Corporation, Milwaukee, Wisconsin, pursuant to section 3(a)(2) of the Bank Holding Company Act for prior approval of the acquisition of 80 per cent or more of the outstanding shares of common stock of Wisconsin State Bank, Milwaukee, Wisconsin. In accordance with the procedure outlined in Regulation Y, Bank Holding Companies, notice of receipt of the application was published in the Federal Register. The only comments received were those of the Department of Justice, which filed a statement in opposition to the application under date of October 11, 1960. The reply of Marine Corporation, dated November 30, 1960, supplemented and amended its original application, and the Department of Justice answered applicant's reply under date of December 16, 1960. Subsequent correspondence from counsel for applicant indicated that no further reply by applicant was to be made, and the holding company requested that the Board act on the record before it.

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Two separate memoranda prepared by the Division of Examinations with respect to the application had been distributed under date of May 4, 1961, pursuant to the procedure followed with respect to Bank Holding Company Act applications. One memorandum contained a summary of the facts reflected by the application, as amended, and the comments of the Department of Justice. The second memorandum contained the opinions and the recommendation of the Division, which in this instance was adverse, contrary to the recommendation of the Federal Reserve Bank of Chicago.

There had also been distributed, under date of May 26, 1961, a memorandum from the Legal Division noting that consideration of the factors of financial history and condition, prospects, and management as to both Marine and Wisconsin State Bank disclosed no strong reasons for approval. As to the fifth statutory factor, whether or not the effect of such 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, the memorandum presented the view of the Legal Division that the acquisition would appear to have an adverse effect on competition in the area concerned. Therefore, although approval of the application would probably be sustained by a reviewing court as supported by "substantial evidence" and as a reasonable exercise of the Board's discretion, the greater

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weight of evidence would appear to be on the side of denial, and in the judgment of the Legal Division denial could more easily be supported in the event of judicial review.

In commenting on the application, Mr. Solomon noted that of the three bank holding companies operating in Milwaukee, Marine Corporation was the smallest, its banks controlling 12.9 and 12.7 per cent of the total deposits and total deposits of individuals, partnerships, and corporations, respectively, held by commercial banks in Milwaukee County. Acquisition of Wisconsin State Bank would increase these percentages to 14.8 and 14.9, respectively. Although the banking factors involved in the application might be considered neutral, it was fairly clear that there would be an appreciable reduction of banking competition arising from the fact that the primary service areas of Wisconsin State Bank and the largest subsidiary bank of Marine Corporation were practically identical. It was difficult to find any affirmative ground for acquisition by the holding company of Wisconsin State Bank, which as of December 31, 1959, had total deposits in excess of \$35 million and had shown good growth and competitive strength over the years. Thus, although the Federal Reserve Bank of Chicago recommended approval of the application, it did not appear to the Division of Examinations that there would be enough benefits in the so-called banking factors required to be taken into account under the law to offset the reduction in competition that would result.

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Mr. Solomon also called attention to the comments in one of the memoranda of the Division of Examinations which compared the instant application with the acquisition of The Bank of Commerce by Bank Stock Corporation of Milwaukee, which the Board approved on January 25, 1961. The primary service area of The Bank of Commerce was within that of the holding company's largest subsidiary so that competition would clearly be reduced to some extent. However, The Bank of Commerce had not prospered over a period of years until acquired by an individual identified with the holding company, nor was it the dominant independent bank in its primary service area. In the circumstances, favorable considerations under the banking factors were found by the Board to outweigh any adverse competitive effect sufficiently to warrant approval. In the present case, a definite reduction in competition would result from the acquisition of Wisconsin State Bank, with no apparent offsetting advantages.

A discussion ensued in the course of which inquiry was made regarding the premium proposed to be paid by Marine to stockholders of Wisconsin State Bank. The staff comments were to the effect that compared to similar proposals in the past the premium was not unduly large, particularly if expressed in terms of the relationship to total deposits of the bank.

Governor Mills indicated that although he was willing to express his opinion on this case on the basis of the facts presented in the memoranda of the Division of Examinations, he thought it advisable to make certain that

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the factual situation had not changed substantially during the period that had elapsed while the application was being processed.

In response, it was indicated that the staff would check to determine whether there had been any significant changes in the underlying data, and that a supplemental memorandum would be prepared for the Board.

Governor Mills then said that he was prepared to accept the favorable recommendation of the Federal Reserve Bank for the reasons set forth in the following statement, which he read:

A decision in this case settles down on an evaluation of the fifth statutory factor included in the Bank Holding Company Act, namely, whether the effect of the proposed acquisition would be contrary to the public interest and the preservation of competition. In analyzing the application it is necessary to focus on the over-all banking competition in the market areas comprising the City of Milwaukee and Milwaukee County and not to subdivide the total market area into areas of specific competition between the Wisconsin State Bank and nearby local independent banks. A subdivision of the total market area begs the real issue, which is the predominance of the First Wisconsin Bankshares' interest in the total market area. Taking into account that accomplished fact leaves the question whether the proposed expansion by the Marine Corporation would desirably strengthen competition with First Wisconsin Bankshares and the smaller Bank Stock Corporation without subjecting smaller independent banks to undesirable competition. Inasmuch as the statutes of the State of Wisconsin governing the establishment of branch banks have had the effect of permanently freezing the predominating market position of the First Wisconsin Bankshares' interest, any competition size-wise can only be possible through the route of bank holding company expansion. Therefore, considering the application in the light of the historical situation indicates that its approval would tend to improve rather than harm the competitive banking picture

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in the City of Milwaukee and Milwaukee County. Granted that concentration of banking resources in three bank holding companies would result, nevertheless the fact remains that if hypothetically the First Wisconsin Bankshares was eliminated from consideration or if, hypothetically, its resources were divided in two, it is probable that any complaint about a concentration of banking power resulting from the proposal would be quashed. Viewed from this angle, it would be unfair to condemn the subject application because of unalterable historical circumstances, when in fact its approval by enhancing competition would serve as a wholesome correction to the existing commercial banking status in the City of Milwaukee and Milwaukee County. It is true that approval of the application would expose the smaller independent banks to competition from a larger banking entity, but their reported rate of growth shows that they enjoy an adequate competitive viability.

In summary, approval of the application is in order on the basis of neutral more than positive commendatory factors, adding up to the fact that over-all banking competition in the market area of the City of Milwaukee and Milwaukee County would benefit.

Governor Robertson stated that he agreed with the adverse recommendation of the staff on this application, and Governor Shepardson expressed himself to the same effect.

Governor King noted that the applicant had made quite a point of the contention that the future prospects of Wisconsin State Bank were not favorable. However, the bank apparently had enjoyed rather good growth in the past, and the holding company was offering a fairly substantial premium for the stock. Nevertheless, he was inclined to turn somewhat more to the thought that the applicant was the smallest bank holding company of the

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three located in Milwaukee, and he considered it likely that an adverse decision would be subject to misinterpretation, particularly in light of recent Board approval of the acquisition of The Bank of Commerce by Bank Stock Corporation of Milwaukee, the second largest bank holding company in the Milwaukee area. Although recognizing that the circumstances of Wisconsin State Bank and The Bank of Commerce were somewhat different, it would be unfortunate if the public were to gain the impression that the Board was prepared to allow a larger holding company to expand and not permit the smallest of the three companies also to expand. Therefore, he would favor approval of the application.

Governor Balderston said that although he had sympathy for the underdog in the competitive struggle, in this case he would agree with the adverse staff recommendation.

Chairman Martin indicated that he likewise would agree with the staff recommendation. A line must be drawn at some place. While there was merit in what Governor Mills had said, if there was any legislation at all, a stand must be taken at some point.

Chairman Martin then suggested that since a majority of the Board apparently was disposed to deny the application, the usual procedure be followed, namely, to give the Federal Reserve Bank an opportunity to present any further information or views regarding the application. At the same

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time there could be an up-dating of factual information, as suggested by Governor Mills.

It was agreed, after further discussion, to proceed in the manner proposed by the Chairman.

Mr. Hostrup withdrew from the meeting at this point.

Pan American Bank of Miami. Governor Robertson reported on the progress of supervisory efforts to improve the management, assets, and capital of the Pan American Bank of Miami, Miami, Florida. He noted that the bank now had good management and that some improvement had been made in its asset condition. Losses had been written off, although there still remained a substantial amount of substandard and doubtful items. With respect to the capital position of the bank, although the directors and stockholders had authorized an increase of \$2-1/2 million, only \$1/2 million had thus far been taken up, and the bank was judged to need about \$2 million of additional capital. Arrangements for the sale of the bank to one group had recently broken down, and it was now proposed to sell the bank to a group headed by a former Florida Commissioner of Banks, who did not believe the bank needed additional capital at this time. The present Bank Commissioner reportedly was prepared to approve the sale without imposing any condition that would require additional capital, although such a condition had been laid down for the former prospective purchasers.

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Governor Robertson said he had sent word to the Bank Commissioner through the Federal Reserve Bank of Atlanta that in his personal view additional capital was essential (the Chairman of the Federal Deposit Insurance Corporation agreed with this position) and that he would be disappointed if the sale were to be approved without any condition in regard to capital. Governor Robertson was inclined to doubt whether these expressions of opinion would be effective. Should the sale go through, he pointed out, the Connecticut Mutual Life Insurance Company, a creditor of Sottile, Inc., which was interested in finding appropriate new ownership for the bank, would be out of the picture. The prospective purchaser of the bank might inject new capital, but only when he thought it necessary, and there was some indication that a national charter would be sought for the bank. In any event, Governor Robertson felt that it was necessary to press for additional capital through any means that might be available.

All members of the staff then withdrew and the Board went into executive session.

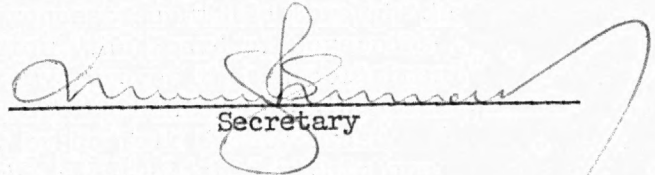
Following the meeting the Chairman informed the Secretary that during the executive session the Board approved the designation of Vice Chairman Balderston to serve as alternate for the Chairman on the National Advisory Council on International Monetary and Financial Problems, of which the Chairman of the Board of Governors is a member by statute.

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The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a letter to the Director, Office of Administrative Procedure, Department of Justice, advising of the designation of G. Howland Chase, Assistant General Counsel, as a member of the Administrative Conference of the United States, established by Executive Order 10934 dated April 13, 1961, to assist the President, the Congress, and the administrative agencies and executive departments in improving existing administrative procedures.



Secretary

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

Item No. 1
6/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 1, 1961



Board of Directors,
Norfolk County Trust Company,
Brookline, Massachusetts.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Medway Shopping Center on Main Street, West Medway, Massachusetts, by Norfolk County Trust Company, provided the branch is established within one year from the date of this letter.

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
6/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 1, 1961

The Honorable Erle Cocke, Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of May 22, 1961, concerning the application of Security State Bank, Fredericksburg, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

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. 3
6/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 1, 1961



Board of Directors,
The Carlsbad National Bank,
Carlsbad, New Mexico.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Carlsbad National Bank authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of New Mexico. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 4
6/1/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 1, 1961



Board of Directors,
The First National Bank of Brownfield,
Brownfield, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank of Brownfield authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Texas. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

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. 5
6/1/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 1, 1961



Board of Directors,
First State Bank and Trust Company,
Bryan, Texas.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers.

Following consideration of the information submitted, including your proposal to increase the bank's capital structure by at least \$150,000 through the sale of new stock for cash, the Board of Governors of the Federal Reserve System grants permission to First State Bank and Trust Company to exercise the fiduciary powers now or hereafter authorized by its charter and the laws of the State of Texas.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.