

6/61

Minutes for June 28, 1961


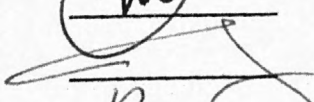

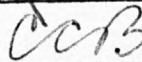
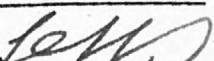
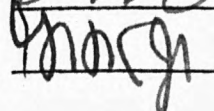
To: Members of the Board

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	<u> </u> 
Gov. Mills	<u> </u> 
Gov. Robertson	<u> </u> 
Gov. Balderston	<u> </u> 
Gov. Shepardson	<u> </u> 
Gov. King	<u> </u> 

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, June 28, 1961. The Board met in the Board Room at 9:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson 1/
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of Examinations
Mr. Masters, Associate Director, Division of
Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Kiley, Assistant Director, Division of
Bank Operations
Mr. Hostrup, Assistant Director, Division of
Examinations
Mr. Benner, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary
Mr. Thompson, Supervisory Review Examiner,
Division of Examinations

Items circulated or distributed to the Board. The following
items, which had been circulated or distributed 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 The Union Commerce Bank, Cleveland, Ohio, approving the establishment of a branch at 20601 Fairmount Boulevard, Shaker Heights.	1

1/ Withdrew from meeting at point indicated in minutes.

6/28/61

-2-

- | | <u>Item No.</u> |
|--|-----------------|
| Letter to The Citizens Bank, Incorporated, of South Hill, Virginia, South Hill, Virginia, interposing no objection to the declaration of a dividend on November 28, 1960, and approving declaration of a dividend on June 30, 1961. | 2 |
| Letter to The Florida National Bank at St. Petersburg, St. Petersburg, Florida, approving its application for fiduciary powers. | 3 |
| Letter to The City National Bank of Bryan, Bryan, Texas, approving its application for fiduciary powers. | 4 |
| Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at 51st Street and Archer Avenue, Chicago, Illinois, provided arrangements for satisfactory executive management are made. | 5 |
| Letter to The Southwest Bank, Inglewood, California, waiving the requirement that not less than \$300,000 additional capital funds be provided prior to the establishment of a branch in the vicinity of Manchester and Western Avenues, Los Angeles, conditioned upon the merger of the bank with and into United California Bank, Los Angeles. | 6 |

Application of Central Wisconsin Bankshares, Inc. (Items 7, 8, and 9).

At the meeting on June 15, 1961, it was indicated that the members of the Board (except Governor Robertson) would favor approval of an application under the Bank Holding Company Act by Central Wisconsin Bankshares, Inc., Wausau, Wisconsin, to acquire 80 per cent or more of the outstanding voting shares of First American State Bank and Wisconsin Valley Trust Company, both of Wausau. Accordingly, the staff was requested to prepare drafts of an

6/28/61

order and statement for review by the Board, along with a dissenting opinion. Pursuant to this understanding, such drafts were distributed under date of June 27, 1961.

In commenting on the draft of majority statement, Mr. O'Connell noted certain minor changes of an editorial and technical nature that would be made if agreeable to the Board, and no objection was indicated. He also stated that after consultation with Governor Robertson it was proposed to delete certain language from the dissenting statement.

Governor Mills said that although he would approve the majority statement in the form presented, with the minor changes suggested, he wished to make a comment for the record relative to the language on page 6 of the statement that read as follows:

Since the acquisitions proposed would not immediately result in an increase in the size or character of operations of the banks involved, approval of the application would not have a materially adverse effect upon the preservation of competition in Wausau and Marathon County.

He regarded this language as factually correct. However, it seemed to him important to bear in mind the rationalization and philosophy on which the majority decision was based. This was, as he understood it, that it was not within the province of the Board in interpreting the Bank Holding Company Act to speculate broadly on the course of future developments and on the possibility that they might adversely affect competition. Instead, in reaching a decision on cases of this sort the Board should rely upon

6/28/61

-4-

the current data. The effect of an attempt by the Board to speculate and project its reasoning into the future might be to deny an application where approval would be justified on the basis of the data that had been submitted, and thereby to prevent parties from engaging in lawful activities. That, in his opinion, would be contrary to the public interest.

The order and majority statement concerning the application of Central Wisconsin Bankshares, Inc., were then approved, Governor Robertson dissenting, with the understanding that the technical changes referred to by Mr. O'Connell would be made before the order was issued. Copies of the order, majority statement, and dissenting statement, as issued, are attached to these minutes as Items 7, 8, and 9, respectively.

Messrs. Hostrup and Thompson then withdrew from the meeting.

Coin supply. Distribution had been made on June 26, 1961, of a draft of letter to Under Secretary of the Treasury Roosa that would transmit a report by the Subcommittee on Cash, Leased Wire, and Sundry Operations, endorsed by the Conference of Presidents and discussed at the meeting with the Board on June 20, 1961, relating to the problem of obtaining adequate supplies of coin. The draft letter would note that there appeared to be two aspects to the situation: (1) the anticipated shortage of coin during the remainder of the current calendar year, and (2) a proposal which might alleviate recurring coin shortages and work to the advantage of the Treasury as well as the System. As to the current situation, 20 of the

6/28/61

-5-

36 Federal Reserve Banks and branches believed that the Mint's estimates of additional coin required for the remainder of the calendar year were inadequate to meet their needs. As to the longer-run problem, it was hoped that some arrangement might be worked out for a production schedule that would permit the stocking of a supply of coin sufficient to meet demands such as those contemplated for the remainder of the current year. With this in mind, the Subcommittee report proposed that the Federal Reserve Banks (rather than the Bureau of the Mint) estimate coin requirements and place a firm annual order with the Mint, together with a tentative schedule of shipments. The letter would conclude with a request for an opportunity to discuss with the Under Secretary the report of the Subcommittee and the System's position with respect to the coin supply.

In discussing the background of the coin shortage problem, Mr. Farrell recalled that when it became apparent early in 1960 that the coin shortage probably would worsen during the year, a letter on the subject was sent to the Treasury Department under date of July 12, 1960. However, the reply did not propose any specific remedial steps. Thereafter, the situation deteriorated further, and, after discussions between the Board's staff and the Treasury, the Presidents asked the Subcommittee to look into the matter. The Subcommittee's report recommended a major change in the policy of the Bureau of the Mint with regard to coin production in the respect that, as noted in the draft letter, the Reserve Banks would

6/28/61

-6-

estimate their needs and present these estimates through the Board to the Mint instead of the latter making its own estimates. It would also be implied that if necessary the System would lend support to the Treasury in requesting appropriated funds sufficient to produce an adequate amount of coin to meet prospective demands. In all the circumstances, it would appear desirable to handle the proposed letter in such a manner as to gain the attention of the Treasury at the proper level.

Following further discussion, the letter to the Treasury Department was approved unanimously, with the understanding that the subject would be mentioned informally to the Secretary and Under Secretary of the Treasury by Chairman Martin and Vice Chairman Balderston as and when the opportunity might arise.

Governor Robertson withdrew from the meeting at this point. Messrs. Molony, Assistant to the Board, and Chase, Assistant General Counsel, had entered the room during the discussion of the foregoing item, and Mr. Kiley withdrew from the meeting at the conclusion of the discussion.

Continental Bank and Trust Company (Item No. 10). Copies of a memorandum from Mr. O'Connell and Mr. Bolling Powell, Special Counsel to the Board, concerning recommended action in the matter of The Continental Bank and Trust Company, Salt Lake City, Utah, had been distributed under date of June 27, 1961. The memorandum noted that on that date an order dismissing the suit by Continental against the Board was entered by the

6/28/61

United States District Court for the District of Columbia. Although no supporting opinion was rendered by the Court, the bases for dismissal urged in the motion granted by the Court were: (1) The Board's July 18, 1960, order to Continental to increase its capital funds by not less than \$1.5 million within six months from the date of the order by the sale of common stock for cash was not final agency action; (2) Continental had not exhausted its administrative remedies before the Board; and (3) Continental's complaint failed to state a claim upon which relief could be granted since the bank was not in fact injured by the Board's order of July 18.

It was noted in the memorandum that in a letter of October 12, 1960, to Continental the Board agreed that it would "take no administrative action to enforce its order of July 18, 1960, pending determination by the United States District Court of the issues raised in the suit now before it." However, the Court's order of dismissal now having been entered, it was the recommendation of Messrs. O'Connell and Powell that the Board take administrative action relative to Continental's failure to comply with the 1960 order. Accordingly, there was attached to the memorandum a draft of "order to show cause and for hearing thereon" calling upon Continental to show cause why the Board should not order forfeiture of its membership in the Federal Reserve System for noncompliance with condition of membership numbered 2, providing for the maintenance of adequate capital and surplus funds in relation to stated factors, and directing that a hearing be held

6/28/61

-8-

for the purpose of taking evidence on such issues of fact that might be involved in the show cause order. At the completion of the hearing, it was contemplated that the matter would be submitted to the Board for final determination of the question whether to order the forfeiture of Continental Bank's membership in the System.

With respect to the hearing on the show cause order, it was indicated in the memorandum that only such testimony would be offered by witnesses for the Board as was necessary to apply to Continental the capital adequacy procedures and tests adopted by the Board, and reflected in its order of July 18, 1960, based on the latest report of examination of Continental, which was made in April 1961. For this purpose, it was not anticipated that it would be necessary to go outside the personnel of the System for the necessary Board witnesses. It was proposed that the hearing be held commencing September 6, 1961, at the Salt Lake City Branch of the Federal Reserve Bank of San Francisco, and that, unless otherwise requested by Continental, the hearing would be private. With respect to obtaining the services of a hearing examiner, it was understood that Charles W. Schneider, Hearing Examiner for the National Labor Relations Board, probably would be available. Mr. O'Connell and Mr. Powell would be associated as Board counsel at the hearing.

After Mr. O'Connell had commented on the June 27 memorandum, Governor Mills said that he could understand the chain of legal causation that required the making of a demand upon Continental Bank and Trust

6/28/61

-9-

Company. However, there was a question in his mind as to whether the proposed hearing in this matter should not be postponed until there had been an opportunity for a thorough analysis of the latest report of examination of the bank, made in April 1961. If such analysis showed that there had been substantial compliance with the terms of the Board's order through retention of earnings within the capital structure of the bank and improvement in the quality of its assets, then conceivably the Board should withdraw its demand for additional capital or hold it in abeyance pending further good performance on the part of the bank. It might be awkward at a hearing to substantiate, under a different set of circumstances, the original request that the bank provide \$1.5 million of additional capital.

In reply, Mr. O'Connell commented on conversations with the Federal Reserve Bank of San Francisco which indicated that the recent examination reflected some improvement in the capital position of Continental. However, it did not appear to the Reserve Bank that the improvement would represent anything like substantial compliance with the Board's order. Therefore, it was felt by the Bank that the Board would be justified in proceeding along the lines suggested.

Mr. Solomon commented that although there apparently had been some increase in the bank's capital funds, analysis would be required to appraise the situation, including the degree to which the increased capital might have been offset by increased risk. In any event, however, it was his

6/28/61

-10-

understanding that the contemplated procedure was intended to answer exactly that question. According to the proposed order, Continental would be asked to show cause why, having failed to comply with the 1960 order of the Board to provide additional capital through the sale of stock, it should not be expelled from System membership. In the process of showing cause, the bank could cite various extenuating circumstances. Those would be included in the hearing record, and the Board might of course decide that although Continental had not complied with the 1960 order, the extenuating circumstances were persuasive.

Governor Mills then said that he would be in accord with the contemplated procedure if, as indicated by Mr. Solomon's comments, it was envisaged that Continental would be encouraged to plead its case against the background of all of the developments subsequent to the issuance of the Board's order.

Mr. Powell joined the meeting at this point and, in response to a question by Chairman Martin, confirmed that he was in accord with the proposed procedure.

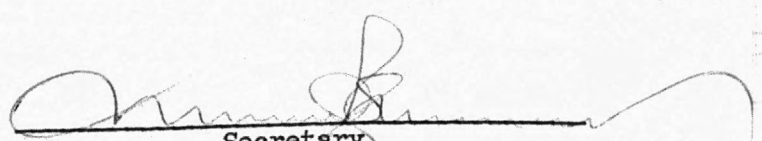
After further discussion, unanimous approval was given to the issuance of the Order to Show Cause and for Hearing Thereon, with the understanding that the order would indicate that Governor Robertson took no part in the Board's consideration of this matter or in the Board's action, having voluntarily withdrawn from participation in the matter for the reasons set forth in the statement issued by him on

6/28/61

June 30, 1959. It was also agreed that the order would be made the subject of a press release. A copy of the order, as issued, is attached as Item No. 10.

The meeting then adjourned.

Secretary's Note: Pursuant to the understanding at the Board meeting on June 9, 1961, a letter, concurred in by Governor Shepardson, was sent today to the Chairman of the National Labor Relations Board relating to the availability of hearing examiners as needed by the Board of Governors. A copy is attached as Item No. 11.


Secretary

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

Item No. 1
6/28/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 28, 1961



Board of Directors,
The Union Commerce Bank,
Cleveland, Ohio.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment of a branch at 20601 Fairmount Boulevard, Shaker Heights, Ohio, by The Union Commerce Bank, Cleveland, Ohio. This approval is given provided the branch is established within nine months from the date of this letter.

The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$89,000 in leasehold improvements incident to establishment of the branch.

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
6/28/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 28, 1961



Board of Directors,
The Citizens Bank, Incorporated,
of South Hill, Virginia,
South Hill, Virginia.

Gentlemen:

The Board of Governors has reviewed a copy of your letter of June 17, 1961, to Mr. John L. Nosker, Vice President, Federal Reserve Bank of Richmond, Richmond, Virginia, requesting that the Board approve a dividend declared on November 28, 1960, of \$7,500. This dividend was unintentionally declared in violation of Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes. In addition, you have requested the Board to approve a dividend of \$7,500 to be paid on June 30, 1961.

After consideration of the facts, the Board will make no objection to the declaration of the dividend made on November 28, 1960. In respect to the dividend to be declared June 30, 1961, the Board approves this dividend, but does not authorize any other declaration of dividends during 1961 or later. It is suggested that if the board of directors wishes to declare a dividend in December 1961, a statement of earnings for 1961, actual and estimated, be submitted to the Reserve Bank not later than November 15, 1961. This will give the Reserve Bank and the Board adequate information in time to study the bank's situation at that time.

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
6/28/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 28, 1961

Board of Directors,
The Florida National Bank at St. Petersburg,
St. Petersburg, Florida.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Florida National Bank at St. Petersburg 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 Florida. 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. 4
6/28/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 28, 1961



Board of Directors,
The City National Bank
of Bryan,
Bryan, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The City National Bank of Bryan 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
6/28/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 28, 1961



Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention: Mr. W. M. Taylor,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter received from your office dated July 19, 1960, enclosing copies of an application to organize a national bank at 51st Street and Archer Avenue, Chicago, Illinois, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Chicago disclosed generally favorable findings with respect to the proposed capital structure of the bank, its future earnings prospects, and the convenience and needs of the area to be served. Although the proposed members of the board of directors represent diversified business and professional interests, only two have had previous banking experience and the domination of the proposed bank and the existing institution with which it would be affiliated by the proposed chief executive officer is not regarded as entirely satisfactory. Accordingly, the Board of Governors recommends favorable consideration of the application provided arrangements for executive management of the bank are made which would be satisfactory to your office.

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. 6
6/28/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 28, 1961



Board of Directors,
The Southwest Bank,
Inglewood, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System waives the requirement that not less than \$300,000 additional capital funds be provided by The Southwest Bank prior to the establishment of a branch in the vicinity of the intersection of Manchester and Western Avenues, Los Angeles, under the authorization contained in the Board's letter of March 13, 1961.

This waiver is conditioned upon the merger of The Southwest Bank with and into United California Bank, Los Angeles. If the proposed merger is not approved, The Southwest Bank will be expected to proceed immediately with the capital program as previously outlined.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 7
6/28/61

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
CENTRAL WISCONSIN BANKSHARES, INC.

For prior approval of action to become a
bank holding company under section 3(a)(1)
of the Bank Holding Company Act of 1956

ORDER APPROVING APPLICATION UNDER
BANK HOLDING COMPANY ACT

There having come before the Board of Governors, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 4(a)(1) of the Board's Regulation Y (12 CFR 222.4(a)(1)), an application by Central Wisconsin Bankshares, Inc., a Wisconsin corporation with its principal office in Wausau, Wisconsin, for the Board's prior approval of action whereby Applicant would become a bank holding company through the acquisition of 80 per cent or more of the outstanding voting shares of First American State Bank and Wisconsin Valley Trust Company, both of which are located in Wausau; a notice of receipt of application having been published in the Federal Register on February 8, 1961 (26 F.R. 1135), which notice provided for the filing of

-2-

comments and views regarding the proposed acquisition; the time provided by the notice for filing comments and views having expired and no comments or views having been filed; and the Board having considered fully the record in this matter;

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be, and hereby is, granted, and the acquisition by Central Wisconsin Bankshares, Inc., of 80 per cent or more of the outstanding voting shares of First American State Bank and Wisconsin Valley Trust Company is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington, D. C., this 28th day of June, 1961.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and
Governors Balderston, Mills, and Shepardson.

Voting against this action: Governor Robertson.

Absent and not voting: Governor King.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 8
6/28/61BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMAPPLICATION BY CENTRAL WISCONSIN BANKSHARES, INC., FCR
PRICER APPROVAL OF ACTION TO BECOME A BANK HOLDING COMPANYSTATEMENT

Central Wisconsin Bankshares, Inc., Wausau, Wisconsin ("Central"), has applied, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of action that would result in Central becoming a bank holding company - namely, acquisition of 80 per cent or more of the outstanding common shares of First American State Bank ("American") and Wisconsin Valley Trust Company ("Trust Company"), both of Wausau.

Views and recommendations of the Commissioner of Banks for the State of Wisconsin. - As required by section 3(b) of the Act, the Board notified the Commissioner of Banks for the State of Wisconsin of the receipt of the application and requested his views thereon. In reply, the Commissioner recommended approval.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the

-2-

communities and area concerned; and (5) whether or not the effect of the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - The City of Wausau, with a population of about 32,000 according to the 1960 census, is the county seat of Marathon County. The County's 1960 population was approximately 88,900. Cities in the State of Wisconsin nearest Wausau that are of comparable size are Appleton, Green Bay, and Eau Claire, which are 75, 90, and 95 miles distant, respectively. There are offices of thirteen banks in Marathon County. At December 31, 1960, these banks held aggregate deposits of \$74 million, of which \$68 million were deposits of individuals, partnerships, and corporations ("IPC deposits"). On the same date, all commercial banking offices in the State, 717 in number, held \$4,638 million of deposits. There are three banks located within the City of Wausau - American, Trust Company, and Citizens State Bank & Trust Company. Three and one-half miles south of Wausau is located the Intercity State Bank, and 11 miles west of Wausau the State Bank of Marathon City.

American, with total deposits of \$34 million at December 31, 1960, ranked seventeenth in this respect of Wisconsin's 555 commercial banks. At the present, American does not possess

-3-

fiduciary powers. Trust Company, in addition to exercising fiduciary powers, is authorized by law to accept time deposits and make real estate, commercial, and industrial loans. At December 31, 1960, Trust Company held total deposits of \$1.3 million (almost entirely time deposits), and trust assets with a carrying value of \$29 million.

The financial history, condition, prospects, and management of the two banks are satisfactory, as are the proposed financial structure, proposed management, and prospects of the applicant.

The record before the Board does not establish a presently unserved banking service need in respect to residents of the Wausau area. However, there is evidence that the recent business expansion in the Wausau area has created demands for more convenient and coordinated general banking and fiduciary services than are presently offered. Operation of the two banks within the holding company system proposed, each complementing the service offered by the other, would appear to serve more conveniently the banking needs of the area than do the two institutions operating independently. Further, in relation to the evidenced growth of business enterprises in the Wausau area, with a corresponding increase in demands for larger loans, additional capital required by either bank might be secured more economically and advantageously through the holding company than could be secured by the banks individually.

-4-

The area from which American derives over 95 per cent of its IPC deposits ("primary service area") is coextensive with the area from which about the same percentage of Trust Company's IPC deposits originate, namely, Marathon County. At December 31, 1960, American held 46.6 per cent of the total deposits of all banks having offices in Marathon County. Combined with deposits held by Trust Company, the percentage would increase to 48.4 per cent. At the same date, American held 44 per cent of the total loans held by those banks, and American and Trust Company together held 47 per cent. The three banks located in Wausau, earlier identified, hold total deposits at year-end 1960 of \$49 million. Of these, American held 70.6 per cent and Trust Company 2.7 per cent. At the same date, the two banks combined held 75 per cent of the total IPC deposits of \$44 million held by all banks in Wausau, and 75 per cent of the total loans of \$21 million held by such banks.

The proposed affiliation of American with Trust Company under Central's control will not result in an appreciable elimination of competition for either deposits or loans in the Wausau area or in the larger Marathon County area. Trust Company's loans outstanding at December 31, 1960, while representing a substantial portion of its total resources, were less than 7 per cent of American's loans. At the same date, Trust Company held 3 per cent of the IPC deposits of banks located in Wausau, and 2 per cent of such deposits of all banks serving Marathon County.

-5-

Thus, competition between the two proposed subsidiaries for deposits and loans is relatively insignificant. As to trust business, of the two banks only Trust Company offers this service. While Trust Company holds a dominant position in the trust field both within Wausau and Marathon County and in 10 other nearby counties, within the 11-county area, 5 other banks compete for trust accounts, including Citizens State Bank and Trust Company in Wausau and three banks located within 35 miles of Wausau.

The record reflects that a substantial percentage of common shareholders presently are represented in both American and Trust Company. Approval of this application would combine under common ownership and control, the fiduciary facilities of Trust Company and the commercial banking facilities of American, resulting in an additional combined source of broadened banking service available to the Wausau area. At present, Citizens State Bank and Trust Company offers a combination of deposit, loan, and fiduciary services. The Comptroller of the Currency has given preliminary approval for the establishment of a national bank to be located in Wausau within one to two blocks of American and Trust Company. Thus, it appears that approval of this application will not adversely affect the level of presently existing banking competition within the City of Wausau. Further, as to the effect of consummation of this proposal in the areas beyond the City of Wausau that are presently served by either American or Trust Company, it seems

-6-

apparent that banking facilities of sufficient number and size presently exist in the area so as to meet its general banking requirements and to offer effective competition to American and Trust Company.

Conclusions. - In the Board's judgment, the record in this matter supports the conclusions that (1) Central's control of American and Trust Company will afford a more well-rounded and convenient source of banking services for the residents and businesses of the area concerned; (2) adequate and competitive banking service will be provided in view of the number of convenient alternative banking sources presently and prospectively available within the primary service areas involved; (3) since the major services offered by American and Trust Company are noncompetitive, and the competition between them for deposits and loans is minimal, their affiliation under the proposed holding company will not result in any substantial elimination of competition between them, and (4) since the acquisitions proposed would not immediately result in an increase in the size or scope of operations of the banks involved, approval of the application would not in this respect have a materially adverse effect upon the preservation of competition in Wausau and Marathon County.

Consideration of the facts in this case indicates that the establishment of the proposed holding company and its acquisition of stock of the two banks would not result in the existence of a

-7-

holding company system extending beyond limits consistent with adequate and sound banking, the public interest, and preservation of competition in the field of banking.

Viewing the relevant facts in the light of the purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed formation of a holding company system comprising First American State Bank and Wisconsin Valley Trust Company would not be inconsistent with the statutory objectives and the public interest and that, accordingly, the application should be approved.

June 28, 1961

Item No. 9
6/28/61Dissenting Statement of Governor Robertson

I am unable to concur in the decision reached by a majority of the Board on this application. Approval of the application, in my judgment, is contrary to the real purpose of the Bank Holding Company Act - to regulate the expansion of bank holding companies so as to prevent undue concentration of control of banking resources by such companies. In previous decisions in which this Board has found recitation of this purpose appropriate, it has also been pointed out that the Act refers not to the size of the banks involved in a particular proposal but, rather, to the concentration of control of banking resources by a holding company. The fact, therefore, that the proposed holding company system's size will reflect merely the size of the banks it controls cannot serve to minimize the potential danger inherent in such control by a holding company. The presence of this danger in the instant case is what principally impels my dissent from the majority's decision.

The areas concerned in this application are Marathon County and the county seat thereof, the City of Wausau, with 1960 populations of 88,900 and 32,000, respectively. The nearest cities of comparable size to Wausau are located, respectively, 75, 90 and 95 miles distant. Upon consummation of this proposal, the resulting bank holding company will control two of the three banking offices in Wausau, approximately 75 per cent of the total deposits of individuals, partnerships, and corporations, and 75 per cent of the total loans of all banks in Wausau. In addition, the holding company will control a large majority of the total trust business conducted by the banks located in the trust business primary service area of Wisconsin Valley Trust Company.

In my opinion, attainment of the Congressional purpose in enacting the Bank Holding Company Act is effectively precluded by approval of this application with its attending concentration of control of banking resources in the holding company system. A transaction that would result in such a degree of concentration of banking resources, regardless of the size or makeup of the area concerned, is not, prima facie, in accord with the public interest.

In addition, the record before the Board contains evidence of existing competition between the proposed subsidiaries for time deposits and for mortgage and commercial and industrial loans that will be eliminated by this approval. While First American State Bank is by far the dominant of the two banks in total volume of such business, the fact remains that each competes with the other for this business and that such competition will be eliminated by the affiliation approved. In urging the lack of present competition between the

-2-

two proposed subsidiaries, great stress has been placed by the applicant upon the dissimilarity in the types of business conducted by each - American not presently possessing fiduciary powers and Trust Company not authorized to do a commercial banking business. The lack of competition resulting from these circumstances could change, however, should either institution expand its scope of operations into the other's field. In such event, if the banks were to continue under their present ownership, the banking public would then have made available to it an additional source of service in each field. Under the holding company ownership now approved, the record supports the probability that neither expansion is likely. This fact, representing as it does a foreclosure of substantial potential competition, further strengthens my conclusion that this application should be denied.

Nor am I persuaded toward approval by the fact that under common control of the commercial banking functions of American and the trust functions of Valley Trust, the public's normal banking requirements will be served by a combined source. This consequence, however pleasant it may be from the applicant's point of view, does not affect the established fact that the community of Wausau presently has convenient access to complete banking services. Applicant's assertion that many of American's customers are presently forced to seek fiduciary services outside of the Wausau area, is factually unsupported and logically unsupportable. In my judgment, it has not been established that the combination of these institutions will result in any marked improvement or enlargement of presently existing banking services. Thus, against the substantially adverse consequences that I foresee in this proposal, I find no offsetting favorable considerations that would in anywise contribute to the public interest. Accordingly, I would deny the application.

June 28, 1961

Item No. 10
6/28/61UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of:

THE CONTINENTAL BANK AND TRUST COMPANY
Salt Lake City 10, Utah

ORDER TO SHOW CAUSE AND FOR HEARING THEREON

On June 29, 1956, by notice and order for hearing, the Board of Governors of the Federal Reserve System instituted this proceeding for the purpose of determining:

- a. The adequacy or inadequacy of the net capital stock and surplus of The Continental Bank and Trust Company in relation to the character and condition of its assets and to its present and prospective deposit liabilities and its other corporate responsibilities; and
- b. What net additional amount, if any, of capital funds is needed by The Continental Bank and Trust Company to have an adequate capital structure; and
- c. What is a reasonable period of time to allow The Continental Bank and Trust Company to effect any increase of its capital funds as may be found to be needed to make them adequate before being required by the Board of Governors to surrender its capital stock in the Federal Reserve Bank of San Francisco and to forfeit all its rights and privileges of membership in the Federal Reserve System for failure to do so.

-2-

The Continental Bank and Trust Company of Salt Lake City, Utah, hereinafter called the respondent, failed in its attempt to enjoin the holding of the hearing thus ordered by the Board of Governors. In affirming the decision of the United States District Court for Utah, Central Division, dismissing the action, the United States Court of Appeals for the 10th Circuit stated in part:

"The scheduled hearing was intended and designed to ascertain whether the Bank had failed and was continuing to fail to meet the requirements of the Act and the regulation, if so what should be done to bring its condition into compliance with the Act and the regulation in respect to capital adequacy, and in the event of continued failure to meet the requirements of the Act and the regulation whether the Bank should cease to be a member of the Federal Reserve System. That being its purpose, the hearing was within the purview of the Act and the regulation, considered in their entirety . . . The Board was clothed with power to order the hearing." Continental Bank and Trust Company of Salt Lake City v. Woodall, 239 F.2d 707, 710, 10th Cir. 1957, cert. den. 353 U.S. 909.

The hearing on this proceeding thereafter went forward and the record thereof was submitted to the Board of Governors and by order and statement of July 18, 1960, the Board of Governors found:

". . . that the net capital and surplus funds of the Bank are inadequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, and that such inadequacy in an amount of not less than \$1,500,000 shows no likelihood of being corrected within a reasonable time by retained earnings. "

Accordingly, the Board ordered that within six months from July 18, 1960, the respondent, by the sale of common stock for cash, effect

an increase in its net capital and surplus funds in the amount of not less than \$1,500,000.

On September 19, 1960, respondent filed an action in the United States District Court for the District of Columbia seeking to review and set aside the Board's July 18, 1960, order and seeking to enjoin the Board from taking any action in this proceeding to enforce its July 18, 1960 order.

At respondent's request the Board by letter of October 12, 1960, voluntarily agreed that it would "take no administrative action to enforce its order of July 18, 1960, pending determination by the United States District Court of the issues raised in the suit now before it."

On June 27, 1961, the United States District Court completed its determination of respondent's suit before it by granting the Board's motion to dismiss on the ground that the Court lacked jurisdiction of the subject matter of respondent's action because:

- a. The Board's July 18, 1960, order was not its final agency action in this proceeding;
- b. Respondent has not yet exhausted its administrative remedies in this proceeding; and
- c. Respondent's complaint failed to state a claim upon which judicial relief could be granted.

The six months period from July 18, 1960, within which the Board's order required respondent to increase its capital expired January 18, 1961, during the pendency of respondent's suit

-4-

before the United States District Court for the District of Columbia.

It appears to the Board that in failing to comply with the July 18, 1960 order herein the respondent has failed to comply with section 9 of the Federal Reserve Act and, in particular, has failed to comply with respondent's Condition of Membership No. 2 imposed by the Board pursuant to section 9 of the Federal Reserve Act, which Condition of Membership requires that:

"2. The net capital and surplus funds of such bank (respondent) shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, and its capital shall not be reduced except with the permission of the Board of Governors of the Federal Reserve System."

Accordingly, IT IS HEREBY ORDERED:

1. That a hearing be held at which the respondent shall show cause why the Board should not require it to surrender its stock in the Federal Reserve Bank of San Francisco and to forfeit all rights and privileges of membership in the Federal Reserve System for failure to comply with said Condition No. 2 of respondent's membership.

2. That the said hearing in the proceeding be held in accord with the requirements of paragraph 9 of section 9 of the Federal Reserve Act (12 USC sec. 327) commencing at 10:00 a.m. on September 6, 1961, in the offices of the Salt Lake City, Utah, Branch of the Federal Reserve Bank of San Francisco, 120 South State Street, Salt Lake City, Utah, for the purpose of taking

-5-

evidence from witnesses for the respondent and from witnesses for the Board on all issues of fact that may be involved in this show cause order, which evidence the Board will consider in arriving at its final decision in this proceeding.

3. That the hearing be held before a trial examiner to be designated by the Civil Service Commission and appointed by the Board in accord with the provisions of section 11 of the Administrative Procedure Act of 1946, as amended (5 U.S.C. sec. 1010), and that the hearing, and the proceedings following the hearing, be conducted in accord with the applicable requirements of that Act and the Rules of Practice for Formal Hearings, of the Rules of Procedure of The Board of Governors of the Federal Reserve System (12 CFR 263).

4. That in accord with Rule III(b) of the aforesaid Rules of Practice, and except as otherwise hereafter ordered by the Board, the hearing before the trial examiner will be private, attended only by the representatives, counsel and witnesses of The Continental Bank and Trust Company, and of the Board of Governors of the Federal Reserve System, unless The Continental Bank and Trust Company makes a written request to the Board of Governors that other persons be permitted to attend or that the hearing be made public, in which event such request will be granted.

5. That authority is granted under section 8(a) of the Rules of Organization of the Board of Governors of the Federal Reserve System to disclose and introduce as evidence in this

-6-

Proceeding reports of examinations of The Continental Bank and Trust Company made by examiners of the Federal Reserve Bank of San Francisco: provided, neither the names nor the identities of persons indebted to The Continental Bank and Trust Company shall be in any way disclosed or introduced in evidence.

6. That a certified copy of this Order be forthwith served upon the respondent by postage prepaid, registered mail, with return receipt.

Dated at Washington, D. C., this 28th day of June, 1961.

By order of the Board of Governors.

Voting for this action: Chairman Martin and Governors Balderston, Mills, and Shepardson.

Absent and not voting: Governor King.

Governor Robertson took no part in the Board's consideration of this matter or in the Board's action of this date, having voluntarily withdrawn from participation in the matter for the reasons set forth in the Statement issued by him on June 30, 1959, and made a part of the record in these proceedings.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 11
6/28/61

OFFICE OF THE CHAIRMAN

June 28, 1961

Mr. Frank W. McCulloch, Chairman,
National Labor Relations Board,
Washington 25, D. C.

Dear Mr. McCulloch:

This refers to informal discussions that have taken place between staff members of the National Labor Relations Board and the Board of Governors relating to the possible appointment to the Board of Governors' staff of Mr. Charles W. Schneider, presently a hearing examiner on the staff of your agency.

As I believe you are aware, the Civil Service Commission has recently certified an approved classification for a hearing examiner position within our Board. Following this certification, members of our staff discussed with representatives of the Civil Service Commission the possibility of a non-competitive appointment to the hearing examiner position created. Upon assurance that such an appointment would be appropriate, Mr. Schneider was contacted to ascertain his availability for and views on possible appointment as hearing examiner on the Board of Governors' staff.

Mr. Schneider expressed interest in the position under discussion and, pursuant to a mutual understanding, advised appropriate persons at your Board of his interest and of his intention to discuss the matter further. Following such discussion, Mr. Schneider was offered the position of hearing examiner on the Board of Governors' staff, in response to which he requested a sufficient period of time within which to consider the offer and to discuss the matter further with certain individuals at your Board.

During the period of Mr. Schneider's consideration, Mr. George Bokat, Associate Chief Trial Examiner on your staff, advised Mr. O'Connell of this Board's staff of your agency's understandable concern at the possibility of Mr. Schneider's transfer and presented for consideration a proposal which Mr. Bokat later stated had your approval. Mr. Bokat proposed that the Board of Governors and Mr. Schneider indefinitely postpone final decision on Mr. Schneider's appointment, in return for which inaction the Board of Governors would receive assurances from your Board that

Mr. Frank W. McCulloch

-2-

at any time during the period in which action on this appointment is stayed should our Board require the services of a hearing examiner, your agency would make available as hearing examiner either Mr. Schneider or Mr. Arthur Leff of your staff, or, if they are unavailable, another equally competent hearing examiner, subject, of course, to the prior approval of the Civil Service Commission. It is understood that the proposed agreement contemplates that at such time in the future as our Board determines that continuance of the arrangement now proposed is not consonant with its hearing examiner requirements, our Board will be free to renew its discussion with Mr. Schneider relative to the proffered appointment. At the same time, it is also understood that the proposal under discussion does not obligate our Board at any time to appoint a hearing examiner, but, rather, accords to Mr. Schneider first refusal of any appointment our Board may later determine to make.

Assuming that the foregoing statement accurately reflects the proposal made in the name of your Board, the Board of Governors is agreeable to the proposal and believes the same to be a reasonable solution to our present respective problems. Pursuant to Mr. Bokats suggestion, there is enclosed a copy of this letter to which has been added an expression of your agreement with the terms of the understanding now apparently reached between our agencies. If such agreement exists, your signature and return of the copy of this letter will constitute effectuation of that understanding.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure