

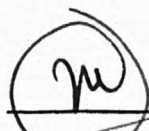
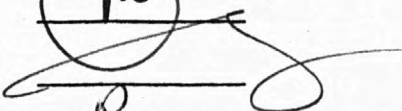
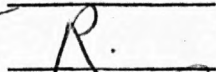

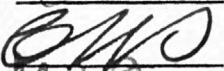
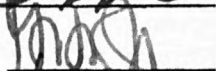
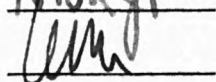
Minutes for October 2, 1961

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. Mills	
Gov. Robertson	
Gov. Balderston	
Gov. Shepardson	
Gov. King	
Gov. Mitchell	

Minutes of the Board of Governors of the Federal Reserve System on  
Monday, October 2, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Fauver, Assistant to the Board  
Mr. Landry, Assistant to the Secretary

Messrs. Noyes, Brill, Dembitz, Williams,  
Eckert, Gehman, Solomon, Weiner, Wood,  
Wernick, Freedman, and Yager of the  
Division of Research and Statistics

Messrs. Furth, Hersey, Sammons, Katz, Irvine,  
Wood, Gemmill, Maroni, and Reynolds of the  
Division of International Finance

Economic review. Members of the Divisions of International  
Finance and Research and Statistics presented a review of economic  
conditions in the United States and foreign countries.

At the conclusion of this presentation, all members of the staff  
except Messrs. Sherman, Fauver, and Landry withdrew and the following  
entered the room:

Mr. Solomon, Director, Division of Examinations  
Mr. Conkling, Assistant Director, Division of  
Bank Operations  
Mr. Hostrup, Assistant Director, Division of  
Examinations  
Mr. Leavitt, Assistant Director, Division of  
Examinations

10/2/61

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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 American State Bank, Milwaukee, Wisconsin, approving an investment in bank premises.	1
Letter to the Federal Reserve Bank of Chicago waiving the assessment of a penalty incurred by State Bank of Nappanee, Nappanee, Indiana, because of a deficiency in its required reserves.	2
Letter to the Federal Deposit Insurance Corporation regarding the application of Gruver State Bank, Gruver, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	3
Telegram to the Federal Reserve Bank of New York approving the extension of the arrangement to make a loan or loans on gold to the Bank for International Settlements.	4
Letter to The Chase Manhattan Bank, New York, New York, approving the establishment of a branch at 2 Knickerbocker Avenue, Borough of Brooklyn.	5
Letter to The Chase Manhattan Bank, New York, New York, approving the establishment of a branch at 2840 Jerusalem Avenue, Unincorporated Area of North Bellmore, Nassau County.	6

Application by Southern Arizona Bank and Trust Company (Item No. 7).

There had been circulated an application by Southern Arizona Bank and Trust Company, Tucson, Arizona, for permission to establish a branch in the Park Central Shopping Center, Phoenix, Arizona, and a memorandum dated September

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15, 1961, from the Division of Examinations recommending favorably on the application. The Federal Reserve Bank of Dallas had also made a favorable recommendation.

In February 1961 Southern Arizona Bank and Trust Company, a subsidiary of Western Bancorporation (formerly Firstamerica Corporation), made application to the Board for permission to establish two branches in Phoenix, Arizona, one to be located in the central downtown financial district and the other in the Park Central Shopping Center, a major retail and business office complex situated two and one-half miles north of "downtown" Phoenix. Board approval was given to the mid-town Phoenix branch application on April 28, 1961, which office was opened for business on July 25, 1961. The application for the second branch had been withdrawn following disapproval by the State Banking Department on the grounds that the bank had not selected a site and no building plans had been formulated, but approval of the State Banking Department subsequently had been given after more specific plans had been submitted. The instant application in effect constituted a resubmission to the Board of the latter request.

It was noted in the memorandum of the Division of Examinations that the proposed branch, which would be an additional branch of a Western Bancorporation subsidiary, would provide further competition in Arizona for Valley National Bank and its associated institution, The Arizona Bank (formerly Bank of Douglas), and that the Western



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Bancorporation subsidiary banks in Arizona provided the only direct "big bank" competition for Valley National and Arizona Bank. The memorandum also referred to the fact that when in April 1961 the Board considered applicant's request for permission to establish a branch in mid-town Phoenix it was considered possible that Western Bancorporation, which owned control of applicant and First National Bank of Arizona, might be attempting to establish a branch or branches through its State member bank subsidiary which had been denied the affiliated First National by the Comptroller of the Currency. However, upon consultation with the latter on this point it had been determined that the Comptroller had not recently denied any application of First National Bank of Arizona. Further inquiry along this same line with respect to the period since the previous inquiry had produced the information that the Comptroller had not denied any applications by First National Bank of Arizona in the Phoenix area.

Governor Mills stated that he would vote to disapprove the branch application by Southern Arizona Bank and Trust Company as he had done in the case of the earlier application by the bank for a branch in the central downtown financial district of Phoenix, where another unit of the same system, the First National Bank of Arizona, was already in operation. His views on this question reflected a belief that continued expansion of Western Bancorporation through its subsidiaries in Arizona, in conjunction with continued growth of Valley National Bank and The

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Arizona Bank, was inimical to the development of competition from independent banking sources in Arizona.

Governor Robertson said that he would vote to approve the application. Even though in retrospect it may have been unwise to permit Western Bancorporation to acquire Southern Arizona in the first instance, since that step had been taken it was now essential to provide as much competition as possible between the two dominant banking groups in Arizona referred to by Governor Mills.

After further discussion the application by Southern Arizona Bank and Trust Company to establish a branch in the Park Central Shopping Center, Phoenix, was approved, Governor Mills dissenting. A copy of the letter sent to Southern Arizona Bank and Trust Company pursuant to the foregoing action is attached as Item No. 7.

Application of Marine Corporation (Items 8 through 11). On September 6, 1961, upon reconsideration, the application of The Marine Corporation, Milwaukee, Wisconsin, to acquire stock of Wisconsin State Bank, Milwaukee, was approved by a vote of four to two, Chairman Martin and Governors Mills, Shepardson, and King voting for approval, while Governors Balderston and Robertson voted to deny. Pursuant to the understanding at the meeting on that date there had now been distributed drafts of an order, a majority statement, and dissenting statements reflecting the foregoing action.

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Following a brief discussion, during which Governor Mitchell asked that he be recorded as not participating in the Board's action on this matter, the issuance of the order and statements was authorized, Governor Mitchell abstaining. Copies of the order, majority statement, and two dissenting statements are attached as Items 8 through 11.

Messrs. Hackley, General Counsel, and Potter, Assistant Counsel, entered the room at this point, and Mr. Hostrup withdrew.

Request by United California Bank and Southwest Bank (Item No. 12).

On July 27, 1961, consideration was given to an application by United California Bank, Los Angeles, California, for permission to merge with The Southwest Bank, Inglewood, California, at which time it was decided to inform the applicant by letter of the desirability of receiving supplemental information covering certain points in the application. Pursuant to this understanding, a letter was sent under date of July 28, 1961, to United California Bank requesting certain supplemental information and indicating that, if desired, arrangements would be made for an oral presentation before the Board. The additional information referred to was received from applicants under date of August 9, 1961, but no request was received for an oral presentation before the Board. On September 26, 1961, following further consideration, the application was denied.

Mr. Sherman reported receipt this morning of telegrams from United California Bank and The Southwest Bank requesting that the Board's

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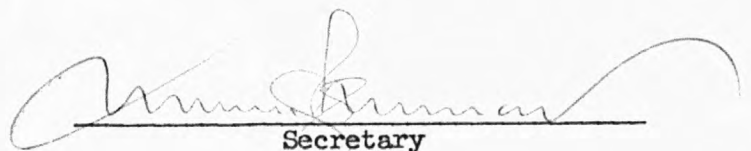
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action of September 26 disapproving their merger application not be included in the Board's weekly announcement covering such actions that would be handed to the press the afternoon of October 3, 1961. The banks gave as a reason for the request their view that the announcement might have an adverse effect on The Southwest Bank, and they also desired time in which to submit a petition for reconsideration of the application.

In discussion it was brought out that after consideration of a similar request from Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, in connection with its application to acquire Bank of Hazlehurst, Hazlehurst, Mississippi, the Board had concluded at the meeting on October 17, 1960, that the completeness of an established statement made available to the public, including the press, should not be brought into question by withholding announcement in the usual course of an action taken.

There being unanimous agreement that a similar reply be made to United California Bank and The Southwest Bank, it was understood that a telegram would be sent to the Federal Reserve Bank of San Francisco requesting that applicants be advised that their request for withholding announcement of the Board's adverse action on the merger application was being denied and that announcement would be made in the usual course. A copy of the telegram is attached as Item No. 12.

The meeting then adjourned.



Secretary

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

Item No. 1  
10/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 2, 1961

Board of Directors,  
American State Bank,  
Milwaukee, Wisconsin.

Gentlemen:

Pursuant to your request submitted by the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by American State Bank of \$80,000, for the purpose of remodeling the bank building. The amount approved includes \$15,000 already advanced, and capitalized as building improvements on the bank's books.

Capital of this bank is somewhat low, and the Board is pleased to note that it is planned to sell common stock at a price which will provide additional capital funds of approximately \$275,000.

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  
10/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 2, 1961



Mr. Laurence H. Jones,  
Vice President and Cashier,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Jones:

This refers to your letter of September 20, 1961, regarding the penalty of \$99.73 incurred by the State Bank of Nappanee, Nappanee, Indiana, on a deficiency in its required reserves for the biweekly computation period ended September 6, 1961.

It is noted that the deficiency resulted from two people in the member bank who ordinarily handle transactions affecting its reserve account being away on vacation when a \$1,000,000 increase in demand deposits occurred; a relative increase in reserve balance was not provided; the new funds were placed in correspondent bank balances and as deduction items offset the increase in deposits, but the deficiency occurred as they were gradually withdrawn; the bank has an excellent record with its last penalty assessment being in 1945; and that work-sheets and instructions have been furnished the bank for its use in avoiding a recurrence of this incident.

In the circumstances, and in view of your recommendation, the Board authorizes your Bank to waive the assessment of the penalty of \$99.73 for the reserve computation period ended September 6, 1961.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 3  
10/2/61



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 2, 1961

Mr. Jesse P. Wolcott, Director,  
Federal Deposit Insurance Corporation,  
Washington 25, D. C.

Dear Mr. Wolcott:

Reference is made to your letter of  
September 19, 1961, concerning the application of Gruver  
State Bank, Gruver, 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.

T E L E G R A M  
LEASED WIRE SERVICE

Item No. 4  
10/2/61

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

October 2, 1961

SANFORD - NEW YORK

Your wire September 28. Board approves extension of the arrangement to make loan or loans by your Bank to the Bank for International Settlements during the period of one year, from November 1, 1961, through October 31, 1962, up to a total amount outstanding at any one time of \$25 million, each borrowing to mature in not more than seven days and total borrowings (the maximum loan facility) during any calendar month not to exceed the equivalent of \$25 million for the total of seven days.

For this facility, it is understood that you will make a commitment charge at the rate of one-fourth of one per cent per annum on that part of the maximum loan facility not used in any calendar month. The arrangement would conform to your usual terms and conditions:

- (a) Each such loan or loans to be made up to 98 per cent of the value of gold bars to be set aside at the time of each drawing under pledge to you;
- (b) Each such loan to bear interest from the date it is made until paid at the discount rate of your Bank in effect on the date such loan is made.

It is understood that the usual participation will be offered to the other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 5  
10/2/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 2, 1961



Board of Directors,  
The Chase Manhattan Bank,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Chase Manhattan Bank, New York, New York, of a branch at 2 Knickerbocker Avenue, Borough of Brooklyn, Kings County, New York, provided the branch is established within twelve months 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

Item No. 6  
10/2/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 2, 1961



Board of Directors,  
The Chase Manhattan Bank,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Chase Manhattan Bank, New York, New York, of a branch at 2840 Jerusalem Avenue, Unincorporated Area of North Bellmore, Nassau County, New York, provided the branch is established within twelve months 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 Item No. 7  
WASHINGTON 25, D. C. 10/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 2, 1961

Board of Directors,  
Southern Arizona Bank and Trust Company,  
Tucson, Arizona.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors of the Federal Reserve System approves the establishment by Southern Arizona Bank and Trust Company, Tucson, Arizona, of a branch in the Park Central Shopping Center in the vicinity of Osborn Road, Third Avenue and Fourth Avenue in Phoenix, Arizona, 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.



Item No. 8  
10/2/61

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

-----  
In the Matter of the Application of  
THE MARINE CORPORATION  
for prior approval of acquisition of  
voting shares of Wisconsin State Bank,  
Milwaukee, Wisconsin.  
-----

ORDER APPROVING APPLICATION UNDER  
BANK HOLDING COMPANY ACT  
AND REVOKING PRIOR ORDER OF DENIAL

WHEREAS, there has come before the Board of Governors,  
pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956  
(12 USC 1842) and section 4(a)(2) of the Board's Regulation Y  
(12 CFR 222.4(a)(2)), an application by The Marine Corporation,  
Milwaukee, Wisconsin, for the Board's prior approval of the acqui-  
sition of 80 per cent or more of the voting shares of Wisconsin State  
Bank, Milwaukee, Wisconsin;

WHEREAS, by Order dated June 29, 1961 (26 Federal Register  
6114; 1961 Federal Reserve BULLETIN 763), the Board of Governors  
denied said application, and thereafter by Order dated August 3, 1961  
(26 Federal Register 7167), granted a petition of The Marine Corporation

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for reconsideration of the Board's June 29 Order, and in connection with such reconsideration, on August 9, 1961, permitted The Marine Corporation to present oral argument before the Board;

IT IS HEREBY ORDERED, upon reconsideration and for the reasons set forth in the Board's Statement of this date, that the application of The Marine Corporation to acquire voting shares of Wisconsin State Bank be and hereby is approved, provided that such acquisition is completed within three months from the date hereof, and, it is further ORDERED that the Board's Order of June 29, 1961, be and hereby is revoked.

Dated at Washington, D. C., this 2nd day of October 1961.

By order of the Board of Governors.

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

Voting against this action: Governors Balderston and Robertson.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

Item No. 9  
10/2/61

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

APPLICATION OF THE MARINE CORPORATION, MILWAUKEE, WISCONSIN,  
FOR PRIOR APPROVAL OF ACQUISITION OF SHARES OF  
WISCONSIN STATE BANK, MILWAUKEE, WISCONSIN

STATEMENT UPON RECONSIDERATION

On June 29, 1961, the Board of Governors issued an Order denying the application of The Marine Corporation, Milwaukee, Wisconsin ("Marine"), under section 3(a) of the Bank Holding Company Act of 1956 ("the Act"), to acquire 80 per cent or more of the voting shares of Wisconsin State Bank, Milwaukee ("Bank"). (1961 Federal Reserve BULLETIN 763)

On August 3, 1961, the Board granted Marine's petition for reconsideration of this matter and, pursuant to Marine's request, afforded representatives of Marine an opportunity to present further views orally before the Board on August 9, 1961.

The decision of June 29, 1961, as indicated in the Board's Statement in support of its Order, turned largely on considerations under the fifth factor described in section 3(c) of the Act, whereby the Board is required to take into consideration "whether or not the effect of the proposed acquisition would be to expand the size or extent of the bank holding company system involved beyond limits



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consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking". The Board remains of the opinion that there is little in the circumstances of this case that weighs materially on the side of either approval or disapproval in connection with the first four statutory factors, namely: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; and (4) the convenience, needs, and welfare of the communities and area concerned.

However, in the light of further presentations by Marine in connection with the Board's reconsideration of this matter, the Board has altered its judgment as to the total effect of the proposed acquisition on competition in the areas most affected, including both Bank's primary service area and the larger trade area of Milwaukee County.

It now appears that affiliation with Marine would strengthen Bank's position principally in fields of banking service beyond the competitive scope of the other independent banks in its area, each of which is less than half the size of Bank. Changes in the residential character of the area have apparently already been taking place and it is expected that the area will become increasingly industrial and commercial. After acquisition by Marine, Bank would be in an improved position to serve those accounts that would not look to the smaller banks for service. On the other hand, the affiliation would not



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materially increase Bank's advantage in competition for the type of accounts that the smaller banks are equipped to serve. These banks have themselves all shown substantial growth in recent years, and there is no evidence that holding company competition in the area has been overly restrictive. In this light, and since none of these banks has expressed views adverse to the acquisition, we conclude that it would not have a significant adverse effect on the smaller banks.

The potential benefits of strengthening Marine's competitive position in Bank's service area and in the County now appear to be of sufficient weight to justify a decision of approval, although some slightly offsetting elements remain.

In 1958, First Wisconsin Bankshares Corporation, the largest holding company operating in Milwaukee County, established a subsidiary within Bank's primary service area, about three miles from Bank. Much nearer to Bank is a branch of the same holding company's largest bank. It appears also that banking offices of the Bank Stock Corporation system compete for business from Bank's primary service area. Thus the acquisition would enable Marine to compete more directly with the two larger holding company systems in the local area. The addition of Bank to the Marine system should also, because of the anticipated establishment of some larger businesses in Bank's area, promote the referral to Marine National of banking business that Bank could not accommodate and that might otherwise be more inclined to

use offices of First Wisconsin National Bank or of Bank Stock Corporation's largest subsidiary, the Marshall and Ilsley Bank. Both in Bank's service area and in the larger Milwaukee County area, therefore, the acquisition of Bank should somewhat improve Marine's competitive position as against the two larger holding company systems.

While the three holding company systems together hold about 75 per cent of the commercial bank deposits in Milwaukee County, the degree of concentration reflected is not what it would be if such control were distributed among only one or two organizations. As noted in the previous Statement, the expansion of Marine by the proposed acquisition to a point where it would hold about 15 per cent of commercial bank deposits in Milwaukee County would not of itself cause undue concern in this case from the standpoint of expansion of that holding company system.

First Wisconsin National Bank, with almost \$715 million of deposits at December 31, 1960, holds virtually all of the 41 per cent of Milwaukee County commercial bank deposits controlled by the First Wisconsin Bankshares system. First Wisconsin National has 12 branch offices which it is allowed to retain because they were established prior to the 1947 State law prohibiting branch banking. The Marine banks have no such branches in the County. Therefore, although the First Wisconsin system has only three commercial banks in the County as against five for Marine, First Wisconsin Bankshares has three times as many offices, giving it better physical coverage of the

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area, centralized in a branch banking system. The resulting competitive advantage is in addition to that reflected in the comparison of deposit figures.

The prospective elimination of some existing competition between Bank and Marine National remains, as does the matter of concentration, a consideration somewhat adverse to approval. However, a valid distinction may be drawn between the situation where a certain amount of banking business is subject to competition between only two banks and the situation where it is subject to competition among a number of banks. In the former case, the merger or common ownership of the two banks could completely eliminate competition for that amount of business, while in the latter case that business remains subject to competition among the remaining unaffiliated banks. Thus, the amount of banking business subject to competition between two banks to be affiliated cannot be used as a measure of competition to be eliminated without taking into consideration the number of banks that would still compete for that business.

There are 33 commercial banks in Milwaukee County, 22 of which are independent. In this situation it is apparent that, while the volume of banking business conceded to be subject to competition between Bank and Marine National may not be insignificant when viewed in terms of the deposits of those two banks, the elimination of competition between the two banks would not take that amount of



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banking business out of competition among area banks generally, since neither bank is the principal, let alone the sole, competitor of the other. Thus, in this case, the amount of competition that might be eliminated "in the field of banking" in the area should not be measured solely in terms of the deposits of the banks to be affiliated.

From the point of view of the public interest, the competitive situation in a particular trade area is more significant than the situation of two particular banks, although the effect of an acquisition on the latter situation may, in some cases, be determinative of the effect on the former. In this case it is not. The number of alternative sources of banking service available to the public is not greatly reduced, either at the county or at the local level.

In summary, the Board is satisfied, upon reconsideration of the matter, that competition both in Bank's primary service area and in Milwaukee County would be enhanced in certain respects by the acquisition without apparent risk to the smaller banks, and that the considerations favoring approval of the application are not outweighed by those of opposite tendency.

For the reasons stated, it is the judgment of the Board that the proposed acquisition would be consistent with the general purposes of the Act and the factors enumerated in section 3(c), and that the application should be approved.

October 2, 1961.

Item No. 10  
10/2/61Dissenting Statement of Governor Balderston

The issue in this case is whether The Marine Corporation, the smallest of three holding company systems operating in Milwaukee County, should be permitted to absorb an independent bank having some \$37 million of deposits and located in the same County. Persuasive arguments can be advanced that Marine should be allowed to reduce the size gap between it and the other two holding company systems, the largest of which, First Wisconsin Bankshares Corporation, holds over 41 per cent of the County's commercial bank deposits. Neither the formation of The Marine Corporation nor its growth are contrary to the intent of the Holding Company Act. Consequently, as Governor Robertson comments in his dissent, the approval of the proposed acquisition must be determined in the light of the relevant facts and circumstances of the particular case.

What are the relevant facts? Nearly all of Wisconsin State Bank's deposits are derived from Milwaukee County, and that County constitutes the primary service area of The Marine Corporation's largest subsidiary, namely, the Marine National Exchange Bank. It would seem inevitable, therefore, that the amount of competition that would be eliminated between the two banks if both were under the control of the same holding company is significant. Furthermore, in a locality where the three holding companies already control 75 per cent of the commercial bank deposits, this acquisition would shift more than 8 per cent of the total deposits of independent banks to the control of a holding company which, though the smallest of the three, is very much larger than any independent bank in the area.



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A decision in this case must therefore balance the advantages of the increase in the relative size of the smallest of these holding companies that would result from the acquisition against the diminution of existing competition. It seems to me that to permit The Marine Corporation to take over a growing, independent competitor of Marine's own largest subsidiary would unduly reduce existing and potential competition. Therefore, I would deny the application.

October 2, 1961.

Item No. 11  
10/2/61Dissenting Statement of Governor Robertson

When the Board first considered this application, it concluded that the extent to which the proposed acquisition would reduce the relative dominance of First Wisconsin Bankshares Corporation in the Milwaukee area and increase competition between The Marine Corporation and the larger holding companies was insufficient to warrant the elimination of a well-managed, fast-growing, \$37 million bank as an independent competitor, particularly when 75 per cent of commercial bank deposits in Milwaukee County are already in the banks of the three holding company systems. In my opinion, that judgment was correct. On reconsideration, Marine did not submit either facts or arguments not already available to and considered by the Board. Hence, I fail to see a valid basis for reversing our decision.

The majority of the Board now find that the anticompetitive effects of the acquisition are outweighed by the benefits of slightly increasing Marine's relative size and of improving Marine's geographical coverage of an area where the First Wisconsin Bankshares has offices. If that conclusion can be reached on the facts of this case, similar reasoning could be applied to permit the absorption of virtually any independent bank whenever an applicant holding company is significantly smaller than a competing system, or even than a competing bank.

I find no evidence that Wisconsin State Bank cannot continue to grow and prosper despite the changing character of its service area, or that the present or future banking needs of that area cannot be adequately served unless this bank is acquired by Marine.

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Holding company banks already hold a substantial amount of the banking business of Wisconsin State Bank's service area. The acquisition would transfer nearly half of the deposits remaining in independent banks to holding company control. It would increase the already high levels of concentration in Milwaukee County as well, and would eliminate present and potential competition between Wisconsin State Bank and Marine National Exchange Bank, Marine's largest subsidiary. Compared to the increased competitive imbalance between small and large institutions and the elimination of competition that would result from this acquisition, the possible beneficial effects on competition between holding companies in the area are insufficient to support approval of the application.

My opinion in this case is based on consideration of the particular acquisition proposed, not on any general view that Marine, or any other holding company system, is of such a size that it should not be permitted any further acquisitions. Whether a proposed acquisition merits approval must be determined in the light of all the relevant facts and circumstances of the particular case. Having so evaluated the present proposal, I conclude that the acquisition of Wisconsin State Bank by The Marine Corporation would not be consistent with the statutory objectives or the public interest, and I would disapprove the application.

October 2, 1961.



T E L E G R A M  
LEASED WIRE SERVICEItem No. 12  
10/2/61BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

October 2, 1961

Swan - San Francisco

Re wires addressed to Board under date of September 30, 1961, by United California Bank and The Southwest Bank requesting that Board's action of September 26 disapproving application for merger not be included in weekly release K.3 to be handed to press afternoon of October 3, 1961, because of possible adverse effect on The Southwest Bank. Understand copies of one or both wires sent to your Bank.

Please advise Messrs. King and Illitch, Chairmen respectively of the banks, that their wires were considered by the Board this morning and that announcement will appear in usual form in tomorrow's statement. For your information, Board previously has considered similar request and concluded that completeness of an established statement made available to the public including the press should not be brought into question by withholding announcement in usual course of an action taken. Please note that K.3 statement concludes with the statement, "No changes in other categories covered by this release", thus indicating that all actions in the respective categories are reported in a routine manner for the period indicated.

Sherman

