To:

9/61

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 Wednesday, November 22, 1961. The Board met in the Board Room at 10 a.m.

PRESENT: Mr. Martin, Chairman

Mr. Mills

Mr. Robertson

Mr. Shepardson

Mr. King

Mr. Mitchell

Mr. Sherman, Secretary

Mr. Kenyon, Assistant Secretary

Mr. Fauver, Assistant to the Board

Mr. Hackley, General Counsel

Mr. Farrell, Director, Division of Bank Operations

Mr. Solomon, Director, Division of Examinations

Mr. O'Connell, Assistant General Counsel

Mr. Hooff, Assistant General Counsel

Mr. Conkling, Assistant Director, Division of Bank Operations

Mr. Daniels, Assistant Director, Division of Bank Operations

Mr. Hostrup, Assistant Director, Division of Examinations

Mr. Leavitt, Assistant Director, Division of Examinations

Mr. Spencer, General Assistant, Office of the Secretary

Mr. Smith, Attorney

Mr. Veenstra, Technical Assistant, Division of Bank Operations

Mr. Hunter, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Atlanta and Minneapolis on November 20, 1961, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Items circulated to the Board. The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated,

Were approved unanimously:

	Item No.
Letter to the Comptroller of the Currency requesting that a supplemental order be placed with the Bureau of Engraving and Printing for Federal Reserve notes of the Federal Reserve Bank of Richmond.	1
Letter to the Federal Reserve Bank of Rich- mond approving the appointment of Veron J. Meador as Assistant Federal Reserve Agent.	2
Letter to Corn Belt Bank, Bloomington, Illinois, approving an investment in bank premises.	3
Letter to Muscatine Bank and Trust Company, Muscatine, Iowa, approving an extension of time to establish a branch on East Third Street be- tween Cedar and Walnut Streets.	4
Letter to The Roscommon State Bank, Roscommon, Michigan, approving the establishment of a branch in the unincorporated community of Prudenville.	5
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Dermott, Arkansas.	6
Letter to the Bureau of the Budget submitting a revised report of income and dividends to be used by State member banks.	7
Letter to Kimball Agency, Inc., Kimball, Nebraska, granting a determination exempting it from holding company affiliate requirements except those contained in section 23A of the Federal Reserve Act.	8
Letter to the Federal Reserve Bank of Cleveland approving the payment of salary to an officer at the rate fixed by the Board of Directors.	9

With respect to $\underline{\text{Item No. 6}}$, Governor Mills commented that although he would go along with the favorable recommendation, he had some doubt

Whether the community was large enough to support two banks. There was the possibility that a new institution might draw back some deposits that had moved out of town, but the community was small and the existing bank was not a large one.

Messrs. Conkling, Daniels, and Veenstra then withdrew from the $^{\text{Meeting}}$.

Pursuant to the understanding at the meeting on November 20, 1961, there had been distributed a revised draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of First National Bank in Brownsville, Brownsville, Pennsylvania, by First National Bank of Fredericktown, Fredericktown, Pennsylvania.

The revised report, in which the conclusion read as follows, was approved unanimously for transmittal to the Comptroller:

These two small banks, located several miles apart on different sides of a large river, are not strong competitors. Consummation of this proposal probably will not have an adverse effect on competition in the area, and might intensify competition between the two banks in Brownsville.

Application of Marine Corporation (Items 10 and 11). Pursuant to the decision reached by the Board at the meeting on November 7, 1961, drafts of an order and a statement in the matter of the application of The Marine Corporation, Milwaukee, Wisconsin, for prior approval of the acquisition of shares of The National Manufacturers Bank of Neenah, Neenah, Wisconsin, had been prepared by the Legal Division and distributed to the Board.

Agreement having been expressed with certain suggested changes in the statement, the issuance of the order and statement was authorized. Copies of the documents issued pursuant to this authorization are attached as Items 10 and 11.

Messrs. Hostrup and O'Connell then withdrew from the meeting.

Application of Fifth Third Union Trust Company. There had been distributed memoranda from the Division of Examinations and Legal Division dated November 6 and 8, 1961, respectively, regarding an application by The Fifth Third Union Trust Company, Cincinnati, Ohio, to acquire the assets and assume the deposit and other liabilities of The Norwood-Hyde Park Bank and Trust Company, Norwood, Ohio. As indicated in its memorandum, the Division of Examinations concurred in the recommendation of the Federal Reserve Bank of Cleveland that the application be approved.

At the Board's request, Mr. Solomon reviewed the facts of the case, his comments being based upon the memorandum from the Division of Examinations.

Mr. Hackley stated that, as the Legal Division's brief memorandum indicated, the Division had no comment on the legal aspects of the matter. From the standpoint of a personal judgment, it seemed to him significant that the Norwood bank was a small institution that apparently had decided to sell out to some large bank in the area. This application proposed the sale of the bank to the second largest institution in the area, an organization that did not appear to have been too aggressive, and the

absorption might stimulate competition. Also, there were available a considerable number of alternative sources of banking services.

In the discussion that ensued, Governor Mitchell noted that the deposits of Fifth Third had declined between 1956 and 1960, in contrast to the trend at the other large Cincinnati banks, and Governor Robertson said that Fifth Third had the reputation of being a very conservative institution, not a "go-getter," with emphasis placed upon soundness and quality of assets rather than growth. In further discussion, Fifth Third's net earnings were reported to compare favorably with the other area banks. Comment also was made, by Governor Shepardson, regarding the fact that Fifth Third's record over a long period of years reflected expansion predominantly through the acquisition of other banks rather than the establishment of de novo branches.

Governor Mills said that he would approve the application. In essence, there would be a substitution of banking facilities without depriving any part of the community of alternative sources of banking services. The transaction could enhance the competitive situation in the area, which was served largely by branch banking institutions.

Governor Robertson stated that he would oppose the application. He was sympathetic with the position of the stockholders of the Norwood bank; it was only natural they would want to obtain the best price for their shares, and the proposed sale would give them approximately twice the book value of their stock. Nevertheless, the Board must look at the matter from the point of view of the public interest.

Governor Robertson said he did not agree with the position of the Division of Examinations that the amount of competition that would be eliminated would not be substantial; in that respect, he cited data from the Division memorandum concerning the proximity of offices of Fifth Third to those of the Norwood bank and the number and volume of business accounts of Fifth Third originating in the Norwood-Hyde Park area. As to the statement that potential competition between the two banks would seem to be limited, he did not think that that was the sole criterion in deciding whether to eliminate a \$20 million bank which had grown and was providing good service to the public. Also, while competition between Fifth Third and the First National Bank of Cincinnati in the area might be increased, the continued existence of the Norwood bank would provide competition from three sources. In this connection, he had been able to find no evidence to substantiate the suggestion that the Norwood bank intended to liquidate; while its owners would like to sell, there was no evidence that the bank was going out of existence. As to the comment that the concentration of resources resulting from consummation of the proposal would be relatively small, since Fifth Third's share of total Hamilton County deposits would be increased only about 2 per cent, Governor Robertson expressed the view that this was irrelevant to consideration of whether the transaction should be approved. As to management succession at Norwood, he did not believe that a substantial problem existed; he felt it was a mistake to raise the question as an argument for approval of the proposal.

In summary, Governor Robertson said, the Norwood bank was serving a public need and providing competition in the area concerned that would be eliminated by the proposed transaction. The bank seemed to have no significant problems. Therefore, although the shareholders wanted to sell and wanted to receive as much as possible for their stock, he did not see how a favorable decision on the application would be justified. While he agreed that this was not a black-and-white case, in his judgment the weight was on the side of denial of the application.

Whether or not the owners of a bank should be allowed to sell out.

Governor Robertson, he felt, had raised some pertinent points against approval of this application. On the other side there was the question whether, if a bank wanted to sell out, it should be estopped. That question was not clear in his mind. In this case, there would continue to be banking competition in the Norwood-Hyde Park area, but one smaller bank would be eliminated. This bank was apparently rendering a real and a growing service in the community. On balance, Governor Shepardson said, his inclination would be to deny the application.

Covernor King commented that he had resolved his thinking as to the substantial premium involved on the side of not being alarmed, because the owners of the Norwood bank apparently wanted to sell the bank and had not been placed under pressure. If the application were denied, they presumably would seek another purchaser, but there was no way of knowing at this time what might eventuate along those lines. Such a process might be drawn out, and a denial of the current application

might subject the owners to undue confusion. The Board, he noted, did not have authority to say that a bank desiring to sell out must sell to another specified bank; instead, it must act on the application before it. In this case, although the premium was substantial there was no evidence of pressure on the smaller bank. In fact, the record showed that the ownership had invited bids. In the circumstances, therefore, he would approve the application.

Concerned, he did not believe the transaction would have any substantial effect. The number of banks in Cincinnati seemed sufficient, in the absence of outright collusion, to insure adequate banking competition.

Also, there was strong competition from savings and loan associations, and there were numerous sales finance companies, credit unions, and personal loan offices. On the banking side of the picture, he was troubled by the idea of preventing parties from going out of business when they had expressed a desire to do so. Apparently the management of the Norwood bank felt that this was the best thing to do. In the circumstances, and since he did not feel that the public interest would be affected adversely, he would approve the application.

Chairman Martin said he regarded this as a borderline case. The fact that both the Reserve Bank and the Division of Examinations recommended favorably carried weight with him, however, and he would regard the basis for disapproval as tenuous. Therefore, he would resolve his doubts on the side of feeling that the application should be approved.

Accordingly, the application was <u>approved</u>, Governors Robertson and Shepardson dissenting. It was understood that the Legal Division would prepare an order and statements reflecting this decision for the Board's consideration.

Messrs. Hooff, Smith, and Hunter then withdrew and Messrs. Thomas, Adviser to the Board, Noyes, Director, and Solomon, Chief, Capital Markets Section, Division of Research and Statistics, entered the room along with Miss Stockwell, Economist in that Division.

Report on S. 1212. On July 31, 1961, the Board sent to the Chairman of the Senate Banking and Currency Committee a report on S. 1212, a bill introduced by Senator Clark "to promote the redevelopment of economically depressed areas by establishing a Government corporation Which will provide a secondary market for industrial mortgages covering property in those areas." In a letter to Chairman Martin dated September 27, 1961, Senator Clark stated that during hearings on the bill a number of questions arose with regard to the Board's report, and that several witnesses expert in the problems of economic development in the State of Pennsylvania had disagreed with several statements contained in the Board's letter. He asked that the testimony of the witnesses be reviewed by the Board's staff and that comments on the differences between the Board's report and the testimony be submitted. In addition, questions Were raised by the Senator on a number of other points. A draft of reply to Senator Clark had been prepared by the Division of Research and Statistics and distributed under date of November 8, 1961.

During discussion of the proposed reply, Chairman Martin suggested adding a paragraph that would recognize the request made by Senator Clark that a meeting be arranged with representatives of the Northeast Pennsylvania Industrial Development Council.

At the Chairman's request, Mr. Noyes then reviewed the nature of the bill, the Board's original report, and the proposed draft. He noted that one possibility would be to suggest alternative approaches to the problem with which the bill sought to deal, but that such suggestions had not been requested in Senator Clark's letter.

Governor Mitchell commented that although he was essentially in agreement with the logic of the proposed letter, he felt the language reflected a general tone of irritation. In that connection, he suggested certain changes that might be made.

After further discussion in the light of Governor Mitchell's comments, during which a sentiment was expressed against offering suggestions for alternative approaches to deal with the problem that had led to the introduction of S. 1212, it was <u>understood</u> that a revised draft of reply would be prepared and brought back to the Board for consideration.

Mr. Solomon (Research and Statistics) and Miss Stockwell with- ${\tt drew}$ from the meeting at this point.

Request of the Comptroller. The Secretary reported receipt of a letter dated November 21, 1961, from the Comptroller of the Currency requesting the votes of the members of the Board on the report on competitive factors submitted by the Board on June 22, 1961, with respect

to the proposed merger of the National Bank of Westchester, White Plains, New York, and The First National City Bank of New York, New York. At its meeting on November 20 the Board had been advised by the Secretary of an informal inquiry in this regard from the Comptroller's Office.

After consideration of the matter, the Board had concluded that the information in question should not be furnished, and the Secretary had so advised the Comptroller's Office.

Since Governor Mitchell was not present at the meeting on November 20, Governor King and other members of the Board reviewed at this time the reasons that had been expressed at the earlier meeting against acceding to the request. In addition, Mr. Hackley noted that members of the staff had given some further consideration to the matter, as requested by the Board at the November 20 meeting. He expressed the View, first, that it would not seem advisable to disclose the votes on one particular competitive factor report unless that was done as a matter of general policy in all cases. He then commented that there would seem to be considerable merit in distinguishing, for this purpose, between an advisory report on one aspect of a bank merger application falling within the purview of another agency and an application coming before the Board for decision. In the latter instance, the decision of the Board was similar to a court decision and there might be justification for disclosure of votes. However, a carrying over of this reasoning to $^{\mathfrak{d}}$ report on competitive factors would tend to emphasize too much the individual opinions of the members of the Board. In the case of a

competitive factor report, he pointed out that the document might be neither favorable nor unfavorable; it might refer both to favorable aspects and adverse considerations. In many cases, therefore, it might be difficult to record votes, even though the Board might agree unanimously to the form of the report as submitted.

Mr. Solomon supported the position of Mr. Hackley, pointing out that in the case of an application coming before the Board for decision there must of necessity be votes for and against. On the other hand, a report on competitive factors involved basically a blending of opinions, with the possibility that no member of the Board might agree fully with the precise wording of the report submitted.

On the part of the Board members with the staff views and a disposition to reaffirm the view expressed at the November 20 meeting that a distinction, from the standpoint of disclosure of votes, could properly be drawn between those cases where the Board rendered decisions as a quasi-judicial body and cases where the Board was called upon only to submit advisory opinions. Therefore, it continued to be the view that it would serve no useful purpose to accede to the request from the Comptroller of the Currency. In a comment indicating that he concurred in this point of view, Governor Mitchell noted that there were many ways of modifying the wording of a report on competitive factors to accommodate differences of view within the Board. It should be possible, at least in most instances, he suggested, to write such a report in such a way

that it would be the unanimous view that the report was appropriate for transmittal.

At the conclusion of the discussion, Chairman Martin suggested that the Board agree not to comply with the specific request of the Comptroller but that the Board not endeavor to resolve the whole issue finally on the basis of this specific request, pending further discussion, including discussion with the Comptroller, concerning all of the aspects of the general problem. No objection being indicated to Proceeding along the lines suggested by the Chairman, it was understood that a draft of reply to the Comptroller would be prepared for the Board's consideration.

Scope of Board functions. Chairman Martin introduced a general discussion of the scope and variety of the Board's responsibilities during which he noted the tendency for such functions to increase, particularly in the field of bank supervision, to a point that raised in his mind questions from the standpoint of the time available for consideration of matters in the area of monetary and credit policy. The Chairman indicated that he had not yet reached any final judgment, but that in his opinion the problem deserved serious thought on the part of the members of the Board.

A number of viewpoints were presented during the discussion and Certain suggestions were made as to alternative possibilities that might be explored. No conclusions were reached, however, and it was understood that the questions raised by the Chairman would continue to receive Consideration.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson noted on behalf of the Board on November 21, 1961, that applications for retirement had been filed by the following persons on the Board's staff, effective December 1, 1961:

Esther W. Conover, Supervisor, Reserve Bank Statement Unit, Division of Bank Operations.

George Psomos, Cafeteria Laborer, Division of Administrative Services.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Salary increases, effective November 26, 1961

Marie Tarana and American		Basic annual	salary
Name and title	Division	From	To
	Office of the Secretary		
Jeanne Krieger Semia, T M. Elizabeth Jones, Teo Laura J. Banks, Records	hnical Assistant	\$7,820 7,820 4,040	\$8,080 8,080 4,145
	Research and Statistics		
Charlotte L. Hanovega,	Statistical Assistant	4,830	4,995
	International Finance		
Kay J. Auerbach, Resear	rch Assistant	5,520	5,685
	Bank Operations		
Kathryn A. Jackson, Sta Barbara J. Wrenn, Stati	atistical Assistant Istical Clerk	5,160 4,840	5,325 5,005

Salary increases, effective November 26, 1961 (continued)

		Basic annu	al salary
Name and title	Division	From	To
	Examinations		
William E. Rumb James R. Smith,	arger, Federal Reserve Examiner Assistant Review Examiner	\$7,560 6,435	\$7,820 6,600
	Administrative Services		
Mary J. Craven, Helen L. Hulen, Mary K. Nantell	Charwoman Chief, Publications Services , Cafeteria Helper	3,920 6,930 3,395	4,025 7,095 3,500
	Office of the Controller		
Jean S. Barber, Adeline R. Lamb	Accounting Clerk , Accounting Technician	4,830 4,345	4,995 4,510

Leave without pay

Lettie Reddick, Charwoman, Division of Administrative Services, for the period November 24 through December 23, 1961.

Outside business activity

Vita Monaco, Statistical Clerk, Division of Research and Statistics, to work part time at a local department store during the Christmas season.

Secretary



OF THE

FEDERAL RESERVE SYSTEM Item No. 1

WASHINGTON 25, D. C.

Item No. 11/22/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1961

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

Sir:

With the Bureau of Engraving and Printing, supplementing the Order requested in the letter of June 9, 1961, for the printing 1/of Federal Reserve notes of the Federal Reserve Bank of Richmond, in the amount and denomination stated below:

Denomination	Number of notes	Dollar
\$100	288,000	\$28,800,000
	Respectfully.	

(Signed) Merritt Sherman

Merritt Sherman, Secretary.



OF THE

FEDERAL RESERVE SYSTEM Item No. 2 11/22/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE

November 22, 1961

Mr. Alonzo G. Decker, Jr., Chairman of the Board and Federal Reserve Agent, Federal Reserve Bank of Richmond, Richmond 13, Virginia.

Dear Mr. Decker:

November 9, 1961, the Board of Governors approves the appointment of Mr. Veron J. Meador as Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond to succeed Mr. Frank D. Stinnett, Jr.

This approval is given with the understanding that Mr. Meador will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that Office, his responsibility will be to the Board of Governors.

Federal Reserve Agent Mr. Meador may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Assistant Federal Reserve Agent.

the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

appointment of Mr. Meador by the Board of Governors, he will execute the usual oath of office which will be forwarded to us.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.



OF THE

FEDERAL RESERVE SYSTEM Item No. 3.

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1961

Corn Belt Bank, Bloomington, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, a further investment in bank premises by Corn Belt Bank of \$184,337.16, in addition to the investment of \$403,000 approved by the Board on August 27, 1959. The amount approved at this time includes \$4,000 which is offset on the bank's books by a similar amount taken as depreciation for the years 1959-60.

The additional investment being approved at this time consists of the following:

Amount capitalized to bank premises	\$ 57,837.16
Due for work completed but unpaid	62,500.00
Amount offsetting depreciation for years 1959-60	4,000.00
Purchase of land contract	60,000.00
	\$184,337.16

It is understood that upon completion of the new quarters, your present building will be disposed of within a reasonable period, and the proceeds applied to the bank premises account.

Very truly yours,

(Signed) Elizabeth L. Carmichael



OF THE

FEDERAL RESERVE SYSTEM Item No. 4

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1961

Board of Directors, Muscatine Bank and Trust Company, Muscatine, Iowa.

Gentlemen:

Pursuant to your request, the Board of Governors of the Federal Reserve System extends the time within Which Muscatine Bank and Trust Company may establish an in-town branch on the south side of East Third Street between Cedar and Walnut Streets, to February 5, 1962, under the authorization contained in the Board's letter of December 5, 1960.

Very truly yours,

(Signed) Elizabeth L. Carmichael



OF THE

FEDERAL RESERVE SYSTEM

Item No. 5 11/22/61

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1961

Board of Directors, The Roscommon State Bank, Roscommon, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the unincorporated community of Prudenville, Michigan, by The Roscommon State Bank, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael



OF THE

Item No. 6 FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

11/22/61

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

November 22, 1961

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

> Attention: Mr. C. C. Fleming, Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated August 25, 1961, enclosing copies of an application to organize a national bank at Dermott, Arkansas, and requesting a recommendation as to whether or not the application should be approved.

The Board, upon reviewing all available information, found all factors usually considered in applications of this nature to be favorable. Accordingly, the Board of Governors recommends favorable consideration of the proposal.

Very truly yours,

(Signed) Elizabeth L. Carmichael



OF THE

FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 7

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1961

Mr. David Cohn, Clearance Officer, Office of Statistical Standards, Bureau of the Budget, Executive Office of the President, Washington 25, D. C.

Dear Mr. Cohn:

Enclosed are two copies of Budget Bureau Form 83 submitting a revised report of income and dividends (Form FR 107) which will be used by State member banks of the Federal Reserve System beginning with the calendar year 1961 report. It is understood that similar forms will be used by the Comptroller of the Currency and by the Federal Deposit Insurance Corporation.

Used by the Comptroller of the Currency and the Federal Reserve System at midyear 1961. These revisions have been made on the basis of experience with the midyear report, of comments and suggestions received from the reporting member banks and from the Federal Reserve Banks, and as a result of further negotiations be ween the three Federal bank supervisory agencies.

The revisions of the midyear report are:

(1) The item of bank premises occupancy expense (2g) and the related schedule (Section E) used for the first time in the June report, has been changed to exclude all expenses related to furniture, fixtures, and machinery; a new separate item (2h) reflects these expenses. The elimination of these amounts from "occupancy expense," is expected to provide a more realistic measure of "landlord" costs; and the new separate item will include expenses related to the installation and use of automated electronic processing systems which are more in the nature of labor saving than occupancy costs.

Mr. David Cohn

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(2) The other change is that the combined reconciliation schedule for capital accounts and changes in capital accounts has been replaced by separate sections, one showing changes in capital accounts and the other showing the capital account items at the beginning and end of the report period. This change is principally one of format rather than of content and is a reversion to the format used prior to June 1961.

It is felt that this revision represents an improvement over the report used in June 1961, and a great improvement over the report used previously. Mr. Crowder has been kept advised of the revisions.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.

Enclosures

OF THE



FEDERAL RESERVE SYSTEM Item No. 8 WASHINGTON 25, D. C. 11/22/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1961

Mr. George O. Nichols, President, Kimball Agency, Inc., Kimball. Nebraska.

Dear Mr. Nichols:

This refers to your request, submitted through the Federal Reserve Bank of Kansas City, for determination by the Board of Governors of the Federal Reserve System, as to the status of Kimball Agency, Inc. as a holding company affiliate.

From the information submitted, the Board understands that Kimball Agency, Inc. is engaged primarily in the general insurance agency and insurance brokerage business; that such Corporation is a holding company affiliate by reason of the fact that it owns 1,001 of the outstanding 2,000 shares of stock of The American National Bank of Kimball, Kimball, Nebraska; and that the Corporation does not, directly or indirectly, own or control any stock of any other banking institution, or manage or control, any banking institution other than The American National Bank of Kimball.

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

If, however, the facts should at any time indicate that Kimball Agency, Inc. might be deemed to be so engaged, this matter should again be submitted to the Board. Particularly, should future acquisitions by or activities of the Corporation result in its attaining a position whereby the Board may deem desirable a determination

Mr. George O. Nichols

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that the Corporation is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.



OF THE

FEDERAL RESERVE SYSTEM Item No. 9

WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1961

CONFIDENTIAL (FR)

Mr. Wilbur D. Fulton, President, Federal Reserve Bank of Cleveland, Cleveland 1, Ohio.

Dear Mr. Fulton:

The Board of Governors approves the payment of salary to Mr. R. Joseph Ginnane as an Assistant Cashier of the Federal Reserve Bank of Cleveland for the period January 1 through December 31, 1962, at the rate of \$11,000 per annum, which is the rate fixed by your Board of Directors as reported in your letter of November 9, 1961.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.

Item No. 10 11/22/61

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,
Milwaukee, Wisconsin

For prior approval of the acquisition
of bank shares under section 3(a)(2) of
the Bank Holding Company Act of 1956

ORDER APPROVING APPLICATION UNDER EANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 222.4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), an application by The Marine Corporation, Milwaukee, Wisconsin, a registered bank holding company, for the Board's prior approval of Applicant's acquisition of 80 per cent or more of the voting shares of The National Manufacturers Bank of Neenah, Neenah, Wisconsin; a notice of receipt of the application was published in the Federal Register on June 10, 1961 (26 F.R. 5245), which notice provided for the filing of comments and views regarding the proposed acquisition; the United States Department of Justice has filed with the Board a Statement of the United States in Opposition to the application, to which Applicant filed a Reply; and no other comments or views having been filed:

Board's Statement of this date, that said application be and hereby is granted, and the acquisition by The Marine Corporation of 80 per cent or more of the voting shares of The National Manufacturers Bank of Neenah is hereby approved, provided that the acquisition shall be consummated not less than seven calendar days, nor more than three months, after the date of this Order.

Dated at Washington, D. C. this 22nd day of November, 1961. By order of the Board of Governors.

Voting for this action: Chairman Hartin, and Governors Mills, Robertson, Shepardson, King, and Mitchell.

Absent and not voting: Governor Balderston.

(Signed) Merritt Sherman

Merritt Sherman, Secretary.

(SEAL)

Item No. 11 11/22/61

OF THE

FEDFRAL RESERVE SYSTEM

APPLICATION BY THE MAPINE CORPORATION FOR PRIOR APPROVAL OF ACQUISITION OF VOTING SHARES OF THE NATIONAL MANUFACTURERS BANK OF MEENAH, MEENAH, MISCONSIN

STATEMENT

The Marine Corporation, Hilwaukee, Wisconsin, a bank holding company, has applied, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of the ecquisition of 80 per cent or more of the voting shares of The National Manufacturers Bank of Neenah, Neenah, Wisconsin.

Views and recommendations of the Comptroller of the Currency. As required by section 3(b) of the Act, the Board notified the Comptroller
of the Currency of the receipt of the application and requested his views
thereon. The Comptroller 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 the bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs and welfare of the communities and area concerned; and (5) Whether 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 Marine Corporation ("Marine") presently has six subsidiary banks, five of which are in or near Milwaukee and the sixth in Green Bay, Wisconsin. In addition, the Board's approval has been given to Marine's acquisition of two additional banks in Milwaukee County. At December 31, 1960, Marine's six banks held \$197 million in deposits of individuals, partnerships, and corporations ("IPC deposits"). Its Milwaukee County banks held \$175 million of this total, and of the latter banks, Marine's largest subsidiary, Marine Mational Exchange Bank, Milwaukee, held \$144 million.

at the northern end of Winnebago County, 95 miles northwest of Milwaukee.
While primarily an industrial community, Neenah has also experienced in recent years a substantial residential growth. Marine has delineated Benkts primary service area (the area from which about 75 per cent of its total deposits originate) as consisting of the contiguous cities of Neenah and Menasha, and extending about two miles south of the city of Neenah. Its population is estimated at 35,000. According to the 1960 census, the population of Neenah was about 18,000 and that of Menasha about 14,600. The aggregate population of the two cities has increased about 8,000 in the past 10 years. There is evidence of continuing residential and industrial growth in the area.

The financial history and condition, prospects and management of Marine and Bank are satisfactory and will not be affected materially by the proposed acquisition.

In relation to the present and anticipated industrial and residential growth of the two-cities area, Harine has enumerated several banking service additions and improvements that would be offered by Bank as a Marine subsidiary, all of which, according to Marine, will better serve the area's convenience, needs, and welfare. Certain of the services that would be offered by Marine in its operation of Bank Would yield increased convenience for some of Bank's customers. However, the record before the Board reflects that Bank has been able to serve adequately the needs of the area involved during the period of its growth and could continue to do so even if it did not become affiliated with Marine. Therefore, while the foregoing considerations are not inconsistent with approval of this application, they offer little support for approval thereof.

The remaining question is whether the acquisition would expand the size or extent of the Marine holding company system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of banking competition. In the Board's judgment, the considerations relative to this factor are not adverse to approval of the application.

Marine, the smallest of the three bank holding companies Operating in Milwaukee County, cwns six banks operating eight offices in three counties. Seven of the eight offices serve principally the Milwaukee Metropolitan Area. The eighth is located at Green Bay, Wisconsin, about 110 miles north of Milwaukee and 35 miles northeast of Neenah. At December 31, 1960, Marine's eight offices constituted 9 per cent of the 85 commercial banking offices located in the three counties in which Marine operates. The \$197 million of IPC deposits in these eight offices constituted 12 per cent of the total held by all commercial banks in the three counties. If the two additional banks in Milwaukee County, as to which Marine's acquisition has been approved by the Board, are included in Marine's totals, its control of the three counties! commercial banking offices and their IPC deposits Would be increased, respectively, to 12 per cent and 14 per cent. If Bank and its IPC deposits are added to the latter totals, the Marine holding company system would control 11 of the 100 commercial banking offices and \$250 million of the \$1.8 billion of IPC deposits (14 per cent), of all commercial banks in the four counties in which Harine would then have banks. At December 31, 1960, Marine's eight offices and aggregate total deposits of \$255 million constituted 1.1 per cent of the State's 717 commercial banking offices and 5.5 per cent of its \$4,638 Million of total commercial bank deposits. These percentages would be increased, respectively, by .3 per cent and .8 per cent if the two most recently approved acquisitions are included, and by an additional .1 per cent and .4 per cent, respectively, if Bank and its deposits are included. None of Marine's present subsidiery banks, nor the two banks in Milwaukee County to be acquired, serves Bank's primary service area to any significant extent. The locations of these subsidieries range in distance from a minimum of 35 miles (Green Bay) to over 100 miles (Milwaukee area) from Bank's location. As to competition from Marine's Green Bay bank, in view of the distance between the Neenah-Menasha area and Green Bay, and considering the fact that within easy access from a major highway that connects Neenah and Green Bay there are five commercial banks with deposits, in April 1961, of \$52 million, \$24 million, \$10 million, \$5 million and \$44 million, it is apparent that Marine's bank at Green Bay does not compete with Bank to any significant degree.

There are four banks located in Bank's primary service area,
two in Neenah (including Bank) and two in Menasha. In April 1961, Bank
held 41 per cent of the IPC deposits of Neenah's two banks and 30 per
cent of those in the four banks in Neenah and Menasha. On the same date,
its three competitors in Neenah and Menasha - First National Bank,
Meenah, Bank of Menasha, and First National Bank, Menasha, held 44 per
cent, 11 per cent, and 15 per cent, respectively, of the aggregate
IPC deposits of the four banks. While, as indicated, Bank's primary
service area encompasses only the cities of Necnah and Menasha and an
area south of Neenah, its total trade area extends beyond to the point
where it encounters some competition from the three commercial banks
located in Appleton, five miles to the north, and the three commercial

banks located in Oshkosh, approximately 12 miles to the south. Thus, while it is apparent that the residents of Neenah and Menasha rely principally upon the four banks in those cities for their banking services, and that those four banks principally compete for the banking business of those two cities, the Neenah and Menasha residents and businesses have numerous alternative banking facilities reasonably available.

It is the Board's judgment that the resulting increase in the size or extent of Marine's system from its acquisition of Bank would not be inconsistent with adequate and sound banking, the public interest or the preservation of banking competition. Further, while Marine's acquisition of Bank will result in the elimination of an independent bank, in view of the size and number of remaining independent banks, it does not appear that the acquisition proposed would significantly reduce the existing level of banking competition, nor in other respects be inconsistent with the interests of the public.

In a Statement of the United States in Opposition, filed with the Board by the United States Department of Justice, the view is expressed that the proposed acquisition "would only serve to further unbalance the competitive situation among the already limited number of independent competitive units in the pertinent trade area . . . [and] would also encourage further consolidation among them, or absorption of them by other outside banking interests". On the basis of conclusions reached in reviewing this record, the Board does not concur in the Department's view. Neither in Bank's primary service area, nor in its

larger trade area, does it appear that the number of independent competitive units is limited to a degree incompatible with the needs of those areas. Neenah and Menasha are served by a bank for each 8,150 persons, a ratio that compares favorably with other cities in Wisconsin having a population comparable to the combined population of Neenah and Menasha. There does not appear to exist, in the pertinent trade area, a degree of competitive imbalance that is inconsistent with the public interest.

Viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed acquisition would be consistent with the statutory objectives and the public interest and that the application should be approved.

November 22, 1961