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Minutes for March 28, 1962

To: Members of the Board

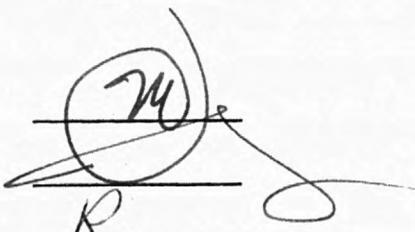
From: Office of the Secretary

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.

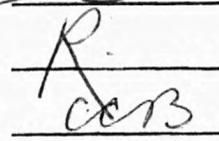
Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

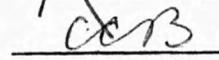


Gov. Mills

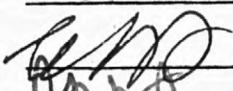
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. King



Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System on Wednesday, March 28, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Mills, Acting Chairman
 Mr. Robertson
 Mr. Shepardson
 Mr. Mitchell

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. O'Connell, Assistant General Counsel
 Mr. Shay, Assistant General Counsel
 Mr. Conkling, Assistant Director, Division of Bank Operations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Spencer, General Assistant, Office of the Secretary

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on March 26, 1962, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Call for condition reports. The Chairman of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, and the Chairman of the Federal Deposit Insurance Corporation having selected the close of business March 26, 1962, as the date for the first call for reports of condition to be made by insured banks within the calendar year 1962, a telegram was sent to the Presidents of all Federal Reserve Banks on March 27, 1962, requesting that a call be issued on

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March 30, 1962, for reports of condition as of the aforementioned date from State member banks on forms transmitted with the Board's letter of March 7, 1962.

The sending of the telegram was ratified by unanimous vote.

Mr. Conkling withdrew from the meeting at this point and Messrs. Fauver, Assistant to the Board, Thompson, Assistant Director, Division of Examinations, and Smith, Review Examiner, Division of Examinations, entered the room.

Proposal for stationing an examiner in Puerto Rico. A memorandum from the Division of Examinations dated March 23, 1962, which had been distributed, discussed a letter of March 12 from the Federal Reserve Bank of New York that raised the question of stationing a resident Federal Reserve examiner in Puerto Rico. Attached to the memorandum was a copy of a reply drafted in a manner that would reflect Board approval of the proposal.

In commenting on this subject, Governor Robertson indicated that he had reservations. While there might be some merit to the proposal, he doubted whether there was adequate justification. The Puerto Ricans would like to have a resident examiner, principally for the purpose of counselling. However, he would be against selling System membership to Puerto Rican banks by consenting to such a consideration.

Following Governor Robertson's comments, Mr. Solomon said he understood the Secretary of the Treasury of Puerto Rico had indicated

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to Mr. Crosse, Vice President of the Federal Reserve Bank of New York, that he considered the stationing of an examiner in Puerto Rico an indispensable element of System membership. Three major banks were now considering making application for membership, but the impression had been given by the Secretary that he would not care to have those banks join if the proposal for a resident examiner was disapproved.

During further discussion, Mr. Solomon pointed out that the Federal Deposit Insurance Corporation had had a resident examiner in Puerto Rico for several years. It was understood that the Corporation's examiner was available to the Secretary of the Treasury and his limited examining staff for consultation. Its examiner also served a useful function by arranging details of trips to the Island made by the Corporation's examiners. If a System examiner were stationed in Puerto Rico, he would be expected to perform services similar to those now given by the Corporation's examiner.

Question was then raised about the status of the smaller Puerto Rican banks, and whether they would be acceptable for membership if they should desire to join the System. There being no detailed information available on this point, the Division of Examinations was requested to obtain additional information, with the understanding that the resident examiner proposal would then be considered further by the Board.

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Application of Bank Stock Corporation (Items 1 and 2). Distribution had been made under date of March 26, 1962, of a proposed order and statement reflecting approval by majority vote on March 21 of the application of Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin, to acquire 80 per cent or more of the voting stock of Silver Spring Bank, Milwaukee, Wisconsin.

Mr. O'Connell described certain changes of an editorial nature that he would suggest making in the draft order and statement, and after discussion it was understood that the suggested changes would be made. The issuance of the order and statement was then authorized. Copies of the order and statement, in the form issued, are attached hereto as Items 1 and 2.

Messrs. O'Connell, Thompson, and Smith withdrew from the meeting at this point.

Application of Farmers and Merchants Bank of Long Beach (Items 3 and 4). Pursuant to the understanding at the meeting on March 21, 1962, distribution had been made under date of March 26 of drafts of an order and a statement regarding the Board's approval of the application of Farmers and Merchants Bank of Long Beach, Long Beach, California, to acquire the assets and assume the liabilities of Farmers and Merchants Bank of Southern Counties, Long Beach, California. The Board's action also included approval of the establishment by the applicant bank of branches at the locations of the head office and branch of the Southern Counties bank.

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There being no objection to certain editorial changes suggested by Mr. Shay, the issuance of the order and statement was authorized. Copies of the order and statement, as issued, are attached hereto as Items 3 and 4.

The meeting then adjourned.

Secretary's Notes: On March 27, 1962, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of New York (attached Item No. 5) approving the appointment of Pasquale A. Matera and Eleanor B. Steeneck as assistant examiners.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Appointment

Katherine Mae Bulow as Clerk-Typist, Division of Personnel Administration, with basic annual salary at the rate of \$3,760, effective the date of entrance upon duty.

Salary increases, effective April 1, 1962

Ruth D. Stone, Secretary, Office of the Secretary, from \$6,150 to \$6,315 per annum.

Marjorie M. Gray, Digital Computer Programmer Trainee, Division of Research and Statistics, from \$3,970 to \$4,075 per annum.

Cyril J. Bowman, Assistant Federal Reserve Examiner, Division of Examinations, from \$7,095 to \$7,260 per annum.

Edward W. Healey, Assistant Federal Reserve Examiner, Division of Examinations, from \$5,850 to \$6,015 per annum.

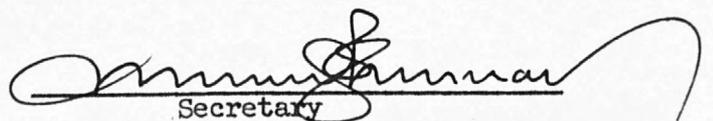
Mary W. Cooley, Cafeteria Helper, Division of Administrative Services, from \$1,698 to \$1,750 per annum (half-time basis).

Permission to engage in outside activity

James T. Jones, Messenger, Division of Administrative Services, as a service station attendant on evenings and week ends.

3/28/62

Governor Shepardson today approved on behalf of the Board the request contained in a memorandum dated March 27, 1962, from Mr. Young, Adviser to the Board and Director, Division of International Finance, that Robert C. Repetto be employed in the Division of International Finance on a summer-employment basis, with salary at the rate of \$5,355 per annum, effective the date of entrance upon duty.


Secretary

UNITED STATES OF AMERICA

Item No. 1
3/28/62

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of	:
BANK STOCK CORPORATION OF MILWAUKEE	:
For prior approval of acquisition of	:
80 per cent or more of the voting stock of	:
Silver Spring Bank, Milwaukee, Wisconsin	:

ORDER APPROVING APPLICATION UNDER
BANK HOLDING COMPANY ACT

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 Federal Reserve Regulation Y (12 CFR 222.4(a)(2)) an application on behalf of Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin, for the Board's prior approval of the acquisition of 80 per cent or more of the voting stock of Silver Spring Bank, Milwaukee, Wisconsin; a Notice of Receipt of Application has been published in the Federal Register on October 12, 1961 (26 Federal Register 9660), which provided an opportunity for submission of comments and views regarding the proposed acquisition; and the time for filing such comments and views has expired and no such comments or views have been filed;

IT IS ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is granted, provided that the acquisition approved herein shall not be consummated (a) sooner than seven calendar days after the date of this Order or (b) later than three months after said date, and provided further that Silver Spring Bank shall be opened for business within six months after said date.

Dated at Washington, D. C., this 28th day of March, 1962.

By order of the Board of Governors.

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

Voting against this action: Governor Robertson.

Absent and not voting: Governor Mitchell.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 2
3/28/62

APPLICATION BY BANK STOCK CORPORATION OF MILWAUKEE FOR
APPROVAL OF THE ACQUISITION OF 80 PER CENT OR MORE OF THE
VOTING STOCK OF SILVER SPRING BANK, MILWAUKEE, WISCONSIN

STATEMENT

Bank Stock Corporation of Milwaukee, Milwaukee, Wisconsin ("Applicant"), 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 acquisition of 80 per cent or more of the voting stock of Silver Spring Bank, Milwaukee, Wisconsin ("Bank").

Views and recommendations of supervisory authority. - Pursuant to section 3(b) of the Act, the Wisconsin Commissioner of Banks was asked for his views and recommendations. He interposed no objection to approval of the application.

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 bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the 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. - Applicant, a registered bank holding company with its head office in Milwaukee, Wisconsin, controls three banks. These banks, all located in Milwaukee, had combined total deposits at September 27, 1961, of \$324 million. Bank, a newly organized institution not yet in operation, will be located in a shopping center in a northwest section of Milwaukee. Bank's primary service area (from which approximately 75 per cent of its total deposits will originate) will comprise some 21 square miles. The area, considered to be one of the most rapidly developing in Milwaukee County, has an estimated population of 44,000 and is reliably estimated to increase to 71,000 by 1970.

The financial history and condition of Applicant are satisfactory and its prospects favorable. Applicant's management is also satisfactory. Bank, of course, has no financial history; however, on the basis of its projected statements of condition and considering the satisfactory financial history and condition of Applicant's subsidiary banks, it appears that Bank would be maintained in satisfactory financial condition and that its prospects as a subsidiary of Applicant would be favorable. Since it is proposed that the management of Bank will be drawn from the Applicant organization and from its banking subsidiaries, there would appear to be no question but that Bank will be capably and satisfactorily managed.

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Prior to January 31, 1962, when the newly organized Hampton State Bank opened for business, Bank's primary service area had no banking office located therein, although seven banking offices located outside of that area served, and are presently serving, the area in varying degrees. In addition to the shopping center in which Bank will be located, there are two shopping centers located about one mile from Bank's site and two additional shopping centers are planned, one immediately across the street from Bank and the other about a mile northeast of Bank's site. Bank's service area also contains a number of separately located business establishments. There appears to be no question but that the area concerned can presently support two banks and that, with the projected area growth, Bank and the Hampton State Bank should each experience normal growth.

Regardless of the Board's action on this application, Bank will open for business and provide service to the surrounding communities. Although this fact renders less significant a consideration of the needs of the communities involved, the Board concludes that Bank's operation as a subsidiary of Bank Stock will result in sufficient benefit to the communities concerned so as to weigh in favor of approval of the application.

Section 3(c) of the Act requires that the Board consider whether the effects of Applicant's acquisition of Bank would be to expand the size or extent of Applicant's system beyond limits consistent with adequate and

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sound banking, the public interest, and the preservation of banking competition.

There are 37 banks located in Milwaukee County, 34 of which are insured commercial banks. Of the latter, 12 are bank holding company subsidiaries, three of which are controlled by First Wisconsin Bankshares, six by The Marine Corporation, and three by Applicant. The combined total deposits of these 12 holding company banks represent about 76 per cent of the total deposits held by all commercial banks in Milwaukee County. At September 27, 1961, Applicant's subsidiary banks held combined total deposits of \$324 million, or 20 per cent of the total deposits held by all commercial banks in Milwaukee County. The proportion of the total deposits and loans of all commercial banks in Milwaukee County that is held by banks controlled by the three holding companies has been stated by this Board to be a matter of concern to it. While the proposal under consideration does not alleviate this concern, the consequences, both certain and probable, to follow upon approval of the acquisition here proposed do not warrant, in the Board's judgment, a finding under the fifth statutory factor that would require denial of the application.

Assuming that Applicant's projection of Bank's deposit growth proves accurate (24 million of deposits at the end of three years), consummation of this proposal would increase the present percentages of commercial bank deposits in Milwaukee County controlled by the three holding companies and by Applicant, respectively, by about 1/2 of 1 per cent. In the Board's judgment neither increase is sufficiently significant to warrant an adverse conclusion in this case.

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Inasmuch as Bank is newly organized, no existing competition between it and Applicant's banking subsidiaries will be eliminated. Nor does it appear that any substantial amount of competition would be offered Applicant's subsidiary banks were an independent bank to be established and operated at Bank's site. None of Applicant's subsidiaries serve the area to any significant degree. Northern Bank, the closest to Bank's proposed site of Applicant's subsidiaries, is four miles from that site. Approximately 4 per cent of Northern's total IPC deposits (deposits of individuals, partnerships, and corporations) at June 30, 1961, originated within Bank's projected primary service area. The service area of neither of Applicant's two remaining subsidiaries, Marshall & Ilsley Bank and Bank of Commerce, appears to overlap Bank's primary service area. Thus, approval would neither eliminate competition presently offered to any of Bank Stock's subsidiaries nor foreclose any significant amount of competition that otherwise might be offered.

Bank's principal competitor will be the Hampton State Bank, located slightly more than one mile from Bank's site. It is reasonable to assume that both Bank and Hampton State Bank will retain the characteristics of local, neighborhood banks and in this respect compete for the banking business to be generated by the residential and business development in the area. From a competitive standpoint, many of the advantages that may inure to Bank as a subsidiary of Applicant may also be expected to be gained by the Hampton State Bank by reason of its affiliation, through common ownership, with a downtown Milwaukee bank holding nearly \$40 million in deposits.

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In addition to the competition to be offered Bank by the Hampton State Bank, there will continue to be competition offered by some or all of the banks earlier mentioned as serving Bank's primary service area. Principal among these competitors would appear to be the Milwaukee Western Bank and the Capitol Court Office of the First Wisconsin National Bank. Milwaukee Western Bank is the ninth largest bank in Milwaukee County, with total deposits at September 27, 1961, of approximately \$30 million. First Wisconsin National Bank, the State's largest bank, is a subsidiary of the largest bank holding company having its head office in the State.

It is the opinion of the Board that, as a result of Bank Stock's acquisition of Bank, the communities and area concerned will benefit from the increased banking services to be made available, from the continued availability of convenient alternative banking sources, and from the competition which it appears will be both generated and continued following the acquisition proposed.

Accordingly, viewing the relevant facts in 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 granted.

March 23, 1962

UNITED STATES OF AMERICA

Item No. 3
3/28/62

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of	
FARMERS AND MERCHANTS BANK OF LONG BEACH	
for approval of acquisition of assets of	
Farmers and Merchants Bank of Southern Counties	

ORDER APPROVING ACQUISITION OF BANK ASSETS

There has come before the Board of Governors, pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), an application by Farmers and Merchants Bank of Long Beach, Long Beach, California, a member of the Federal Reserve System, for the Board's prior approval of the acquisition by that bank of the assets, and assumption of the liabilities, of Farmers and Merchants Bank of Southern Counties, Long Beach, California, and, as an incident thereto, an application by Farmers and Merchants Bank of Long Beach, under section 9 of the Federal Reserve Act, for the Board's prior approval of the establishment of branches by that bank at the locations occupied by the head office and branch of Farmers and Merchants Bank of Southern Counties.

Pursuant to said section 18(c), notice of the proposed acquisition of assets and assumption of liabilities, in form approved by the

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Board of Governors, has been published and reports on the competitive factors involved in the proposed transaction have been furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice and have been considered by the Board.

IT IS ORDERED, for the reasons set forth in the Board's Statement of this date, that said applications be and hereby are granted, provided that said acquisition of assets, assumption of liabilities, and establishment of branches approved herein shall not be consummated

- (a) sooner than seven calendar days after the date of this Order or
- (b) later than three months after said date.

Dated at Washington, D. C., this 28th day of March, 1962.

By order of the Board of Governors.

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

Absent and not voting: Governor Mitchell.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 4
3/28/62

APPLICATION BY FARMERS AND MERCHANTS BANK OF LONG BEACH,
FOR APPROVAL OF THE ACQUISITION OF ASSETS OF
FARMERS AND MERCHANTS BANK OF SOUTHERN COUNTIES

STATEMENT

Farmers and Merchants Bank of Long Beach, Long Beach, California ("Long Beach Bank"), with deposits of \$100.3 million, has applied, pursuant to section 18(c) of the Federal Deposit Insurance Act, for the Board's prior approval of its acquisition of the assets, and assumption of the deposit liabilities, of Farmers and Merchants Bank of Southern Counties, Long Beach, California ("Southern Counties Bank"), with deposits of \$28.1 million. As contemplated by the application and the Agreement of Purchase and Sale, the two offices of Southern Counties Bank would become branches of Long Beach Bank, increasing from 2 to 4 the total offices presently operated by that bank. As an incident to the foregoing, therefore, Long Beach Bank has also applied, under section 9 of the Federal Reserve Act, for the Board's prior approval of the establishment of branches by that bank at the locations occupied by the head office and branch of Southern Counties Bank.

Under section 18(c), the Board is required to consider (1) the financial history and condition of each of the banks involved, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate

powers are consistent with the purposes of the Federal Deposit Insurance Act, (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the acquisition unless, after considering all these factors, it finds the transaction to be in the public interest.

Banking factors. - Southern Counties Bank was created as a result of a corporate "spin off" from Long Beach Bank in 1954. The management and board of directors of the two banks are the same, and there is common ownership of over 90 per cent of the stock of each of the banks.

The capital structures of the banks are strong, and their earnings prospects are favorable. Although the capital structure of the acquiring bank will be less than the combined capitalization of the two banks, the capital structure will be adequate. The acquiring bank's earnings prospects will be favorable. No inconsistency with the purposes of the Federal Deposit Insurance Act is indicated.

As management and administrative arrangements now existing because of the close connection between the two banks would be simplified and improved by the consummation of the transaction and the overall condition of the resulting bank thereby strengthened, the banking factors lend support to the proposal.

Convenience and needs of the communities. - Both banks serve the city of Long Beach, which lies 25 miles south of Los Angeles and

has an estimated population of 350,000. The only branch of Southern Counties Bank is in Garden Grove, 19 miles east of the bank's head office. The number and location of banking facilities in the community will not be changed, and the services available at the two institutions will remain the same. Therefore, the convenience and needs of the community would be unaffected by the acquisition.

Competition. - The two banks do not compete with each other. Not only do they have common ownership and identical management, but the two offices of Southern Counties Bank are operated and are publicly regarded as branches of Long Beach Bank. Alternative banking facilities are available in the communities of Long Beach and Garden Grove at eight other banks with 31 offices.

Summary and conclusion. - Under the proposal, Long Beach Bank would be rejoined with Southern Counties Bank, which was "spun off" from the former in 1954. As the two banks have identical management and directorates as well as common ownership and do not compete, approval of the applications would have no effect on competition and would eliminate various administrative complexities that have arisen from the working arrangements between them. In addition, there would be no change in the number of banking offices or in the services offered by them.

Accordingly, the Board finds that the proposed transaction will be in the public interest.

March 28, 1962

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

Item No. 5
3/28/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 27, 1962.

CONFIDENTIAL (FR)

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained in your letter of March 22, 1962, the Board approves the appointment of Pasquale A. Matera and Eleanor B. Steeneck as assistant examiners from the Federal Reserve Bank of New York. Please advise the effective dates of the appointments.

It is noted that Mr. Matera is indebted to Manufacturers Hanover Trust Company, New York, New York, a State member bank. Accordingly, the Board's approval of the appointment of Mr. Matera is given with the understanding that he will not participate in any examination of that bank until his indebtedness has been liquidated.

Very truly yours,

(signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.