Minutes for May 2, 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
Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on April 30, 1962, 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.
Circulated or distributed items. 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:

Letter to The Chase Manhattan Bank, New York, New York, granting permission for (1) an increase in its investment in Chase Manhattan Overseas Corporation, New York City, and (2) investment by the latter in shares of Banco Mercantil y Agricola, Caracas, Venezuela.


Letter to Central Trust Company, Rochester, New York, approving the establishment of a branch at 2595 West Henrietta Road, Town of Brighton, Monroe County.

Letter to The First National Bank of Springfield, Springfield, Ohio, approving its application for fiduciary powers.

Letter to Peninsula Bank and Trust Company, Williamsburg, Virginia, approving an investment in bank premises.

Letter to the Federal Deposit Insurance Corporation regarding the application of Farmers and Merchants State Bank of Bushnell, Bushnell, Illinois, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

Letter to Devon-North Town State Bank, Chicago, Illinois, granting permission to exercise limited fiduciary powers.
Letter to the Federal Deposit Insurance Corporation regarding the application of The First State Bank, Booker, Texas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.


Letter to the Bureau of the Budget reporting favorably on a bill proposed by the Treasury Department to extend for two years from June 30, 1962, the authority of the Federal Reserve Banks to purchase United States obligations directly from the Treasury.

Messrs. Furth, Benner, and Poundstone then withdrew from the meeting.

Report on competitive factors (Orangeburg-North, South Carolina).

Under date of April 30, 1962, there had been distributed a draft of report to the Comptroller of the Currency on the proposed consolidation of The Liberty Bank of North, North, South Carolina, and The Southern National Bank of Orangeburg, Orangeburg, South Carolina. The conclusion of the report read as follows:

The Southern National Bank of Orangeburg and The Liberty Bank of North do not appear to be competitive to a significant degree and the consolidation would have little effect on competition.

There being no objection, the report was approved unanimously for transmittal to the Comptroller.

Report on competitive factors (Rapid City-Sturgis, South Dakota).

Under date of April 26, 1962, there had been distributed a draft of
report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of American National Bank of Rapid City, Rapid City, South Dakota, and The Bear Butte Valley Bank, Sturgis, South Dakota.

After a change in the conclusion of the report had been suggested by Governor Robertson and agreed upon, the report was approved unanimously for transmittal to the Comptroller in a form in which the conclusion read as follows:

The proposed consolidation would have little adverse effect on competition.

However, the resulting bank would be able to provide strong competition for the second largest bank in the State which now serves both the Sturgis and Rapid City communities.

Application of Commerce Union Bank (Items 11 and 12). On April 24, 1962, the Board voted to approve the application by Commerce Union Bank, Nashville, Tennessee, to merge with Broadway National Bank, also of Nashville, the two offices of Broadway National Bank to be operated as branches of Commerce Union Bank. Pursuant to that action, there had been distributed drafts of an order and statement reflecting the Board's decision.

There being no objection, the Board authorized the issuance of the order and statement. Copies are attached as Items 11 and 12, respectively.

Messrs. Shay, Leavitt, and Fuerth then withdrew from the meeting.
Applying the Whitney Holding Corporation (Items 13-16).

Pursuant to the understanding at the meeting on April 3, 1962, distribution had been made of drafts of an order and statement reflecting the Board's decision to approve the application of Whitney Holding Corporation, New Orleans, Louisiana, for permission to become a bank holding company by acquiring substantially all of the voting stock of (1) Crescent City National Bank, New Orleans, Louisiana (a proposed new bank), into which would be consolidated the existing Whitney National Bank of New Orleans, under the latter title, and (2) Whitney National Bank in Jefferson Parish, Jefferson Parish, Louisiana (a proposed new bank). A dissenting statement by Governor Robertson also had been distributed.

In discussion, Mr. Solomon referred to a portion of the proposed majority statement relating to an application of Whitney National Bank in Jefferson Parish to establish a branch in the Airline Park Shopping Center, which was now pending before the Comptroller of the Currency. It was indicated in the statement that the new Metropolitan Bank of Jefferson opened for business in this shopping center on March 1, 1962, and that there might be some question as to whether the public interest would be promoted by the establishment in that center of a branch affiliated with the largest bank in Louisiana. According to the statement, the unfavorable significance of this factor was somewhat lessened by the rapid growth of the East Bank area, which suggested
a greater than usual likelihood that two new banking offices in the same area might achieve within a reasonable time a scale of business that would permit both to operate soundly and profitably. The statement indicated further that it would seem reasonable to assume that the branch of Whitney Jefferson in the shopping center would not be authorized by the Comptroller of the Currency if its presence would threaten the sound and serviceable operation of the newly-established bank.

Mr. Solomon raised the question whether it was appropriate to include this material on the proposed branch of Whitney Jefferson inasmuch as the Comptroller of the Currency had responsibility for acting on that application and the statement, as now drafted, might imply that the Board was suggesting a course of action to the Comptroller of the Currency.

Mr. Hexter replied that he would be reluctant to delete the material pertaining to the proposed branch. Both the Federal Reserve Bank of Atlanta and the Board's staff had found that the probable effect of the establishment of the proposed branch on the business of the new independent bank in the shopping center was an adverse factor in the application of Whitney Holding Corporation to become a bank holding company. Accordingly, it seemed appropriate for the Board's statement to acknowledge this adverse factor and explain the reasons for approval of the holding company application in spite of it. An
additional reason for including the references to the proposed branch was the fact that, under the provisions of section 3(c) of the Bank Holding Company Act, the Board was required to take into consideration five factors in deciding an application. Omission of reference to the proposed branch might imply that the Board did not consider it necessary to take this aspect of the matter into account, despite the requirements of the statute, on the ground that the Comptroller of the Currency had responsibility for approving or disapproving the branch application. Rather than to omit the material in question, Mr. Hexter suggested changing the wording in order to try to eliminate any implication that the Board was in any sense suggesting to the Comptroller of the Currency the action that he should take on the pending branch application. For this purpose, Mr. Hexter read certain alternative language.

There being general agreement with the views expressed by Mr. Hexter, it was understood that the statement would be revised accordingly.

A number of editorial changes in the majority statement also were suggested and agreed upon, and Governor Robertson stated that he wished to make certain editorial changes in his dissenting statement.

Mr. Hexter reported having been advised by Governor Mills that the majority statement was satisfactory to him except in one minor respect, and a change was agreed upon to cover the point to which Governor Mills had referred.
The Secretary reported that Governor Mitchell had indicated that he planned to issue a separate concurring statement, reflecting essentially the views he had expressed at the meeting on April 3. The issuance of the order and accompanying statements was then authorized. Copies of the order and statements, as issued on May 3, 1962, are attached as Items 13-16.

Distributed item. The following item, which had been distributed to the Board and a copy of which is attached to these minutes under the item number indicated, was approved unanimously:

Telegram to the Federal Reserve Agent in Atlanta authorizing the issuance of a limited voting permit to Whitney Holding Corporation, New Orleans, Louisiana, to vote its stock of Crescent City National Bank, New Orleans, Louisiana, and Whitney National Bank in Jefferson Parish, Jefferson Parish, Louisiana, for certain purposes.

Messrs. Hexter, Conkling, Thompson, and Young (Senior Attorney) then withdrew and Messrs. Masters, Associate Director, Division of Examinations, Holland, Adviser, Division of Research and Statistics, and Langham, Chief, Call Report Section, Division of Bank Operations, entered the room.

Interagency committees. At the Board's request, Mr. Noyes reported on recent meetings of the three interagency committees that had been appointed by the President to study (1) financial institutions,
(2) Federal credit programs, and (3) corporate pension funds and other private retirement and welfare programs. Among other things, he mentioned that a staff working group was to be associated with the latter committee and a request had been received that a member of the Board's staff be designated to attend the first meeting of that group. In connection with his report on the committee on Federal credit programs, Mr. Noyes said that he had been asked to serve as acting chairman for a month or so in the absence of Under Secretary of the Treasury Roosa, who had been acting as chairman of the committee at the request of the Secretary of the Treasury. With reference to the work of this committee, Mr. Noyes indicated that he would send to each member of the Board a list of questions suggested by the Budget Bureau for consideration by the committee.

Question was raised by Governor Balderston as to whether the activities of the three committees would be such that the Board should fortify itself by additional temporary staff, to which Mr. Noyes replied that it was planned to have staff support for each committee as a whole. Also, there was some question at this point as to the intensity of the Board's role in the work of the respective committees.

Form of report of condition (Item No. 18). Pursuant to the understanding at the Board meeting on April 30, 1962, there had been distributed a revised draft of letter to the Comptroller of the Currency in response to his letter of April 25 asking for comments on a condensed
report of condition form that the Comptroller planned to use for future calls, other than those at year end, and to his letter of April 26 indicating that the content of the form might have already been reduced substantially.

The proposed reply would raise the question whether full consideration had been given to the essential character of the data proposed to be omitted. The letter would state that the detailed breakdown of loans, deposits, and other data now shown on the back of the call report was crucial to the Board in the discharge of its statutory responsibilities for the formulation and execution of monetary and credit policy. Therefore, if the report for national banks was condensed so as to eliminate the vital information now obtained, the Board would seem to have no alternative but to ask national banks to submit separate reports of condition on the same form as that now used by State member banks, thereby adding to the reporting burden of national banks.

After suggested changes had been agreed upon, the letter was approved unanimously, with the understanding that copies would be sent to the Bureau of the Budget, because of its continuing responsibility for Governmental statistical standards, and to the Federal Deposit Insurance Corporation. A copy of the letter as sent is attached as Item No. 18.
5/2/62

Secretary's Note: In a letter dated May 3, 1962, the Comptroller advised that he had decided to continue the use of the current form, subject to further notice to the Board.

Chain banking survey (Item No. 19). In a letter dated April 19, 1962, the Board inquired whether the Office of the Comptroller of the Currency would wish to join in a survey of chain banking that had been requested by Congressman Patman, Chairman of the House Select Committee on Small Business. On April 25 the Comptroller of the Currency replied, indicating that the Board's approach seemed to suggest only a last-minute acknowledgment of the role of the Comptroller's Office in relation to the national banking system. The letter expressed the hope that the Board "would exercise appropriate restraint in undertaking direct access to the national banks of the country."

There had been distributed a draft of reply to the April 25 letter that would point out that surveys of chain banking had historically fallen to the lot of the Board, basically because of statutory responsibilities imposed on the Board and the fact that the Congress on several occasions had asked the Board to compile information on this subject. The letter would also state that it was assumed from the April 25 letter that the Comptroller did not wish to participate in the survey and that, if this was not the case, the Board would appreciate being so advised.
After a number of changes in the draft letter had been suggested and agreed upon, the letter was approved unanimously in the form attached as Item No. 19. It was understood that a reasonable length of time would be allowed for the Comptroller of the Currency to reply to the Board's letter. If no reply was forthcoming, the survey--inclusive of national as well as State member banks--would proceed. On the matter of the form to be used in the survey, it was the consensus that it would be appropriate to advise the Bureau of the Budget that although there did not appear to be a need to clear the form with representatives of the banking industry, that was a matter for the Bureau to decide.

Charges for reports of examination of national banks.
Chairman Martin noted that a letter dated April 30, 1962, had been received this morning from the Comptroller of the Currency setting forth a schedule of charges for providing Federal Reserve Banks with copies of reports of examination of national and District of Columbia banks, effective June 1, 1962.

After a brief discussion, it was understood that the matter would be considered by the Board after there had been an opportunity to study the contents of the letter.

The meeting then adjourned.

Secretary
May 2, 1962

The Chase Manhattan Bank,  
1 Chase Manhattan Plaza,  

Gentlemen:

In accordance with your request and on the basis of the information furnished in your letter of January 25, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants permission to The Chase Manhattan Bank, pursuant to the provisions of Sections 9 and 25 of the Federal Reserve Act, to increase from $6,350,000 to $15,950,000 the amount it may invest in the stock of Chase Manhattan Overseas Corporation ("CMOC"), New York, New York.

The Board of Governors also grants permission to CMOC to invest directly, or indirectly through an intermediary corporation, to be formed under the laws of Venezuela for the sole purpose of holding such shares, not more than $9,600,000 in the purchase of voting shares of Banco Mercantil y Agrícola ("Banco Mercantil"), Caracas, Venezuela, a banking corporation organized under the laws of Venezuela, provided such investment is made within one year from the date of this letter.

The Board's consent to the proposed purchase and holding of stock by CMOC is granted subject to the following conditions:

(1) That CMOC shall not hold any stock, directly or indirectly, in Banco Mercantil if Banco Mercantil at any time fails to restrict its activities to those permissible to a corporation in which CMOC, with the consent of the Board of Governors, may purchase and hold stock under its agreement entered into under Section 25 of the Federal Reserve Act or Regulation K, or if Banco Mercantil, except with the consent of the Board of Governors, establishes any branch or agency or takes any action or undertakes any operation in Venezuela or elsewhere which at that time is not permissible to CMOC without such consent;
(2) That, when required by the Board of Governors, CMOC will cause Banco Mercantil to permit examiners appointed by the Board of Governors to examine Banco Mercantil and to furnish the Board of Governors with such reports as it may require from time to time; and

(3) That CMOC will be expected to dispose of its holdings of stock of Banco Mercantil, as promptly as practicable, in the event that Banco Mercantil should at any time conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by CMOC, directly or indirectly, to be inappropriate under the provisions of the agreement of CMOC pursuant to Section 25 of the Federal Reserve Act or Regulation K.

Upon the completion of the proposed transaction, it is requested that the Board of Governors be furnished a translation of the amended Articles of Association and By-Laws of Banco Mercantil. If CMOC acquires the stock of Banco Mercantil through an intermediary corporation, please furnish pertinent details regarding the corporation, including copies of the Articles of Association and By-Laws and a list of officers and directors.

Please advise the Board of Governors through the Federal Reserve Bank of New York when the acquisition of stock has been made, together with details regarding the transaction.

Subject to continuing observation and review, the Board suspends until further notice the provisions of subparagraph (1) of the third paragraph of this letter, so far as they relate to restrictions on loans granted by Banco Mercantil in Venezuela in the currency of that country.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
May 2, 1962

Philadelphia International Investment Corporation,

Gentlemen:

In accordance with the request contained in your letter of February 9, 1962, transmitted through the Federal Reserve Bank of Philadelphia, the Board of Governors grants its consent and approval for the purposes of Sections 211.9(c), 211.9(d)(2), and 211.10(a) of Regulation K to Philadelphia International Investment Corporation ("PIIC") to purchase and hold shares of capital stock of a corporation to be formed under the laws of the Bahamas to be known as "New World Development Corporation Limited" ("NWDCL") provided the aggregate investment (including all loans to such subsidiary) does not exceed US$1,750,000.

The Board's approval of the proposed investment is given subject to the following conditions:

(1) Such investment shall be made within one year from the date of this letter and the Board of Governors shall be informed, through the Federal Reserve Bank of Philadelphia, when such investment is made, together with pertinent details regarding such investment.

(2) NWDCL shall carry on its business in accordance with sound financial policies, including, among others, (a) appropriate diversification of its loan and investment portfolios so as to avoid undue concentrations in loans to, and investments in, individual enterprises, industries, or otherwise, and (b) proper regard to the relationship between its assets and the maturities of its obligations so as to give reasonable assurance that the corporation will be in a position to pay its obligations as they mature.

(3) So long as PIIC is the controlling stockholder in NWDCL, NWDCL will make no investment in the stock of other corporations except after the consent of the Board of Governors has been obtained in the same manner as provided by Section 211.9(c) of Regulation K for Financing Corporations.
(4) PIIC shall not purchase or hold any stock in NWDCI (a) if NWDCI at any time fails to restrict its activities to those permissible to a corporation in which PIIC, with the consent of the Board of Governors, may purchase and hold stock under Section 25(a) of the Federal Reserve Act or the regulations thereunder, or (b) if NWDCI, except with the consent of the Board of Governors, establishes any branch or agency, or takes any action or engages in any operation, in the Bahamas or elsewhere, which at that time could not be taken, or engaged in, by PIIC itself.

(5) PIIC shall be expected to dispose of its holdings of stock of NWDCI as promptly as practicable, in the event that NWDCI should at any time (a) engage in issuing, underwriting, selling or distributing securities in the United States; (b) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (c) conduct its operations in a manner which, in the judgment of the Board of Governors, is inconsistent with Section 25(a) of the Federal Reserve Act or regulations thereunder.

(6) When required by the Board of Governors, PIIC will cause NWDCI to permit examiners appointed by the Board of Governors to examine NWDCI and its branches and agencies, and to furnish the Board of Governors with such reports as it may request from time to time.

(7) That the offices of NWDCI will be established in quarters separate and distinct from those of any other organization.

Upon the completion of the organization of the proposed Bahamian corporation, it is requested that the Board of Governors furnish with copies of the final Articles of Incorporation and By-Laws of the corporation. Please advise the Board of Governors, in writing, through the Federal Reserve Bank of Philadelphia, when the corporation is established and opened for business, furnishing information as to the exact location of the corporation.

In accordance with your request, the Board's general consent to PIIC under date of April 25, 1961, as extended to December 31, 1962, is amended to include NWDCI, provided that the aggregate investment of PIIC and NWDCI in the shares of stock of any one foreign corporation and its subsidiaries (on a combined basis) shall not exceed 5 per cent of the capital and surplus of PIIC.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Board of Directors,
Central Trust Company, Rochester, N. Y.
Rochester, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 2595 West Henrietta Road, Town of Brighton (Unincorporated Area), Monroe County, New York, by Central Trust Company, Rochester, N. Y., Rochester, New York, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Board of Directors,
The First National Bank of Springfield,
Springfield, Ohio.

Gentlemen:

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

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Board of Directors,  
Peninsula Bank and Trust Company,  
Williamsburg, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment of $15,000 in bank premises by Peninsula Bank and Trust Company, Williamsburg, Virginia. This expenditure was to purchase a lot for customer parking adjacent to the Monticello Avenue Branch. It is understood that the bank's investment in bank premises will be written down to $200,000 on June 30, 1962.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.
The Honorable Erle Cocke, Sr., Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D.C.

Dear Mr. Cocke:

Reference is made to your letter of April 20, 1962, concerning the application of Farmers and Merchants State Bank of Bushnell, Bushnell, Illinois, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs that 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.
May 2, 1962.

Board of Directors,
Devon-North Town State Bank,
Chicago, Illinois.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise the fiduciary powers now or hereafter authorized by your charter and the laws of the State of Illinois.

The Board has considered your application to exercise full trust powers most carefully, and after a full review of all the facts, believes it would serve the best interests of your bank if only limited trust powers to act as trustee of land trusts and escrow agent were permitted. This view is based on the consideration that the proposed trust officer and assistant trust officer although apparently skilled in the administration of land trusts and escrows, have had no other fiduciary experience, and therefore are not trained and experienced trust officers able to assume the serious duties and responsibilities pertinent to a general trust business. It would be the Board’s view that the liabilities and responsibilities of a general trust business should not be undertaken until the bank is able to staff such a function with trained and experienced personnel.

It is also pertinent to suggest that the bank should not assume additional serious corporate responsibilities until such time as its capital structure is fully adequate for all corporate purposes. It is observed in the letter of the Federal Reserve Bank to you of April 3, 1962, transmitting the current report of examination, that Vice President Helmer states the sale of additional capital stock would appear prudent, and the Board of Governors suggests that the additional responsibilities of a general trust business would require an increase in the bank's capital structure to cover the risks and liabilities incident to the trust function.
For these reasons the Board of Governors grants at this time to Devon-North Town State Bank permission to act only as trustee of land trusts and escrow agent.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
May 2, 1962.

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

Dear Mr. Cocke:

Reference is made to your letter of April 18, 1962, concerning the application of The First State Bank, Booker, Texas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

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

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Board of Directors,
Bank of Idaho,
Boise, Idaho.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provision of Section 21A of the Federal Reserve Act, the investment of $30,293.64 made in bank premises by Bank of Idaho in completing the construction of branch quarters at Idaho Falls, Idaho. This amount is in addition to the $753,000 approved by the Board on November 9, 1961.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Mr. Phillip S. Hughes,
Assistant Director,
Legislative Reference,
Bureau of the Budget,
Washington 25, D. C.

Attention: Mr. Reeve

Dear Mr. Hughes:

This is in response to the telephone request of Mr. Reeve on May 1, 1962, for the Board’s views on a bill proposed by the Treasury which would amend section 14(b) of the Federal Reserve Act, as amended, to extend for two years the authority of the Federal Reserve Banks to purchase United States obligations directly from the Treasury. Under existing law the authority will terminate on June 30, 1962.

The use of this authority by the Federal Reserve enables the Treasury to avoid creating unnecessary financial strains that would otherwise occur if it had to draw heavily on its accounts especially during periods immediately preceding tax payment dates. Temporary Treasury borrowing at such times, followed by prompt repayment from the proceeds of tax payments, provides a smooth operating mechanism, without the abrupt money market fluctuations that would otherwise occur. The authority could also be useful in dealing with situations resulting from a national emergency. Since 1942 when the authority was granted it has been sparingly used, and its use is reported, as required by law, each year in detail in the Board’s Annual Report. The results of its use also appear currently in weekly statements issued by the Federal Reserve and in daily statements issued by the Treasury. The Board, therefore, favors the proposed legislation.

Very truly yours,

Merritt Sherman
Secretary.
In the Matter of the Application of
COMMERCE UNION BANK
for approval of merger with
Broadway National Bank

ORDER APPROVING MERGER OF BANKS

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 Commerce Union Bank, Nashville, Tennessee, a member bank of the Federal Reserve System, for the Board's prior approval of the merger of Broadway National Bank, Nashville, Tennessee, with and into Commerce Union Bank, under the charter and title of the latter, the two offices of Broadway National Bank to be operated as branches of Commerce Union Bank.

Pursuant to said section 18(c), notice of the proposed merger, in form approved by the Board of Governors, has been published and reports on the competitive factors involved in the proposed transaction have been received from 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 application be, and hereby is approved, provided that said merger 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 2nd day of May, 1962.

By order of the Board of Governors.

Voting for this action: Unanimous, with all members present.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)
APPLICATION BY COMMERCE UNION BANK
FOR APPROVAL OF MERGER WITH BROADWAY NATIONAL BANK

STATEMENT

Commerce Union Bank, Nashville, Tennessee ("Commerce"), with deposits of $137 million, has applied, pursuant to section 18(c) of the Federal Deposit Insurance Act, for the Board's prior approval of the merger of that bank and Broadway National Bank, Nashville, Tennessee ("Broadway"), with deposits of $18.8 million. Under the Merger Agreement the banks would merge under the charter and title of Commerce, and the Agreement and application contemplate that the two offices of Broadway would become branches of Commerce, increasing from 18 to 20 the total offices operated by that 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 communities to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve
the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.

Banking factors. - Commerce acquired 80 per cent of the stock of Broadway through an exchange of stock in 1930 and, since that time, has continuously owned 80 per cent or more of Broadway's stock. Both banks have competent management, which includes common officers and directors who are dominant in the management of each institution and who will continue with the management of the resulting bank. The financial condition of each bank is sound; each has an adequate capital structure; and both have satisfactory earnings prospects. These favorable attributes would also characterize the resulting bank, which would benefit from the simplification in management and related efficiencies implicit in the proposal. No inconsistency with the purposes of the Federal Deposit Insurance Act is indicated.

Thus, consideration of the first five statutory factors enumerated above—the "banking factors"—lends support to the proposal.

Convenience and needs of the communities. - Nashville (population 171,000) is the capital of Tennessee and is located in Davidson County (population 400,000), which is regarded as the Nashville service area. Commerce has 10 offices in Davidson County. The bank's 8 other offices are outside Davidson County. The two offices of Broadway are in Nashville.

No new banking offices will be opened and none will be closed by consummation of the proposal, and no changes in policies or the
range of services are contemplated. While effectuation of the proposal would not be expected, therefore, to have significant immediate or direct effects on the convenience and needs of the communities, the consequent simplification in administration and related benefits, referred to previously, would tend to inure to the benefit also of the customers of the resulting bank and the communities involved.

**Competition.** - As indicated earlier, Commerce owns 80 per cent of the stock of Broadway, and officers and directors common to each bank are dominant in their management. The close relationship between the two institutions has been public knowledge for many years, and little, if any, competition has existed between them. It does not appear that any diminution of competition would otherwise result from the proposal, the consummation of which would tend to strengthen the resulting bank's competitive position in relation to the two larger Nashville banks. Commerce and Broadway, respectively, rank third and fifth in size among the eight commercial banks in Nashville and Davidson County, and the merger would not change the position of Commerce in this respect.

**Summary and conclusion.** - The proposal is to unite two banks which already are under substantially common ownership and management and between which virtually no competition exists. This would eliminate administrative duplication and tend to increase efficiency, with probable benefits to the customers of the resulting bank, which would be in a position to compete more effectively with the larger banks in the area.
Otherwise, there would be no change in the services offered by the two banks, and the number and locations of the banking offices would remain the same.

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

May 2, 1962.
UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

WHITNEY HOLDING CORPORATION

for approval of its becoming a bank holding company by acquiring the stock of Crescent City National Bank, New Orleans, Louisiana, and Whitney National Bank in Jefferson Parish, Jefferson Parish, Louisiana

ORDER APPROVING APPLICATION
UNDER BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 USC 1842) and section 222.4(a)(1) of Federal Reserve Regulation Y (12 CFR 222.4(a)(1)), an application on behalf of Whitney Holding Corporation, New Orleans, Louisiana, for the Board's prior approval of action whereby Whitney Holding Corporation would become a bank holding company by acquiring substantially all of the voting stock of (1) the Crescent City National Bank, New Orleans, Louisiana (a proposed new bank), into which would be consolidated the existing Whitney National Bank of New Orleans, under the latter title, and (2) the Whitney National Bank in Jefferson Parish, Jefferson Parish, Louisiana (a proposed new bank).

A Notice of Receipt of Application was published in the Federal Register on July 28, 1961 (26 Federal Register 6792), which provided an opportunity
for submission of comments and views regarding the proposed acquisitions, and the time for filing such comments and views has expired and all comments and views filed with the Board have been considered by it. Pursuant to Order published in the Federal Register on December 23, 1961 (26 Federal Register 12312), a public proceeding with respect to the application was held before the Board on January 17, 1962 to provide a further opportunity for the expression of views and opinions by interested persons.

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 acquisitions 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 Whitney National Bank in Jefferson Parish shall be opened for business within six months after said date.

Dated at Washington, D. C., this 3rd day of May, 1962.

By order of the Board of Governors.

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

Voting against this action: Governor Robertson.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Whitney Holding Corporation, New Orleans, Louisiana ("Applicant"), has applied to the Board of Governors, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (the "Act") for approval of action that would cause it to become a bank holding company under the Act, namely, its acquisition of all of the stock of Whitney National Bank of New Orleans ("Whitney New Orleans") * and all of the stock of Whitney National Bank in Jefferson Parish, Louisiana ("Whitney Jefferson").

Whitney New Orleans is by far the largest banking institution in the City of New Orleans and the State of Louisiana, and is one of the largest banks in the South. New Orleans, with a population of 627,525 according to the 1960 census, is a major seaport and financial and industrial center.

Whitney Jefferson is a new bank, organized by Applicant, and has not yet commenced operations. It is to be located in an area

* The application refers to "Crescent City National Bank" rather than to "Whitney National Bank of New Orleans". However, Crescent City National Bank is only the temporary title of a bank that will continue the business of the present Whitney National Bank of New Orleans under the latter title. For the sake of clarity, this statement refers to Whitney National Bank of New Orleans and disregards the temporary title "Crescent City National Bank".
known as the East Bank of Jefferson Parish ("East Bank"), which adjoins the City of New Orleans on the west.

Under the law of Louisiana, a bank may not establish branches outside of the parish in which its head office is situated. (A Louisiana "parish" is comparable to a "county" in other States.) The boundaries of Orleans Parish are coterminous with the boundaries of the City of New Orleans, and consequently banks situated in New Orleans (including national banks) may not establish branches beyond the city limits.

Like many other large American cities, the City of New Orleans has become the central portion of a metropolitan area that extends far beyond the municipal boundaries. A large part of the expansion of population and business in the New Orleans metropolitan area has taken place in Jefferson Parish, which adjoins the city on the west and south, as well as into St. Bernard Parish, which lies to the east. The West Bank area of Jefferson Parish is separated from most of New Orleans by the Mississippi River, but the East Bank area (in which Whitney Jefferson is to be situated) is not physically separated from New Orleans, but forms a continuous and homogeneous westward extension of that city.

**Views and recommendations of the Comptroller of the Currency.**

In accordance with the requirement of section 3(b) of the Act, the Comptroller of the Currency was asked to submit his views and recommendations with respect to the pending application. In a letter dated October 11, 1961, Comptroller of the Currency Ray M. Gidney recommended approval.

**Statutory factors.** Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1)
financial history and condition of the holding company and banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the acquisitions 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 stated purpose of the proposed holding company system is to enable an organization centered about Whitney New Orleans to provide banking services not only through its existing 12 offices within the City of New Orleans but also through offices in the East Bank of Jefferson Parish. The holding company system will be under the direction of the present executive management of Whitney New Orleans; in fact, for present purposes the holding company itself is simply the means by which Whitney banking offices may be established and operated in East Bank. Consequently, the character of the management and the prospects of the Applicant and its two proposed subsidiary banks may be evaluated largely on the basis of the financial history and condition, character of management, and prospects of Whitney New Orleans.

The financial history of Whitney New Orleans has been satisfactory. The condition of that bank is sound and its management is regarded as satisfactory. Accordingly, it is believed that the management of Applicant and Whitney Jefferson will be satisfactory and the
Prospects of the holding company, which depend principally upon the
Prospects of Whitney New Orleans, are favorable.

To the extent that the prospects of Whitney Jefferson depend
upon the quality of its management, those prospects also are favorable,
since Whitney Jefferson will be subject to general policy direction by
Applicant, and Applicant may be expected to provide competent local
management for Whitney Jefferson. However, the prospects of Whitney
Jefferson, as a separate banking institution, also depend, to a large
degree, on the extent to which it can attract deposits, make profitable
loans and investments, and otherwise conduct its business safely and
profitably.

In the decade 1950-1960, while the population of the City of
New Orleans increased 10 per cent (from 570,000 to 628,000), the popula-
tion of the East Bank of Jefferson Parish increased 128 per cent (from
60,000 to 137,000). Although there can be no assurance of the continuance
of this exceptionally rapid rate of growth, the geographical situation
in the New Orleans area is such as to create a substantial likelihood
of considerable further growth in East Bank. In addition, it is
important to note that Whitney New Orleans presently holds deposits of
individuals, partnerships, and corporations, emanating from East Bank,
in an aggregate amount exceeding 30 per cent of such deposits held by
all banks having their head offices in East Bank. It is reasonable to
anticipate that a substantial portion of East Bank deposits in Whitney
New Orleans will be transferred to Whitney Jefferson when it opens for
business. Because of this circumstance, as well as the relationship
that would exist between Whitney Jefferson and Whitney New Orleans, it
is concluded that the prospects of the former, from this viewpoint also, are favorable, despite the increase in recent years in the number of banking offices situated in East Bank.

If the proposed holding company system is created, Whitney New Orleans will continue to render, through its 12 offices in the city, banking services of the scope and character presently rendered by it. Accordingly, consummation of the proposal will not affect the convenience, needs, or welfare of the New Orleans area, as far as the future operations of Whitney New Orleans are concerned.

Whitney Jefferson, however, will be a new banking institution, and therefore its establishment necessarily will affect the convenience, needs, and welfare of the communities and the area it will serve.

The proposed head office of Whitney Jefferson will be situated approximately one mile from the nearest competing banking office. Its establishment and operation, therefore, will serve the convenience of residents and business establishments in its immediate neighborhood, and will also provide a readily available alternative source of banking services to residents and business establishments in a wider area. At present, only two banks serve the area within four road miles of the proposed head office location of Whitney Jefferson. Both of these are well-established institutions, and the entry of Whitney Jefferson, in addition to the added convenience, may also contribute to the welfare of the area by strengthening local banking competition with resulting improvement in the scope and quality of services rendered by each of the competing institutions.
In addition to its head office, Whitney Jefferson has applied to the Comptroller of the Currency for authority to establish a branch in the Airline Park Shopping Center, about three and one-half miles northwest of its head office; the latter would be located near the Mississippi River in a more industrialized section of East Bank. The branch application is pending before the Comptroller of the Currency, who has not, as yet, either approved or disapproved the proposed branch establishment.

On March 1, 1962 the new Metropolitan Bank of Jefferson opened for business in the Airline Park Shopping Center, which would also be the location of the proposed branch of Whitney Jefferson. Any immediate contribution by such branch of Whitney Jefferson to the convenience, needs, and welfare of the area necessarily is considerably lessened by the fact that the area is already served by a banking institution. In addition, there may be some question as to whether adequate and sound banking, as well as the public interest generally, would be promoted by establishment, in the Airline Park Shopping Center, of a banking office affiliated with the largest bank in Louisiana, so soon after the opening there of a new independent bank. However, the unfavorable significance of this factor is somewhat lessened by the rapid growth of the East Bank area, which suggests a greater than usual likelihood that two new banking offices in the same area might achieve, within a reasonable time, a scale of business that would permit both to operate soundly and profitably.
It is also significant that the Comptroller of the Currency has held the branch application in abeyance since before the establishment of the new Metropolitan Bank of Jefferson. Primary responsibility for deciding whether establishment of the branch would be in the public interest lies with the Comptroller, and it seems reasonable to assume that the branch will not be authorized if its presence would threaten the sound and serviceable operation of the newly-established bank in the Shopping Center.

Perhaps even more important than service rendered to new customers, from the viewpoint of convenience and welfare, is the service that Whitney Jefferson could render to individuals and business organizations in East Bank that already are customers of Whitney New Orleans. As mentioned, Whitney New Orleans, through its offices in the city, draws a substantial amount of deposits from East Bank. Since Whitney New Orleans draws this business despite the lesser convenience, for customers in East Bank, of dealing with a banking office in New Orleans rather than one in East Bank itself, it may be inferred that doing business with Whitney offers to its customers in East Bank benefits that are sufficient, in their judgment, to outweigh the lesser convenience.

Although some of Whitney New Orleans' East Bank business may remain with that institution, it is almost certain that a substantial part will be transferred to the affiliated Whitney Jefferson. Whitney customers in East Bank, therefore, will benefit from the convenience of doing business at a local office that can furnish, more conveniently
than at present, the services that originally gained this business for the Whitney organization. Whatever special characteristics of Whitney service drew a considerable volume of East Bank business to Whitney offices in New Orleans will now become available not only to existing Whitney customers but to others in East Bank who have not heretofore found it convenient or feasible to deal with Whitney New Orleans.

In this aspect, the pending proposal to establish banking facilities in East Bank through the holding company device is due to the natural and legitimate desire of a bank in an expanding metropolitan area to furnish its services more conveniently to customers situated in a section that, although outside the corporate limits of Orleans Parish, is realistically an integral part of the metropolitan economy. The laws of Louisiana do not prohibit expansion of a banking organization by this means. In the judgment of the Board, this phase of the proposal is a proper expression of the character of the American business system—in some respects, in fact, it is a matter of economic self-defense—and ought not to be frustrated unless it involves effects significantly detrimental to the public interest.

Under section 3(c)(5) of the Act, the question arises whether Applicant’s acquisition of the stock of Whitney New Orleans and Whitney Jefferson would expand the size or extent of the proposed holding company system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition. Mention has been made of the possible effect of the establishment of the proposed branch of Whitney Jefferson upon adequate and sound banking in its immediate
vicinity. Apart from this aspect, it appears that the proposal would add a sound and serviceable institution to the financial organizations situated in East Bank.

From the viewpoint of concentration of banking facilities, the significance of establishment of the proposed holding company system might seem at first blush to be relatively slight. On June 30, 1961 Whitney New Orleans held 39 per cent of total deposits of banks in New Orleans and 44 per cent of all deposits of individuals, partnerships, and corporations. The establishment of the holding company system would not increase Whitney New Orleans' proportion of the city banks' deposits; in fact, the anticipated transfer of some accounts from Whitney New Orleans to Whitney Jefferson would slightly reduce the percentages held by Whitney New Orleans. Initially, the deposit business of Whitney Jefferson may consist largely of such accounts transferred from the affiliated city bank, and it does not appear probable that the predominance of Whitney banks in the New Orleans metropolitan area will be immediately increased as a result of the instant proposal.

However, the fact that a relatively high proportion of banking resources in the New Orleans metropolitan area is already concentrated in Whitney New Orleans does not demonstrate the propriety of an equal degree of concentration in a holding company system. It has been pointed out that "the Act relates to concentration of banking power, not in the hands of banks, but in the hands of bank holding companies."

It does not appear to the Board, however, that the degree of concentration of banking resources in the proposed holding company system would be such as to jeopardize the vigor of banking competition either in the City of New Orleans or in East Bank. The management and policies of the holding company system, it appears, would be equivalent to those of Whitney New Orleans. On the record before the Board, it appears that a comparable degree of concentration in that bank has not adversely affected the local competitive situation. In this connection, it is to be noted that there appears to be no trend toward increasing dominance of Whitney in the area; Whitney's share of the total deposits of the metropolitan area diminished from 38 per cent to 35.4 per cent between 1956 and 1961.

Some cases presented to the Board under the Act involve a proposal for holding company acquisition of control of banks that compete with each other. These situations necessarily involve the elimination of some banking competition. No such problem is presented by the pending application. The only existing bank involved is Whitney New Orleans. Consummation of the plan will bring into existence a new banking institution, Whitney Jefferson, which will be an additional competitor in the banking situation in the western sector of the New Orleans metropolitan area. By thus offering the banking public of that district one more alternative source of banking services, the proposal would tend to increase the vigor of competition. Apart from the possible adverse competitive effect of the proposed branch of Whitney Jefferson, previously mentioned, there is no reason to believe that the increased competition would be destructive rather than beneficial.
It is especially noted that East Bank is already served by several offices of a bank that is affiliated with Whitney New Orleans' largest competitor. Establishment of Whitney Jefferson, therefore, will introduce into East Bank a new and possibly important sort of competition—that is, competition between local banks affiliated with large banks in the nearby city and consequently in a position to offer the special services that may be available as a result of such affiliation.

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 acquisitions would be consistent with the statutory objectives and the public interest and that the application should be granted.

May 3, 1962
CONCURRING STATEMENT OF GOVERNOR MITCHELL

In my judgment, there are two issues of concern in this case.

The first issue is whether an increase in concentration would come about from approving the application. Whitney presently accounts for about 35 per cent of New Orleans metropolitan area deposits. Whitney's present position is a fait accompli: No matter how Whitney Holding Corporation divides its deposit share among the banks it may create, its present share will not be changed. The Whitney organization would still have 35 per cent of area deposits even if it were to create and operate a score of banks. This is because the plan of the application does not include purchasing other banks but rather intends de novo facilities to be established in East Bank. Thus, approval of this action will not increase concentration by any meaningful measure whether deposits, loans, assets, or offices are used. Whitney has what it has.

Will "concentration" increase in the future? If Whitney can convince increasing numbers of individual and corporate depositors and loan applicants to bank with its new set of offices because it offers better services and more attractive rates, then we might expect its share of deposits and loans to increase. Denying this application on grounds of containing an anticipated increase in "concentration" of this sort would be denying one of the very things this Board is directed to preserve, competition.

The second issue is whether approval of this application would produce an "overbanked" situation in the East Bank of Jefferson Parish.
The use of "overbanking" as a policy criterion may have been justified in a time when the creation of banks was imperfectly regulated and deposits uninsured. The obsolescence of this concept is apparent in today's context of widespread deposit insurance and regulation of entry by State and Federal agencies based on responsible management and adequate capital. To impose further restrictions on entry by deciding, ad hoc, that a given area may become "overbanked" if another competitor is admitted is to preserve comfortable closed markets for established institutions. Decisions with this effect can only be hostile to the public interest.

Since this Board does not possess perfect foresight, it must depend on some rough and general rules of thumb if it is to avoid decisions harmful to the public interest. The fact that the "overbanked" community of today may be the "underbanked" community of tomorrow if the growth of the community is rapid and substantial suggests that such rules of thumb might be formulated in terms of trends in population, in business expansion, and in deposits. Strong upward movements in these indicia would shortly undo any initial condition of "too many" banks.

What can be said in terms of these rules of thumb in the present case? The population of Jefferson Parish has more than doubled since 1950. The Federal Reserve Bank of Atlanta reports that further residential growth in the area is assured. Rising business activity in the East Bank area reflects a growing industrial community. Reserve Board data on deposits of individuals, partnerships, and corporations
show that deposits increased by more than 300 per cent and deposits per capita in Jefferson Parish have increased by more than 100 per cent in the past decade, outstripping any other urban parish in the State. The average annual rate of deposit growth of First National Bank of Jefferson Parish, of Gretna, was 10 per cent over the 10-year period 1951-61. Merchants Trust and Savings Bank of Kenner has averaged 25 per cent and Metairie Savings Bank and Trust Company 12 per cent over the same period. National Bank of Commerce in Jefferson Parish has averaged 7 per cent in its six years of operation. Taken together, these data indicate that an "overbanked situation" could not exist for long in Jefferson Parish.

Approval of this application will strengthen competition by allowing a New Orleans banking organization to operate through de novo facilities in the rapidly growing East Bank of Jefferson Parish. Rejection of the application would preserve sanctuary for existing Jefferson Parish banks or lead to indirect entry by Whitney through a device with less competitive impact.

May 3, 1962
Whitney National Bank of New Orleans is the largest banking institution of the City of New Orleans and the State of Louisiana. It controls in the neighborhood of 40 per cent of the deposit and loan business of all New Orleans banks—more than the second and third largest banks combined. The proposal before the Board of Governors would place control of this bank in Whitney Holding Corporation and thereby would overcome the effect of the branch banking laws of Louisiana, which prevent Whitney from establishing any offices outside of Orleans Parish (the City of New Orleans). In other words, by this means the Whitney banking organization would escape the legal limitations that now permit it to have offices only within the City of New Orleans.

In my judgment, one of the basic purposes of the Bank Holding Company Act—to prevent undue concentration of banking power in holding companies—would be unjustifiably defeated by approval of the creation of a holding company system to control the predominant bank of a major metropolitan area and additional banks within that area, unless such approval is warranted by favorable factors that outweigh this strong adverse consideration.

No such substantial favorable factors have been established in this case. It can hardly be asserted that the East Bank of Jefferson Parish would lack adequate banking facilities unless Whitney Holding Corporation is permitted to establish and control the proposed Whitney National Bank in Jefferson Parish. New banks and branches are being
established in East Bank at a quite rapid rate, and the neighborhoods in which Whitney Jefferson would have its offices already have banking facilities conveniently available.

The establishment of additional banks and branches always contributes, in some measure, to the convenience of the banking public, and also, in many cases, to the vigor of banking competition. Ordinarily, therefore, establishment of additional banking facilities is beneficial from these viewpoints. In this case, however, banking offices affiliated with the largest financial institution in the area would be competing with small local banks, including a bank that opened for business only two months ago in the same shopping center in which it is proposed to locate one of the offices of Whitney Jefferson. The effect of the entry of Whitney Jefferson at this time could be significantly detrimental to this new bank and to another small bank with which Whitney Jefferson would directly compete. In view of the specific responsibilities placed upon the Board of Governors by section 3 of the Bank Holding Company Act, it is questionable whether the Board may properly disregard this possibility of destructive competition on the ground that, if such a danger exists, another supervisory authority may refuse to authorize Whitney Jefferson to establish the office in question.

One other aspect of the Whitney Holding Corporation plan must be taken into account in view of section 3(c) of the Act, which requires the Board to consider the effect of proposed transactions on the public interest. To enable minority stockholder interests to have a voice in the direction of national banks, section 5144 of the United States
Revised Statutes, as amended by the Banking Act of 1933 (12 U. S. Code 61), provides for cumulative voting in the election of directors of national banks—that is, each shareholder has "the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall think fit".

In order to eliminate minority stockholders of Whitney National Bank of New Orleans and thereby to insure that Whitney Holding Corporation will be able to elect all members of the bank's board of directors, the plan before the Board includes a so-called "phantom bank" merger, which makes it impossible for a stockholder of the bank to retain his stock interest therein. The purpose of centralizing control of the holding company and its banks in the hands of very few individuals—perhaps only one individual—is apparent from other features of the proposal. Not only would the privilege of cumulative voting be denied to minority stockholders of Whitney Holding Corporation, but its Articles of Incorporation provide that its board may consist of as few as three directors. Furthermore, the Articles would permit a director, absent from a meeting, to authorize another director to "cast the vote of the absent director, according to written instructions, general or special...." The statutes of Louisiana permit the use of such directors' proxies. Absent such statutory authorization, which is unusual if not absolutely unique, the courts uniformly have held that directors'
responsibilities may not lawfully be discharged by giving proxies in lieu of attending directors' meetings. The basic duty of directors is to direct the policies of the corporation. To perform this duty, directors should attend meetings, participate in discussion, and vote in accordance with convictions arrived at after full and free interchange of ideas.

In brief, the plan before the Board seems designed to minimize the participation of stockholders, and even of directors, in the control and management of the holding company and its subsidiary banks. This appears to be the common objective of (1) eliminating minority interests in subsidiary banks (where they would enjoy the cumulative voting privilege), (2) the absence of cumulative voting in the bank holding company, (3) the provision for a board of directors that may consist of only three members, and (4) the almost unprecedented provision for use of proxies at directors' meetings. Taken together, these features of the proposal reflect an arrangement by which power to direct and control the holding company system, including its banks, could be concentrated in the hands of a single individual. In my judgment, such an undemocratic arrangement is particularly inappropriate in a system that is to consist of national banks, when it is considered that none of the three latter features is permissible under the National Bank Act and related Federal statutes. It should not receive this Board's stamp of approval.

The proposal before the Board would promote banking convenience in the East Bank section of metropolitan New Orleans to a moderate degree.
It would also, however, provide a vehicle for enhancing the existing high degree of banking concentration in the area and would permit a centralization of banking power of major proportions in individual hands, to a degree that, to my knowledge, is without parallel in the American banking system. For these reasons, I conclude that the creation of the proposed holding company system would be contrary to the public interest and therefore should be denied.

May 3, 1962
TARVER - ATLANTA

KECEA

A. Whitney Holding Corporation, New Orleans, Louisiana

B. Crescent City National Bank, New Orleans, Louisiana
   Whitney National Bank in Jefferson Parish, Louisiana

C. None.

D. At any time prior to July 1, 1962, (1) to elect directors of such banks, and (2) to authorize the consolidation of Crescent City National Bank with Whitney National Bank of New Orleans, New Orleans, Louisiana, and for such other purposes as may be necessary in connection therewith, provided that all actions taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

(Signed) Elizabeth L. Carmichael

CARMICHAEL

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 51b of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).
The Honorable James J. Saxon,
Comptroller of the Currency,
Washington 25, D. C.

Dear Jim:

We have your letter of April 25, 1962, asking for comments on a condensed Report of Condition form you "plan to use for future calls other than the year-end call," and also your letter of April 26, indicating that you already have "reduced substantially the content of that form.

The Board wonders if full consideration has been given by your office to the essential character of these data, and of their importance not only to the Board but to others in business, in Government, and in banking.

So far as the Board itself is concerned, the detailed breakdown of loans, deposits, and other data now shown on the back of the call report form are key elements in determining developments in the money supply and in basic demands for bank credit. These data are crucial to the Board in the discharge of its statutory responsibilities for the formulation and execution of monetary and credit policy.

The Board is in full sympathy with the objective of holding reporting burdens upon banks to the minimum consistent with the needs of public policy. However, if the report form for national banks is so condensed as to eliminate the vital information now obtained, the Board would have no alternative but to ask the national banks, pursuant to the provisions of Section 11(a) of the Federal Reserve Act, to submit separate reports of condition on the same form now used by State member banks.

Because of its continuing responsibility for Governmental statistical standards, the Bureau of the Budget is being given a copy of this letter. A copy also is being sent to the Federal Deposit...
The Honorable James J. Saxon

Insurance Corporation in view of its responsibility for compiling condition statistics for all banks.

Sincerely yours,

Bill

Wm. McC. Martin, Jr.
The Honorable James J. Saxon,
Comptroller of the Currency,
Washington 25, D. C.

Dear Jim:

In response to your letter of April 25, 1962, relating to the survey of member banks in relation to chain banking that the Board has undertaken at the request of Mr. Patman, I can assure you that no discourtesy to your office was intended.

As you undoubtedly know, historically, surveys of the banking structure have fallen to the lot of the Board, basically because of statutory responsibilities imposed on the Board and by the fact that the Congress on several occasions has asked the Board to compile information on the subject. The discussions with Mr. Patman over the nature of this particular survey—and indeed whether such a survey should be made—extended over a considerable period of time. We intended nothing more in our letter of April 19 than to let you know promptly of the Board's agreement with Mr. Patman and to offer your office opportunity to join with us in this project, without presuming to commit you in any way.

Your letter seems to us to indicate that you do not wish to participate, but if we are mistaken in that, please let us know.

Sincerely yours,

Wm. McC. Martin, Jr.

Bill