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Minutes for June 4, 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 Monday, June 4, 1962. The Board met in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of
Examinations
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Spencer, General Assistant, Office of
the Secretary
Mr. Young, Senior Attorney, Legal Division
Mr. Potter, Attorney, Legal Division
Mr. Egertson, Review Examiner, Division
of Examinations

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

Item No.

Letter to Norfolk County Trust Company,
Brookline, Massachusetts, approving the
establishment of branches at (1) 60 McGrath
Highway, Quincy, and (2) 525 Washington Street,
Weymouth.

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Application of Marine Corporation (Items 2 and 3). Pursuant
to the decision reached at the meeting on May 22, 1962, distribution
had been made under date of June 1, 1962, of a proposed order and
statement reflecting the Board's approval of the application of The

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Marine Corporation, Milwaukee, Wisconsin, to acquire 80 per cent or more of the voting shares of Security State Bank, Madison, Wisconsin.

In discussion, Governor Mills suggested certain changes that would cast the statement in a more positive tone. Agreement with these suggestions having been expressed, the issuance of the order and statement was authorized subject to the several changes being made. Copies of the order and statement, as issued, are attached as Items 2 and 3.

Mr. Potter then withdrew from the meeting.

Application of Bank of Wood County Company. There had been distributed a memorandum from the Division of Examinations dated May 25, 1962, recommending favorably on an application by The Bank of Wood County Company, Bowling Green, Ohio, for consent to consolidate with The Perrysburg Banking Company, Perrysburg, Ohio. As indicated in the memorandum, the reports on competitive factors from the other bank supervisory agencies and the Department of Justice were not adverse.

At the Board's request, Mr. Leavitt made a statement regarding the facts of the case and the reasons underlying the recommendation of the Division of Examinations, his comments being based substantially on the information presented in the May 25 memorandum.

Following Mr. Leavitt's comments, all of the members of the Board indicated that they would favor approval of the proposed transaction. Accordingly, the application was approved unanimously, with

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the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

Messrs. Shay, Young, and Egertson then withdrew from the meeting.

First Oklahoma Bancorporation (Item No. 4). With reference to the Board's order of June 1, 1962, in the matter of the application of First Oklahoma Bancorporation, Inc., Oklahoma City, Oklahoma, Mr. O'Connell reported receipt this morning of a telegram from Mr. Paul D. Lagomarcino, Jr., Counsel representing protesting banks. The telegram was, in essence, a renewal of a motion that First State Bank of Idabel, Idabel, Oklahoma, and all protesting banks situated within Oklahoma City be admitted as parties in the forthcoming hearing. Motions were also being made for a stay of the proceeding and for clarification of the Board's prior order, it being contended that the prior orders of the Hearing Examiner and the Board failed to include a determination of the status of the protesting banks as "parties."

Following comment by Mr. O'Connell, and upon his recommendation, unanimous approval was given to a telegram to Mr. Lagomarcino denying the several motions. A copy of the telegram, in the form approved, is attached as Item No. 4.

Mr. O'Connell indicated, in response to a question, that if the Hearing Examiner should propose to admit as parties to the proceeding the two banks (one in Oklahoma City and the other in Idabel) that were

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clearly competitive with the two banks that would become subsidiaries of First Oklahoma Bancorporation, as Board Counsel he would interpose no objection.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today 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 Rodney T. Bird as assistant examiner.

Memorandum from the Division of Administrative Services dated May 29, 1962, recommending that an order be placed with Judd & Detweiler, Inc. for reprinting 50,000 copies of the Fourth Edition of the book "The Federal Reserve System--Purposes and Functions" at an approximate cost of \$15,175, and that an overexpenditure in the printing and binding budget of the Division of Administrative Services be authorized for this purpose.

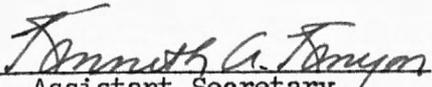
Memoranda from appropriate individuals concerned recommending increases in the basic annual salaries of the following persons on the Board's staff, effective June 10, 1962:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Ruth W. Eschmeyer, Senior Records Clerk		\$ 4,675	\$ 4,840
<u>Research and Statistics</u>			
Stephen H. Axilrod, Economist		12,470	12,730
Stephen P. Taylor, Chief, Flow of Funds and Savings Section		12,730	12,990
<u>Bank Operations</u>			
Mary Teresa Johnson, Clerk-Stenographer		4,460	4,565
P. D. Ring, Technical Assistant		9,215	9,475
Judith S. Scully, Secretary		4,675	4,840
John D. Smith, Technical Assistant		9,215	9,475

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Salary increases effective June 10, 1962 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Frances E. Willis, Charwoman		\$3,185	\$3,290


 Assistant Secretary

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

Item No. 1
6/4/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 4, 1962.



Board of Directors,
Norfolk County Trust Company,
Brookline, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of the following branches by Norfolk County Trust Company, Brookline, Massachusetts, provided each is established within one year from the date of this letter:

- (1) 60 McGrath Highway, Quincy, and
- (2) 525 Washington Street, Weymouth, Massachusetts.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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IT IS ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is granted, provided that the acquisition so approved 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 4th day of June, 1962.

By order of the Board of Governors.

Voting for this action: Governors Balderston, Mills, Robertson, Shepardson, and Mitchell.

Absent and not voting: Chairman Martin and Governor King.

(Signed) Merritt Sherman

(SEAL)

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 3
6/4/62

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

STATEMENT

The Marine Corporation, Milwaukee, Wisconsin ("Marine"), 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 capital stock of Security State Bank, Madison, Wisconsin ("Bank").

Views and recommendations of the Commissioner of Banks for the State of Wisconsin. - Pursuant to section 3(b) of the Act, the Commissioner of Banks for the State of Wisconsin was asked for his views and recommendations. He replied that he had no objection to approval.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and area concerned; and (5) whether or not the effect of the proposed acquisition

would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - Marine has nine subsidiary banks with total deposits at December 31, 1961, of about \$324 million, of which about \$199 million was held by Marine National Exchange Bank, Milwaukee ("Marine National"), the third largest bank in the State. Bank, with total deposits of about \$20 million at December 31, 1961, is over 70 miles from Marine's nearest subsidiary bank and the Milwaukee area where seven of Marine's nine subsidiary banks are located.

Consideration of the financial history and condition of both Marine and Bank discloses nothing that weighs significantly either for approval or disapproval. The present management of Bank is satisfactory, but it appears that the holding company would provide desirable assistance leading toward the assurance of adequate management succession, and Bank's prospects would be improved accordingly. This is, therefore, a consideration on the side of approval. All told, Bank's prospects are satisfactory, as are the prospects and management of Marine.

Such effects as the acquisition would have, under the fourth statutory factor, on "convenience, needs, and welfare" would be felt principally in the Madison area, which appears to include the present

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and potential service areas of Bank. Bank is located about two miles northeast of the central business district of Madison and it is the only bank located in its primary service area^{1/}, but most of the other banks in the Madison area, including the five banks in the central business district, compete with Bank to some degree. Bank's primary service area includes both residential and industrial sectors and is estimated to have approximately doubled its population in the last 10 years. Madison as a whole showed a population growth of about 32 per cent in the 10 years ended 1960. It is the capital and second largest city in Wisconsin.

The Applicant has not shown that banking facilities in Madison or available to customers in Bank's service area are inadequate from the standpoint of either need or convenience. Commercial and industrial loans would seem to be a principal category of loans as to which affiliation with the holding company could be of benefit, but neither as to that category nor as to others does there appear to be a significant unfulfilled demand for credit. It does appear, however, that the affiliation would facilitate a broader base for loan extensions.

The Applicant describes a program for augmenting Bank's services, partly by adding trust and foreign trade services, and for the provision of specialized assistance to Bank's internal

^{1/} The "primary service area" is defined as that area from which a bank draws 75 per cent or more of its total deposits.

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operations. Such a program should tend to improve service, increase efficiency, stimulate competition, and thereby contribute to a general improvement in the levels of banking service in the area. Such effects are naturally to be desired and may be considered favorable to approval but, on the facts of the case as to the adequacy and convenience of banking service presently available to the public in the area, they are not of decisive importance.

It remains to be determined whether the effects of the acquisition would be consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking, or whether there would be adverse effects in these respects that would outweigh the somewhat favorable considerations noted under the first four factors. The figures shown below relating to deposits and banking offices are based on data for December 31, 1961.

Marine's nine subsidiaries, all in Wisconsin, hold approximately \$324 million in total deposits, or 6.5 per cent of the total deposits of all commercial banks in Wisconsin. Of this amount, about \$199 million represents deposits of the largest subsidiary, Marine National Exchange Bank of Milwaukee. There are two holding companies with larger deposits in their Wisconsin subsidiaries - First Wisconsin Bankshares Corporation with commercial bank deposits in the State of about \$985 million and Bank Stock Corporation with about \$368 million of such deposits, representing about 20 per cent and 7 per cent of the State total, respectively. The largest bank of each of these two systems is larger than Marine's

largest bank in total deposits, and each of the two holds the bulk of the deposits of its system; these two banks are First Wisconsin National Bank of Milwaukee with \$785 million, and Marshall & Ilsley Bank with \$284 million. Of commercial banking offices in the State, the First Wisconsin Bankshares system has 3.3 per cent and Marine 1.5 per cent; all other banking organizations, holding companies as well as banks, have less than one per cent each. The acquisition of Bank would add to the Marine system only .2 per cent of commercial banking offices, and .5 per cent of commercial bank deposits in the State.

Thus, on a state-wide basis, Marine's present size and extent are not such as to be a matter of serious concern, and the proposed acquisition would not significantly change the existing situation. Nor would this acquisition materially affect the situation in the Milwaukee area, the focal point of the holding companies' operations, where the First Wisconsin Bankshares system has a similarly prominent lead in deposit strength and the Bank Stock system is a major competitor.

The situation in the State and in Milwaukee has its parallels in the Madison area. The largest bank there is First National Bank, a First Wisconsin Bankshares subsidiary, with \$99 million in total deposits. The Bank of Madison, not affiliated with any holding company, is second with about \$25 million, Bank is third with about \$20 million, and the next in size has about \$19 million. Of the remaining banks, two have about \$12 million of deposits each and the other four, two of which are outside the City of Madison, each have less than \$7 million. The latter four are so situated that they need not be considered to be significantly, if at all, in competition with Bank.

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As noted previously, Bank is 70 miles from the nearest Marine subsidiary. While Marine National Exchange Bank of Milwaukee, as one of the large banks in the State, may have some Madison business customers, it does not appear that this would represent significant competition with Bank, in view of the difference in their sizes and the kinds of business that Marine National would obtain at that distance. Thus, the acquisition would not noticeably lessen existing competition as between Bank and any of Marine's present subsidiaries.

The acquisition would, on the other hand, put Bank in a better position to handle the business of those customers who have reason to deal with a Milwaukee-connected Madison bank. Bank is undoubtedly able to accommodate such customers to some extent through its correspondent relationships, but at present First National Bank of Madison, because of its membership in the First Wisconsin Bankshares system, would seem to have an advantage in obtaining such accounts.

The affiliation of Bank with the Marine system would apparently strengthen it as a competitor in the field of banking in various ways, not only through the new relationships with other system banks, but also through some expansion and improvement in services that could not be so easily or economically achieved by Bank on its own. Just how extensive or significant such effects of the acquisition would be cannot be precisely measured, but because of the disparity in size between First National and its principal competitors, which include Bank, the strengthening of Bank's competitive position is desirable

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as tending to equalize competition. Because of the relatively balanced distribution of resources among area banks apart from First National, and because the smallest are the least exposed competitively, such strengthening of Bank's competitive position as might result from its acquisition by Marine would not be expected to have an adverse effect on smaller banks but should serve as a desirable influence on competition among the larger banks and even among Madison banks generally. Bank's present situation in the Madison banking structure would distinguish the acquisition here proposed from one whose principal tendency would be to increase the competitive advantage of a dominant bank.

For the foregoing reasons, the Board concludes that the effect of the acquisition would not be to expand the size and extent of the Marine system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking, and that there are considerations favorable to approval under the fifth statutory factor as well as under some of the others. It is the judgment of the Board, upon consideration of the facts of the case in the light of the statutory factors and the general purposes of the Act, that this application should be approved.

June 4, 1962.

TELEGRAM
BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
6/4/62

June 4, 1962.

Paul D. Lagomarcino, Jr., Esq.,
Counsel for Objecting Banks,
The Skirvin Hotel,
Park Avenue & Broadway,
Oklahoma City 2, Oklahoma.

Reurtel June 3 renewing motion to be admitted as parties, motion to stay, and motion for clarification of prior order in matter of First Oklahoma Bancorporation, Inc. Section 222.7(c) of Regulation Y defining parties refers to any person who has filed a request in writing to be admitted as a party and who is entitled as a right to be admitted. Board's June 1 order delegated decision as to entitlement and extent of participation to Hearing Examiner. Board is advised that such determination will be made at conference prior to evidence-taking portion of hearing. Board believes that adequate time for preparation of their presentations, regardless of ultimate status given your clients, previously available. Accordingly, your several motions are denied.

(signed) Merritt Sherman.

Merritt Sherman, Secretary,
Federal Reserve Board.

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

Item No. 5
6/4/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 5, 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 May 29, 1962, the Board approves the appointment of Rodney T. Bird as an assistant examiner for the Federal Reserve Bank of New York. Please advise the effective date of the appointment.

It is noted that Mr. Bird is indebted to Community Bank of Linden, Linden, New Jersey, a nonmember bank. Accordingly, the Board's approval of the appointment of Mr. Bird 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.