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Minutes for June 18, 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

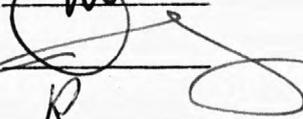
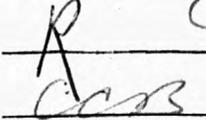
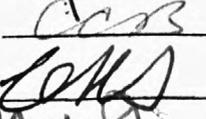
Gov. Robertson

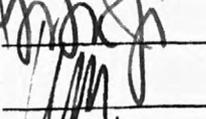
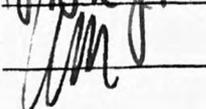
Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System
on Monday, June 18, 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. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of
Examinations
Mr. O'Connell, Assistant General Counsel
Mr. Thompson, Assistant Director, Division
of Examinations
Mr. Stephenson, Special Assistant, Division
of Examinations
Mr. Bakke, Senior Attorney, Legal Division
Mr. Young, Senior Attorney, Legal Division
Mr. McClintock, Supervisory Review Examiner,
Division of Examinations
Mr. Smith, Review Examiner, Division of
Examinations

Circulated or distributed items. The following items, which
had been circulated or distributed to the Board and copies of which are
attached under the respective item numbers indicated, were approved
unanimously:

Item No.

1

Letter to The Merchants and Farmers Bank,
Smithfield, Virginia, approving its request
to retain ownership of formerly occupied bank
premises for a period of six months.

6/18/62

-2-

	<u>Item No.</u>
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in the vicinity of Rosemont Plaza, Sacramento County.	2
Letter to the Bureau of the Budget recommending approval of enrolled bill H. R. 10162, "To amend the Bretton Woods Agreements Act to authorize the United States to participate in loans to the International Monetary Fund to strengthen the international monetary system."	3

Application of Hillsboro Bank and Savings Company (Items 4 and 5).

Pursuant to the decision reached at the meeting on June 8, 1962, there had been distributed drafts of an order and a statement reflecting approval of the application of The Hillsboro Bank and Savings Company, Hillsboro, Ohio, to acquire the assets and assume the liabilities of The Citizens Bank and Savings Company of Leesburg, Leesburg, Ohio, and, incident thereto, to establish a branch at the location of the Leesburg bank.

No objection being indicated, the issuance of the order and statement was authorized. Copies of the order and statement are attached as Items 4 and 5, respectively.

Application of Marine Midland Corporation. There had been distributed to the Board a memorandum from the Division of Examinations dated June 15, 1962, presenting a procedural question with respect to the application of Marine Midland Corporation to acquire the voting shares of Security National Bank of Long Island, Huntington, New York.

6/18/62

-3-

The memorandum noted that on May 4, 1962, the Comptroller of the Currency was advised regarding this application in accordance with the applicable provisions of the Bank Holding Company Act. The Comptroller's letter to the Board recommending disapproval of the application was dated June 5, 1962, and was received at the Board's offices on June 8. Therefore, since the letter was not received until after the expiration of the 30-day period allowed under the Holding Company Act, it was not legally necessary for a hearing to be held on the application. Question was raised, in the circumstances, as to the Board's preference among three possible courses of action: (1) a formal hearing before a hearing examiner; (2) an oral presentation before the Board; and (3) consideration by the Board on the basis of memoranda prepared by the staff. It was the Division recommendation that an oral presentation be held.

In commenting on the matter, Mr. Solomon noted that in a letter dated January 22, 1962, the Comptroller had expressed adverse views on the Marine Midland proposal along with certain other New York State holding company and merger applications that were then pending. At that time the Marine Midland application had not yet been received by the Board. When it was received, the Comptroller's recommendation was requested, but such recommendation was not received until after the expiration of the 30-day period provided by law. Therefore, a hearing was not legally required and the Board was faced with a procedural decision. If that decision should be to hold an oral presentation, as

6/18/62

-4-

recommended by the Division of Examinations, there would be a question of timing because the application had not yet been acted upon by the New York State Banking Department. If the action at the State level should be unfavorable, that would end the matter. The advantage in reaching a procedural decision at this time, as far as the Board was concerned, would be to avoid further delay by affording the applicant an opportunity to begin making preparations if the New York State decision should be favorable.

Mr. Hackley reported that Counsel for Marine Midland had called him within the past few days and expressed a desire that there be some kind of public proceeding on this application. Counsel indicated that an oral presentation before the Board would be satisfactory from his standpoint. He also indicated that a letter requesting a public proceeding would be written; that letter had not as yet been received, but there would seem to be no reason for the Board to defer a procedural decision for that reason. The anticipated letter probably would also raise the question of exclusion from a public oral presentation of certain information regarding the management of Security National Bank. The Board some time ago, in reply to an inquiry from Marine Midland, had indicated that it would consider the exclusion of confidential information in such regard from any public record.

Mr. Hackley said he would agree with the Division of Examinations that an oral presentation would be desirable in this case, and preferable to a formal hearing before a hearing examiner.

6/18/62

-5-

There followed questions by Governor Mills relating to the advisability of announcing an oral presentation before the New York State authorities had reached a decision, his concern being that such action on the part of the Board might be interpreted as anticipating a favorable decision on the part of the State, to the possible detriment of relations between the Board and the State authorities.

After discussion of this point, Chairman Martin suggested that the Board's staff might indicate informally to Counsel for Marine Midland that it would be the staff's recommendation to the Board that an oral presentation be held if the State should act favorably on the application. This might serve to avoid the problem envisaged by Governor Mills, yet it would alert Marine Midland to begin preparing for an oral presentation and reduce the time that would need to be given if an oral presentation should later be ordered. Similar advice could be given to parties claiming to represent an independent committee of stockholders of Security National Bank who had repeated their request for a hearing in a telegram dated June 15, 1962.

Governor Robertson then raised certain questions regarding the sufficiency of an oral presentation in the circumstances of this case. Although the Comptroller's letter had not been received quite within the 30-day limit, he asked whether it would seem desirable to stand on that technicality in light of the provisions of the Bank Holding Company Act that required a hearing if the appropriate Federal or State

6/18/62

-6-

supervisory authority--in this case the Comptroller--recommended unfavorably on an application. It could not be contended in this instance that the Comptroller's failure to respond within the 30-day limit would contribute to undue delay because the New York State authorities had not yet acted on the application. Governor Robertson inquired whether the Legal Division felt that an oral presentation would constitute compliance with the statutory requirement for a hearing.

Mr. Hackley replied to the effect that the statute was not specific, merely requiring a hearing under certain conditions. Possibly an oral presentation might be regarded as complying with the statute. However, the Administrative Procedure Act provides that in the case of any hearing required by statute, certain procedures shall be followed. In a case of this kind it would be preferable, in his opinion, to take the position that no hearing was required by statute, in which event the provisions of the Administrative Procedure Act would not be applicable.

In further discussion, Governor Mills commented that if an oral presentation would accomplish essentially the same purposes as a formal hearing before a hearing examiner, while avoiding the delay that would be involved in a formal hearing, he found it difficult to believe that the Comptroller would take exception. It appeared to the Governor that the spirit of the statute would be observed by ordering an oral presentation.

6/18/62

-7-

Governor Robertson then commented that personally he would prefer an oral presentation to a formal hearing, with the consumption of time that the latter would involve. However, he thought it was not worth while to avoid a formal hearing if, by so doing, the Board would be likely to run into criticism on the ground that it had complied with the statute merely because the Comptroller's letter was not filed within the 30-day limit.

Mr. Hackley pointed out that if this was regarded as a case where the statute required a hearing, the Board had already violated the statute, which makes it mandatory upon the Board to follow a certain procedure when an adverse recommendation is received from the Comptroller or the State authority, as the case may be, within the 30-day limit. In such event, the Board must forthwith give the applicant notice. Then, within three days, the Board must set the date for commencement of a hearing, and actually commence the hearing not less than 10 nor more than 30 days after the notice to the applicant.

Following additional discussion of the circumstances of the case, Governor Robertson said that if the Legal Division and the Board were satisfied that the Board would not unnecessarily be running the risk of criticism for failure to abide by the statute, he would go along with an oral presentation. However, he raised the question whether it would not be desirable for the Board to take action today stating that before any decision was reached by the Board on the

6/18/62

-8-

application, there would be an oral presentation at which interested parties would be given an opportunity to express themselves. This would not indicate what decision might be reached by the State, but it would give notice to everyone concerned that there would be an oral presentation before the Board took any action on the application.

Chairman Martin commented that in considering such a procedure, the points raised previously by Governor Mills also should be taken into account. He was inclined to question whether there was any compelling reason for taking formal action with regard to an oral presentation at this time. An indication could be given to Marine Midland informally by the staff that would be sufficient to suggest to Marine that it should be prepared for an oral presentation, but the Board need not commit itself in advance of the State action on the matter.

The Chairman asked Governor Mills whether such a procedure would meet his point, and the latter replied in the affirmative. Accordingly, Governor Robertson's reservations having been noted, it was agreed to proceed in such manner.

Mr. Stephenson then withdrew.

Application of First Wisconsin Bankshares (Item No. 6). There had been distributed to the Board a memorandum from the Division of Examinations dated June 15, 1962, presenting a procedural question with respect to the application of First Wisconsin Bankshares Corporation,

6/18/62

-9-

Milwaukee, Wisconsin, to acquire 80 per cent or more of the shares of Merchants & Savings Bank, Janesville, Wisconsin. This application was filed with the Board on April 2, 1962, and notice of its receipt was transmitted to the Wisconsin Commissioner of Banks on April 5, 1962.

In a letter dated May 25, 1962, the Commissioner recommended denial of the application. Since the Commissioner exceeded the 30 days allowed by statute for filing his reply, no hearing was legally required on the application. As among a formal hearing before a hearing examiner, an oral presentation before the Board, and consideration of the matter by the Board solely on the basis of memoranda from the staff, the Division of Examinations recommended that an oral presentation be ordered.

In commenting on the matter, Mr. Solomon noted that if the Board should decide to follow the Division recommendation and hold an oral presentation, no question of timing would be involved because there was no provision in Wisconsin law for action by the State on an application of this kind.

Governor Robertson noted that the statements of the proponents and the State Commissioner regarding this application seemed to indicate a disparity of understanding as to the facts, which would suggest a formal hearing before a hearing examiner. Unless the right of cross-examining witnesses was afforded, he did not see how the Board could obtain a satisfactory record on which to base its findings on the application.

6/18/62

-10-

Mr. Solomon replied that although sharp differences of opinion existed, he did not believe that they went to the facts of the case, but rather that they related to interpretation of the facts. In the circumstances, he did not feel that the Board would be appreciably better off if it held a formal hearing instead of an oral presentation. In essence, matters of judgment and opinion based on the facts were involved, and he thought an oral presentation would serve to get at the issues as well as a formal hearing.

Mr. Hackley said he had assumed, like Mr. Solomon, that the main issues in this case revolved around interpretation of the facts rather than the facts themselves. In the past, a formal hearing had been favored in cases where the facts appeared to be in dispute or where a number of objections by banks or others had been filed.

After further discussion, the Chairman turned to the members of the Board, and Governor Mills expressed agreement with the staff recommendation on procedure. He felt that an oral presentation would suffice to sift out all of the information that the Board would need, particularly since the Board had examined the Wisconsin banking situation so thoroughly in previous cases.

Governor Shepardson commented that his preference would be for an oral presentation if the Legal Division was satisfied that the Board would not be running afoul of statutory requirements by not ordering a formal hearing.

6/18/62

-11-

Mr. Hackley responded to a question from the Chair by saying that he did not think the Board would run afoul of statutory requirements by ordering an oral presentation. He thought there was even less question on this point than in the Marine Midland case, just discussed by the Board. He added that even in circumstances where a hearing was required by statute, conceivably an oral presentation might be held to comply with the statute. However, if a hearing was regarded as required by statute, that would mean that the provisions of the Administrative Procedure Act relating to statutory hearings would be applicable.

In response to a question from Governor Robertson, Mr. O'Connell said that in the case of a statutory hearing, as opposed to the usual oral presentation, the principal procedural distinctions would relate to the receipt of evidence. An opportunity would be afforded for cross-examination of witnesses by counsel for the applicant and objectors. Also, provision would be made for the submission of certain briefs within specified periods of time.

Mr. Hackley noted that if there was a statutory hearing, the Board would be compelled to consider the application solely on the basis of the hearing record. In the case of an oral presentation, the transcript of the presentation was regarded as merely one part of the entire record.

At the conclusion of additional discussion, it was agreed to order an oral presentation before the Board on a date mutually convenient

6/18/62

-12-

to the Board and the applicant, and the staff was authorized to work out the necessary arrangements. A copy of the order subsequently issued pursuant to this action is attached as Item No. 6.

Messrs. O'Connell, Thompson, Bakke, and Smith then withdrew.

Application of Asbury Park and Ocean Grove Bank. On May 25, 1962, the Board heard an oral presentation on the application of Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey, to merge with The Central Jersey Bank and Trust Company of Freehold, Freehold, New Jersey. There had been distributed, under date of June 6, 1962, a memorandum from the Division of Examinations discussing the material submitted at the oral presentation. The Division continued to recommend denial of the application.

Following comments by Mr. McClintock, Governor Balderston inquired how much importance the Division of Examinations attached to the argument that a complementary arrangement was involved in the merger.

Mr. Solomon replied that the Division did not consider this argument too persuasive. The principal argument along those lines advanced by the banks seeking to merge was that an increased lending limit would be desirable. However, the actual degree of benefit to the area from an increased lending limit seemed open to question. In the view of the Board's staff, the increased limit would not greatly enhance the present ability of the constituent banks to serve the

6/18/62

-13-

Asbury Park area. Admittedly, there might be a number of additional customers that the resulting bank could serve without participation of loans, but that seemed a relatively slight advantage to the public interest compared with the reduction of competition that would result from the merger.

Governor Balderston then inquired as to the staff views regarding the appropriate area of competition to be considered in this case.

Mr. Solomon replied that in any case where there was heavy banking concentration in a particular area, that could be watered down by enlarging the area of competition. It seemed to the Division of Examinations that the enlarged area of competition suggested by the applicant banks was not reasonable. The area within a two-mile radius of Asbury Park was used by the other Federal banking agencies and by the Department of Justice in submitting their reports on competitive factors to the Board. Outside that area, other banks began to come into the picture. Even so, there was still a heavy concentration within the six-mile radius suggested by the applicant banks.

The Chairman then turned to the members of the Board for their views, and Governor Mills said he concurred in the recommendation of the Division of Examinations that the application be denied. He thought there was clear evidence that approval, in the circumstances of the case, would be contrary to the principles of the Bank Merger Act. As he had mentioned previously, he felt the Board should be careful not

6/18/62

-14-

to put too much emphasis on benefits alleged from an expanded lending capacity. Safety of deposits was the first consideration, with lending capacity a weak second, especially in an area like the one under discussion where there were already banks of substantial size. In almost any case, one would find some company or industry that had outgrown local credit facilities. One or two accounts could be important to a bank, but they were not usually as important to success and growth as one was sometimes led to believe. It was the ability of the bank to draw deposits out of the whole trade area that counted more heavily.

Other members of the Board also having indicated that they concurred with the recommendation of the Division of Examinations, the application was denied by unanimous vote, with the understanding that the Legal Division would draft an order and statement for the Board's consideration.

Messrs. Young and McClintock then withdrew and Mr. Harris, Coordinator of Defense Planning, entered the room.

New Orleans Branch building project. Mr. Farrell reported on a potential problem that had arisen in connection with the New Orleans Branch building project. The Board had received a letter from Congressman Boggs of Louisiana transmitting, with a request for consideration, a letter from the owner of premises abutting the proposed new branch building who complained that the Reserve Bank claimed the right to come into his property and demolish one wall of his building

6/18/62

-15-

to the height of three stories, which would present him with a serious problem. The Congressman's letter had been forwarded to President Bryan of the Federal Reserve Bank of Atlanta, and in turn to the New Orleans Branch and the attorney representing it in connection with the building project, with the result that there had been a suggestion from the attorney for a conference between Congressman Boggs and the parties at interest. However, the Congressman's office had advised that he was not inclined toward such a meeting.

Mr. Farrell then described further the situation that gave rise to the problem, the legal rights apparently available to the Reserve Bank under Louisiana law, and the possibility of some compromise solution. He expressed some apprehension that if the Reserve Bank stood firmly on its legal rights, adverse consequences from a public relations standpoint might result.

After some discussion of the problem described by Mr. Farrell, Chairman Martin expressed the view that there would seem to be little point in the Board's taking a position on the matter, at least at this time. He suggested that President Bryan be asked informally to do whatever was possible to work the matter out in some way that would be relatively satisfactory to the parties concerned, with the understanding that the matter could be brought back to the Board, if necessary, should no reasonable solution be found.

It was agreed to proceed in the manner suggested by the Chairman.

6/18/62

-16-

The meeting then recessed and the Board reconvened at 2:30 p.m. with Chairman Martin and Governors Balderston, Mills, Robertson, and Shepardson present. In addition, Professor Dan McGill of the Wharton School of Finance, University of Pennsylvania, was present.

Retirement System. It was reported to the Secretary that, following preliminary comments by Professor McGill as to the nature of the Retirement System of the Federal Reserve Banks, the Board (a) requested Professor McGill to make further study and inform the Board of various phases of the Retirement System, and (b) agreed that Mr. Fulton, Chairman of the Conference of Presidents of the Federal Reserve Banks, should be informed that the Board would defer acting on questions that had been presented by a memorandum accompanying a letter from Mr. Fulton dated May 31, 1962, in which Mr. Fulton had requested an informal expression of the Board's views prior to the meeting of the Trustees of the Retirement System to be held on Wednesday, June 20, 1962. In taking this action, it was understood that Governor Mills would initiate arrangements for Professor McGill to meet with the actuary and representatives of the Retirement Committee.

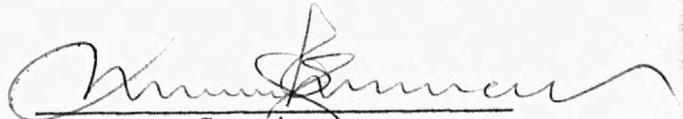
Secretary's Note: Subsequently, the Secretary was informed that the Board met with Mr. Fulton on June 19, 1962, to apprise him of the arrangements made by the Board for a study of the Retirement System by Professor McGill and also to inform him of reasons why the Board would defer responding to the request contained in his letter of May 31, 1962.

6/18/62

-17-

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from the Division of Research and Statistics, Governor Shepardson today approved on behalf of the Board acceptance of the resignation of Marjorie Hollingshead, Secretary in that Division, effective at the close of business June 20, 1962.



Secretary

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

2200

Item No. 1
6/18/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1962.

Board of Directors,
The Merchants and Farmers Bank,
Smithfield, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System grants permission to The Merchants and Farmers Bank to retain its ownership of formerly occupied bank premises for a period of six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

Item No. 2
6/18/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1962.

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wells Fargo Bank in the vicinity of Rosemont Plaza on Middle Jackson Road (now known as Kiefer Road), between Manlove and Mayhew Roads, Sacramento County, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
6/18/62

OFFICE OF THE CHAIRMAN

June 18, 1962.

Mr. Phillip S. Hughes, Assistant Director
for Legislative Reference,
Executive Office of the President,
Bureau of the Budget,
Washington 25, D. C.

Attention Mrs. Garziglia.

Dear Mr. Hughes:

This is to advise, in response to your communication of June 15, 1962, that the Board of Governors recommends that the President approve the enrolled bill, H. R. 10162, "To amend the Bretton Woods Agreements Act to authorize the United States to participate in loans to the International Monetary Fund to strengthen the international monetary system."

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



UNITED STATES OF AMERICA

Item No. 4
6/18/62

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
 THE HILLSBORO BANK AND SAVINGS COMPANY
 for approval of acquisition of assets of
 The Citizens Bank and Savings Company of
 Leesburg

ORDER APPROVING ACQUISITION OF BANK'S ASSETS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by The Hillsboro Bank and Savings Company, Hillsboro, Ohio, a member bank of the Federal Reserve System, for the Board's prior consent to its acquisition of the assets and assumption of the liabilities of The Citizens Bank and Savings Company of Leesburg, Leesburg, Ohio, and, as an incident thereto, The Hillsboro Bank and Savings Company has applied, under section 9 of the Federal Reserve Act, for the Board's prior approval of the establishment of a branch by that bank at the location of The Citizens Bank and Savings Company of Leesburg.

Pursuant to the Bank Merger Act, notice of the proposed acquisition of assets and assumption of liabilities, in form approved

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

IT IS ORDERED, for the reasons set forth in the Board's Statement of this date, that said applications be, and hereby are approved, provided that the capital stock of The Hillsboro Bank and Savings Company is increased as required by law before the date of the establishment of said branch, and provided further that said acquisition of assets and assumption of liabilities and establishment of said branch 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 18th day of June, 1962.

By order of the Board of Governors.

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

Absent and not voting: Governors King and Mitchell.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 5
6/18/62

APPLICATION OF THE HILLSBORO BANK AND SAVINGS COMPANY
FOR APPROVAL OF ACQUISITION OF THE ASSETS
OF THE CITIZENS BANK AND SAVINGS COMPANY OF LEESBURG

STATEMENT

The Hillsboro Bank and Savings Company, Hillsboro, Ohio ("Hillsboro Bank"), with deposits of approximately \$2.8 million as of December 31, 1961, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of its acquisition of the assets and assumption of the liabilities of The Citizens Bank and Savings Company of Leesburg, Leesburg, Ohio ("Leesburg Bank"), with deposits of approximately \$2.25 million as of December 31, 1961. As an incident to the foregoing, Hillsboro Bank has made application, under section 9 of the Federal Reserve Act, for the Board's prior approval for the establishment of a branch at the location of Leesburg Bank.

Under the Bank Merger Act, 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 12 U.S.C., Ch. 16 (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 of these factors, it finds the transaction to be in the public interest.

Banking factors. - The capital structure and financial condition of both banks are satisfactory, although in the event the transaction is consummated, the resulting bank must increase its capital as required by law prior to the establishment of the proposed Leesburg branch. The proposed transaction would have the effect of adding management strength and a basis for improved earning power to what has been the operation of the Leesburg Bank, whose earnings have been below the average of similar size banks in the Fourth Federal Reserve District. There is no indication that the powers exercised by the banks involved are or would be inconsistent with the purposes of 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - Hillsboro, Ohio (population about 5,500), the seat of Highland County, is situated in southwestern Ohio about 55 miles northeast of Cincinnati in a predominantly agricultural area, although some small industries provide employment for a substantial number of people. Leesburg, Ohio (population over 900), is located 11 miles north of Hillsboro and is the shopping center for people in the immediate area.

Although as a result of the proposed transaction no new services would be offered by the continuing institution, the general loan limit of Hillsboro Bank would be increased from \$25,000 to \$40,000. This increase would provide more adequate accommodations for certain

business concerns in Hillsboro and for many cattle feeders in the area. Likewise, the present customers of Leesburg Bank would benefit by the increased lending limit of the resulting institution (Leesburg Bank's present limit is \$15,000). In addition, the proposed transaction would result in providing the residents of Leesburg and the nearby area with a banking facility under the management of Hillsboro Bank which could serve their credit needs more adequately than has Leesburg Bank.

Competition. - There is only limited competition between the two banks involved. There may be some slight competition between Leesburg Bank and two larger banks in Washington Courthouse, situated 16 miles north of Leesburg. Hillsboro Bank's chief competition is with two larger banks in Hillsboro; in the event the proposed transaction is consummated, the three banks in Hillsboro would be approximately the same size. There is also limited competition between the Hillsboro Bank and a bank in Lynchburg, Ohio (12 miles northwest of Hillsboro).

A bank located at Greenfield, Ohio, nine miles east of Leesburg (deposits about \$4.4 million), and a branch of a Wilmington, Ohio, bank (deposits about \$11.3 million) located in New Vienna, nine miles west of Leesburg, are in competition with Leesburg Bank. To some extent, the establishment of a branch of Hillsboro Bank in Leesburg, in lieu of Leesburg Bank, would tend to stimulate this competition.

The acquisition of the assets of Leesburg Bank by Hillsboro Bank should not adversely affect any of the banks in the service area of

-4-

the resulting bank, and in certain sections of the service area of the continuing institution competition should be stimulated.

Summary and conclusion. - The proposed acquisition would eliminate little competition, since competition between the two banks involved is nominal. The proposed acquisition should not adversely affect any of the banks that compete in the service area of the resulting bank, and in certain sections of such service area competition should be stimulated. The banking factors support approval of the proposed acquisition, and customers of both Hillsboro Bank and Leesburg Bank would benefit from the increased lending limit of the continuing institution. Customers in Leesburg would be provided with a banking facility that could serve their credit needs more adequately than is being done at the present time.

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

June 18, 1962.

UNITED STATES OF AMERICA

Item No. 6
6/18/62

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

 In the Matter of the Application of
 FIRST WISCONSIN BANKSHARES CORPORATION,
 Milwaukee, Wisconsin

Pursuant to Section 3 of the
 Bank Holding Company Act of 1956

ORDER FOR PUBLIC PROCEEDING

The Board of Governors has pending before it an application filed by First Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956, for prior approval of the Board of the acquisition by Applicant of 80 per cent or more of the voting shares of Merchants & Savings Bank, Janesville, Wisconsin. Notice of the Board's receipt of this application was published in the Federal Register affording interested persons an opportunity to submit written views and comments regarding the application.

It now appears to the Board to be in the interest of the public, as well as the Applicant, to afford further opportunity for the expression of views and opinions by interested persons in a public proceeding before the Board. Accordingly,

-2-

IT IS HEREBY ORDERED, that a public proceeding before the Board be held commencing at 10 a.m. on August 7, 1962, at the offices of the Board of Governors, Washington, D. C.

IT IS FURTHER ORDERED, that any person desiring to express orally a view or opinion on the application before the Board should file with the Secretary of the Board, 20th and Constitution Avenue, N. W., Washington 25, D. C., on or before July 24, 1962, a written request relative thereto, setting forth therein a general statement of the nature of the views he wishes to express. Persons submitting such requests will be notified of the Board's decision thereon.

Dated at Washington, D. C., this 20th day of June, 1962.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)