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Minutes for November 14, 1963

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

M

Gov. Mills

[Signature]

Gov. Robertson

R.

Gov. Balderston

ccB

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Thursday, November 14, 1963. 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. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. O'Connell, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Mattras, General Assistant, Office of the Secretary
Miss Hart, Senior Attorney, Legal Division
Mr. Doyle, Attorney, Legal Division
Mr. Collier, Chief, Current Series Section, Division of Bank Operations
Mr. Guth, Review Examiner, Division of Examinations
Mr. Lyon, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Kansas City on November 13, 1963, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

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Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Mutual Trust and Deposit Company, New Albany, Indiana, approving the establishment of a branch across a public alley at the rear of the head office banking quarters.	1
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Turlock.	2
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in Walnut Creek.	3
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in Pittsburg.	4
Letter to The Groos National Bank of San Antonio, San Antonio, Texas, granting its request for permission to maintain reduced reserves.	5
Letter to Peoples Trust and Savings Bank, Green Bay, Wisconsin, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	6
Letter to the Federal Deposit Insurance Corporation regarding the application of State Bank of Virginia, Virginia, Minnesota, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	7
Letter to Smith, Axtell & Howell, Jacksonville, Florida, regarding whether an extra day's interest may be paid on a time certificate of deposit that falls due on a day declared by State law to be a legal holiday.	8

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to the Bank's Class B electricians at specified rates.	9
Letter to the Federal Reserve Bank of Chicago interposing no objection to the leasing of space in the Reserve Bank building to Walter E. Heller & Company, Inc., a company operating in the field of factoring and commercial financing.	10
Letter to the Federal Reserve Bank of Minneapolis approving the appointment of Betty Jean Lindstrom and Robert J. Simkins as Federal Reserve Agent's Representatives at the Helena Branch.	11

In connection with Items 2, 3, and 4, there was some discussion, at the instance of Governor Balderston, with regard to the question of pre-empting of branch sites by larger banks in the State of California. It was suggested that it might be desirable for the staff to arrange for discussion with the State Superintendent of Banks for the purpose of exchanging views as to developments, thus strengthening the liaison already maintained with the Superintendent by the Federal Reserve Bank.

In connection with Item No. 10, there was discussion from the standpoint of the precedent that might be established in leasing space to Walter E. Heller & Company, and reference was made to somewhat similar cases that had arisen in the past. During the discussion, Mr. Farrell reported that Governor Mitchell had indicated that he regarded the leasing of space to the Heller Company as appropriate. It was the general sentiment that the standing and reputation of the Heller Company

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were such that its occupancy of space in the Chicago building would raise no substantial question, but some of the Board members present expressed a degree of apprehension on the basis of precedent.

In connection with Item No. 11, mention was made of the relatively low rank of the persons presented for approval as Federal Reserve Agent's Representatives in this instance, but it was noted that in a small branch, like Helena, the possibilities were limited. The view was expressed that considerable reliance must be placed on the judgment of the directors and management of the Reserve Bank concerned.

Report on competitive factors (Scranton-Hazleton, Pennsylvania).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Traders Bank and Trust Company, Hazleton, Pennsylvania, into North-eastern Pennsylvania National Bank and Trust Company, Scranton, Pennsylvania.

After discussion, the report was approved unanimously for transmission to the Comptroller with the understanding that the conclusion would be revised to exclude a phrase that the effect of the proposed merger on competition would not be significantly adverse. Certain other changes in the conclusion were also agreed upon, together with the deletion of a sentence in the body of the report, taken from the application, which stated that there was intense competition from the large commercial banks in New York and Philadelphia for deposits and loans. The conclusion of the report, as sent, read as follows:

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The proposed merger of Northeastern Pennsylvania National Bank and Trust Company, Scranton, and Traders Bank and Trust Company, Hazleton, would eliminate the strong competition which now exists in Hazleton between Traders and two branches of Northeastern. However, there would remain a number of alternative banking sources which would continue to serve the Hazleton community. The proposal would have little effect in the larger total service area of Northeastern.

Messrs. Johnson, Hooff, Daniels, and Collier then withdrew from the meeting.

Application of Wachovia Bank and Trust Company (Items 12, 13, and 14). Pursuant to the decision reached at the meeting on November 5, 1963, there had been distributed a proposed order and statement reflecting the Board's approval of the application of Wachovia Bank and Trust Company, Winston-Salem, North Carolina, to merge with The Bank of Randolph, Asheboro, North Carolina. There had also been distributed a dissenting statement of Governors Mills and Robertson.

The issuance of the order, statement, and dissenting statement was authorized. Copies of the documents, as issued, are attached to these minutes as Items 12, 13, and 14.

Miss Hart then withdrew from the meeting.

Application of First Colorado Bankshares (Items 15-18).

Pursuant to the decision reached at the meeting on October 9, 1963, there had been distributed a proposed order and statement reflecting the Board's approval of the application of First Colorado Bankshares, Inc., Englewood, Colorado, to acquire shares of Security National Bank,

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Denver, Colorado. There had also been distributed copies of the concurring statements of Governors Robertson and Mitchell.

Governor Mills noted that in both the order and the statement reference was made to the notice of receipt of the application given to the Justice Department, even though notice was not required under the Bank Holding Company Act. This raised a question in his mind as to whether the inclusion of such a reference might not suggest that the Justice Department was entitled to notice as a matter of right or was a party to the transaction.

In discussion of this point, Messrs. Hackley and O'Connell explained that the reference to the Justice Department was included to give public notice of the fact that the Department was notified and did not avail itself of the opportunity to object. Under the law, notice would not have had to be given to either the Justice Department or the State Bank Commissioner. The references to the Justice Department therefore were not essential, although it had been thought that they might have some advantage from the standpoint of the record. A representative of the State Banking Board had, of course, appeared as a witness at the public hearing.

After further discussion, it was agreed that the order and statement should be revised to exclude reference to the notice given to the Department of Justice and that reference to the State banking authorities would be modified along lines suggested. It was also agreed

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to eliminate from the statement certain sentences relating to the discussion of convenience, needs, and welfare of the communities and area concerned that had been questioned by the Division of Examinations.

The issuance of the order and statement was then authorized, with the understanding that the documents would be revised as agreed upon at this meeting. Copies of the order and statement, as issued, and copies of the concurring statements of Governors Robertson and Mitchell are attached to these minutes as Items 15, 16, 17, and 18.

Messrs. Guth and Lyon then withdrew from the meeting.

Bank service charges. There had been distributed a memorandum from the Legal Division dated November 12, 1963, submitting a draft of reply to Chairman Fascell of the Legal and Monetary Affairs Subcommittee of the House Committee on Government Operations concerning a constituent's questions about bank service charges. There was also distributed at this meeting an alternative draft of reply that had been prepared at the suggestion of Governor Balderston.

Following discussion, it was decided that the form of reply would be considered further at another meeting of the Board.

Messrs. Molony, Cardon, Farrell, and Doyle then withdrew from the meeting.

Release of competitive factor reports (Item No. 19). There had been distributed a memorandum from the Legal Division and the Division of Examinations dated November 12, 1963, regarding a request

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from Mr. Slay, Commissioner of Banking for the State of Michigan, for certain competitive factor reports that were to be received by the Board.

The memorandum noted that Commissioner Slay had requested the reports in connection with the proposed consolidation of Old Kent Bank and Trust Company, Grand Rapids, Michigan, and Community State Bank, Grandville, Michigan. Under section 261.2(d) of its Rules Regarding Information, Submittals, and Requests, the Board retained discretion to release copies of competitive factor reports received by the Board if it deemed disclosure to be in the public interest. The unpublished internal Board procedures provided that the Board would not make available to any person any views submitted to the Board with respect to an application unless required by law, introduced in the record of any public hearing ordered by the Board, or authorized for release by the person that submitted such views.

The memorandum pointed out that if the requested reports were given to Mr. Slay it would be difficult for the Board not to make such reports available to any other State banking authority upon request in the future. It also raised the question whether the fact that the Bank Merger Act specifically provided for exchange of such reports among only the interested Federal agencies suggested that release of the reports to a State banking authority prior to his decision on a case would be appropriate. It was noted that possibly some State bank supervisor might use the reports to "pass the buck" to one or all of the reporting Federal agencies, or to justify certain actions. However,

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the Division of Examinations and the Legal Division believed that disclosure of competitive factor reports to a State bank supervisor prior to his acting on a merger application would be in the public interest. It would permit the State bank supervisor to consider views that were currently available only at the Federal bank supervisory level. Therefore, it was recommended that the Board accede to Mr. Slay's request if no objection were received upon clearance of the matter with appropriate staff of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice.

Following comments by Mr. Leavitt, Governor Mills said that he found persuasive the arguments against acceding to the request, as listed in the memorandum. He saw little ground for making the reports available. To make them available might be interpreted as bringing Federal influence to bear on the State bank supervisor. If the supervisor denied the application and there was knowledge on the part of the applicant that the reports had been furnished, the applicant might charge undue influence or pressure. Also, there was a danger that the State banking authority might use such material to "pass the buck" to the Federal agencies. Mr. Slay, he thought, was the kind of person who could reach a decision without this sort of help; and he would gracefully decline the request. The responsibility for decision at the Federal level was with the Board of Governors when all of the pertinent information was before it, and whatever action was taken by

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Commissioner Slay would fall within his own particular sphere of authority. The Board should be as free from being influenced by a State authority as the latter should be from any outside influence, as represented by the competitive factor reports.

Chairman Martin expressed the view that, as a matter of general cooperation, there was no valid reason to deny a request such as that of the State Bank Commissioner. This seemed to him to involve a matter of normal relations between authorities operating in the same field of activities. He felt that it would be difficult to decline the request gracefully.

In further discussion, question was raised as to the practice of the Comptroller of the Currency in releasing publicly competitive factor reports submitted to him, and the staff indicated that this had been done by the Comptroller on occasions. It was also pointed out that, according to the Board's rules of internal procedure, reports submitted to it were released in cases that were the subject of a public proceeding; otherwise, only if the agency submitting the report authorized its release. Commissioner Slay could, of course, go direct to the agencies that had submitted the reports in this case. In effect, the decision seemed to rest, therefore, with the originating agencies. However, it seemed reasonable for him to come to the Board since the originating agencies, if asked, might indicate that he should come to the agency to whom the reports were submitted. Further, it was not being recommended that the Board release the reports to the Commissioner

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unless the originating agencies indicated that they would have no objection.

After further discussion, it was agreed that the competitive factor reports should be furnished to Commissioner Slay if the originating agencies indicated that they would have no objection. Governor Mills dissented on the ground that he felt the Commissioner had made an improper request.

A copy of the letter subsequently sent to Commissioner Slay is attached as Item No. 19.

The meeting then adjourned.

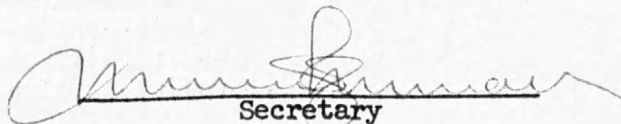
Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Robertson, acting in the absence of Governor Shepardson, today approved on behalf of the Board the following actions relating to the Board's staff:

Appointment

Walter L. Worthy as Messenger, Division of Administrative Services, with basic annual salary at the rate of \$3,245, effective the date of entrance upon duty.

Outside business

Gloria U. Harper, Secretary, Legal Division, to do secretarial work on a part-time basis for the Washington Academy of Surgery.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963



Board of Directors,
Mutual Trust and Deposit Company,
New Albany, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a "TV branch" by Mutual Trust and Deposit Company, New Albany, Indiana, across a public alley at the rear of the head office banking quarters, 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.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 2
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963



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, San Francisco, California, in the downtown business district of Turlock, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 3
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963

Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank in Walnut Creek Leisure World Senior Citizens Development, Walnut Creek, California, 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.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 4
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963



Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank, Los Angeles, California, in the vicinity of, or adjacent to, the area bounded by Railroad Avenue, Carolyn Drive, Riverview Drive, and State Highway 24, Pittsburg, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 5
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963



Board of Directors,
The Groos National Bank of San Antonio,
San Antonio, Texas.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to The Groos National Bank of San Antonio to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective with the first biweekly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963



Board of Directors,
Peoples Trust and Savings Bank,
Green Bay, Wisconsin.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors your letter dated October 30, 1963, together with the accompanying resolution signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six-months' notice of such withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six-months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 7
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963



The Honorable Jesse P. Wolcott,
Director,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429.

Dear Mr. Wolcott:

Reference is made to your letter of October 31, 1963, concerning the application of State Bank of Virginia, Virginia, Minnesota, 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 GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 8
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963



Mr. W. Gregory Smith,
Smith, Axtell & Howell,
American National Bank Building,
Jacksonville 7, Florida.

Dear Mr. Smith:

This refers to your letter of October 30, 1963, presenting the question whether an extra day's interest may be paid on a time certificate of deposit which falls due on a day declared by State law to be a legal holiday.

Section 217.3(f) of Regulation Q, to which you refer, provides that after the date of "maturity" of any time deposit such deposit is a demand deposit and no interest may be paid thereon for any period subsequent to the date of maturity.

The date on which an obligation is due and payable is, of course, determined by the terms of the contract subject to State law, and in most jurisdictions an obligation falling due on a Sunday or a holiday comes due on the next succeeding business day. As far as the Board's Regulation Q is concerned, the "maturity" of a time certificate is the day it is legally due and payable; and the funds represented thereby do not become a demand deposit until after that date. Accordingly, where a certificate by its terms falls due on a Sunday or a holiday and under State law is due and payable on the next succeeding business day, the Regulation would not preclude payment of interest on the deposit until and including the day on which it is so payable.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 9
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963

CONFIDENTIAL (FR)

Mr. C. J. Scanlon, President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690.

Dear Mr. Scanlon:

As requested in your recent letter, the Board of Governors approves the payment of salaries by the Federal Reserve Bank of Chicago to the Bank's Class B Electricians at rates shown below which are above the maximum of the grade in which the position is classified, effective on the dates indicated:

<u>Title</u>	<u>Annual Salary</u>		
	<u>Effective</u> <u>4/15/63</u>	<u>Effective</u> <u>4/15/64</u>	<u>Effective</u> <u>4/15/65</u>
Class B Electrician	\$7,654.40	\$7,862.40	\$8,070.40

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 10
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963



Mr. C. J. Scanlon,
President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Mr. Scanlon:

The Board of Governors has reviewed the material submitted with your letter of October 28, 1963, in connection with the suitability of leasing space in the Reserve Bank building to Walter E. Heller & Company, Inc. If your Bank wishes to negotiate the rental of space to this Company, the Board will interpose no objection.

The Dun & Bradstreet Report marked for return to the Credit Department, sent with your letter, is enclosed. The typed excerpt from the Dun & Bradstreet Report is being retained for our files.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 11
11/14/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963

Mr. Atherton Bean,
Federal Reserve Agent,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota. 55440.

Dear Mr. Bean:

As requested in your letter of October 25, 1963, the Board of Governors approves the appointment of Mrs. Betty Jean Lindstrom and Mr. Robert J. Simkins as Federal Reserve Agent's Representatives at the Helena Branch to succeed Messrs. William J. Bell and Leland W. Powell.

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

When not engaged in the performance of their duties as Federal Reserve Agent's Representatives, Mrs. Lindstrom and Mr. Simkins may, with the approval of the Federal Reserve Agent and the Vice President of the Helena Branch, perform such work for the Branch as will not be inconsistent with the duties as Federal Reserve Agent's Representatives.

It will be appreciated if Mrs. Lindstrom and Mr. Simkins are fully informed of the importance of their responsibilities as members of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that, upon the approval of the appointment of Mrs. Lindstrom and Mr. Simkins by the Board of Governors,

Mr. Bean - 2

they will execute the usual Oath of Office which will be forwarded to the Board giving the effective dates of their appointments.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
WACHOVIA BANK AND TRUST COMPANY
for approval of merger with
The Bank of Randolph

ORDER APPROVING MERGER OF BANKS

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 Wachovia Bank and Trust Company, Winston-Salem, North Carolina, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Bank of Randolph, Asheboro, North Carolina, under the charter and title of the former. As an incident to the merger, the sole office of The Bank of Randolph would become a branch of Wachovia Bank and Trust Company. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation,

and the Department of Justice on the competitive factors involved in the proposed merger,

IT IS HEREBY 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) within seven calendar days after the date of this Order or
- (b) later than three months after said date.

Dated at Washington, D. C., this 14th day of November, 1963.

By order of the Board of Governors.

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

Voting against this action: Governors Mills
and Robertson.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY WACHOVIA BANK AND TRUST COMPANY
FOR APPROVAL OF MERGER WITH
THE BANK OF RANDOLPH

STATEMENT

Wachovia Bank and Trust Company, Winston-Salem, North Carolina ("Wachovia"), with deposits of \$674.6 million,* has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1823(c)), for the Board's prior approval of the merger of that bank and The Bank of Randolph, Asheboro, North Carolina ("Randolph"), with deposits of \$9.0 million.* The banks would merge under the charter and title of Wachovia, which is a State-chartered member bank of the Federal Reserve System. As an incident to the merger, the sole office of Randolph would become a branch of Wachovia, increasing the number of its offices from 82 to 83.

Under the law, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (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

* Deposit figures are as of June 29, 1963.

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. - The financial history of both Wachovia and Randolph is satisfactory. The general financial condition, capital structure, and future earnings prospects of Wachovia also are satisfactory.

While the capital structure of Randolph is adequate for the present scale of its operations, and its net earnings are satisfactory when abstracted from the remainder of the financial picture, gross earnings are low, and the rate of net earnings has been maintained only by means of a rigid control of expenses which has in turn starved the bank's potential for growth.

One per cent interest is paid by Randolph on time and savings deposits, while its local competitor pays three per cent. The banking quarters of Randolph are woefully inadequate. Since no attempt has been made to cultivate remunerative newer fields for lending in the community, a large proportion of the loan portfolio, already low in relation to total assets and to total deposits, has consisted of lower-yielding participations purchased from correspondent banks. As a result of these and other policies, the bank's rate of deposit growth, which in the 1940's exceeded both the North Carolina average and that of the other Asheboro bank, fell below the State average in the 1950's. Since 1960, Randolph has had a two per cent decline in deposits.

A management crisis, stemming from the same causes which have produced the current financial picture, clouds the future of Randolph. The Chairman of the bank's Board of Directors, the dominant figure in management throughout the more than sixty years of the bank's existence, has been incapacitated by a serious illness, at the age of 88, that beset him after the application was filed. There is no indication that Randolph has ever attempted to provide for management succession, and interests identified with the Chairman of the Board hold a majority of the bank's stock. With the capacity of this bloc to formulate energetic decisions unavoidably suspended, the delay in resolving the management problem which would probably result from denial of the application might well prolong indefinitely the present unsatisfactory state of affairs at Randolph.

Wachovia has maintained a long, helpful correspondent relationship with Randolph. The resulting bank, which would be under Wachovia's competent management, would have a sound asset condition, an adequate capital structure, and favorable earnings prospects.

It does not appear that the corporate powers of the banks are, or would be, inconsistent with 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - The proposed merger would have little effect in communities other than Asheboro. Wachovia, with 82 offices in 30 localities situated in 21 counties, is virtually a State-wide banking system. Addition of a branch in one

more county would not add significantly to the banking convenience or needs of communities where the present offices of Wachovia are located.

Asheboro, with a 1960 population of over 10,000, is the principal town as well as the seat of Randolph County, which is situated at about the geographic center of the State. With a population exceeding 62,000, the county is part of the Piedmont area, the industrial and agricultural core of North Carolina. The main crops include tobacco, corn, and wheat, and the principal industries are textiles and hosiery. Lumber products, shoe manufacturing, and furniture production are growing in importance. General Electric has established a local plant to produce electric blankets and heating pads, and Union Carbide has opened a flashlight battery factory near Asheboro. Local manufacturing payrolls are estimated at more than \$15 million a year.

At the time the application was filed, five banks had offices in Randolph County. Three ranged in size from two to ten million dollars of deposits. The fourth was the Scottish Bank, with deposits of \$42 million, and a head office outside of the county, as has the fifth, the First Union National Bank of North Carolina ("First Union"), which is rapidly approaching \$300 million in deposits. The Scottish Bank has since merged with First Union.

In Asheboro there are two banks, Randolph and the First National Bank of Asheboro ("First National"), which are almost equal in size. Originally much smaller, First National has been overtaking

Randolph, having expanded its services and established two branches. Randolph, by contrast, follows restrictive lending policies. It has no installment loan department and makes, for example, no installment loans on automobiles. The bank has shown no interest in attracting savings deposits or in expanding its services, but has confined itself largely to serving business interests with which it has had a traditional connection.

Wachovia plans, if the proposal is consummated, to build a modern building for its Asheboro branch, and to offer a full range of those banking services which are appropriate for a growing community of the size of the Randolph County seat. The lending limit of Wachovia exceeds \$6 million, while that of Randolph is \$125,000. In addition, Wachovia plans to offer trust services at its Asheboro branch, for which Asheboro residents have had to go out of town.

Competition. - Relatively little competition, actual or potential, exists between Wachovia and Randolph. Their nearest offices are about twenty miles apart. Some Asheboro concerns, whose requirements are in excess of the legal lending limit of the two Asheboro banks, maintain banking relationships with Wachovia or with other large banks, and Wachovia has some trust business from the Asheboro area.

Aside from Asheboro, the towns in Randolph County are relatively small, and the offices of First Union located in three of these towns should have no difficulty in maintaining their

competitive position relative to the Asheboro office of Wachovia. Indeed, they may be expected to offer increased competition to the Asheboro banks. The remaining bank, Bank of Coleridge, in Ramseur, ten miles east of Asheboro, has deposits of \$2 million, and serves primarily local needs. It does not appear that this bank's customers would be drawn to the Asheboro branch of Wachovia.

The chief competitive impact of the proposal, if effectuated, would be felt by First National. However, in view of the emergetic management of this bank and the development and expansion which Randolph County will probably continue to experience, it should be able to compete effectively with a branch in Asheboro of a large bank.

A more difficult question is presented by the extent of banking concentration in the State of North Carolina. As of March 18, 1963, the four largest banks in the State held 56.4 per cent of total deposits in commercial banks. Wachovia, the largest, had 21.1 per cent of the deposits and 10.4 per cent of the banking offices in the State. There has been a marked trend in North Carolina toward merger of previously independent banks, and during the past ten years the State's four largest banks have acquired 34 other banks in this way. In the central eight counties of the Piedmont area, the State's three largest commercial banks hold 86 per cent of total deposits. Of this total, North Carolina National Bank has 35 per cent, Wachovia 32 per cent, and First Union, the largest bank yet represented in Randolph County, 16 per cent. Accordingly, a proposal such as the present one must be scrutinized

with particular care. Viewed realistically, however, denial of the subject application could not be reasonably expected to do more than temporarily preserve the independence of an institution which has been losing its competitive force, and whose difficulties in reorganizing itself might well be such that a more satisfactory solution would be indefinitely postponed to the public detriment.

Summary and conclusion. - While Randolph is a financially sound banking institution, its management problem, complicated by unusual circumstances, creates an impasse unlikely to be resolved without undue delay unless by the aid of a larger bank. The community of Asheboro requires the services of two fully competitive banks, and during any such delay it would, in effect, be denied a choice of banking services over much of the range appropriate to its needs. While the merger of Randolph into one of the three large banks which already divide the lion's share of banking in the area is not an ideal solution, it appears to be a feasible one in the circumstances. The vigor of the competing Asheboro bank should enable it to maintain its relative position in a growing community, and the effect on the remaining small bank in Randolph County should not be adverse.

For these reasons, the Board finds that the proposed merger would be in the public interest.

November 14, 1963.

DISSENTING STATEMENT OF GOVERNORS MILLS AND ROBERTSON

Approval of the application by Wachovia Bank and Trust Company to merge The Bank of Randolph will extend the influence of the larger bank in an industrial and agricultural area in which it is already well entrenched. While other prominent North Carolina commercial banking organizations are also represented in the same area, so that consummation of the proposed merger would not diminish banking competition to any substantial extent, it would increase the concentration of commercial banking resources there in the hands of a few large branch banking institutions.

If there is a need for the services which a branch of a large bank could provide in Asheboro, nothing in State law prevents Wachovia or any other applicant from seeking permission to establish a de novo branch there. By contrast, approval of the present application has the almost surgical effect of transferring a substantial portion of the community's banking resources out of the hands of an independent bank, and into the control of the largest bank in the State. The Bank of Randolph, with \$9 million in deposits, may be small compared to banks serving larger communities, but it is a relatively large institution in the setting of a community such as Asheboro. The resulting disproportion, when it is taken over by Wachovia, will leave the remaining independent bank in the community at a strong competitive disadvantage.

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While the management problem of The Bank of Randolph carries weight in favor of approval, this problem represents a situation that should have been foreseen long ago and provided against. Mergers are not the only solution for management problems. We see nothing which indicates that community banking needs would suffer during the interim that might be required to reach some sounder, long-range solution to that problem.

For these reasons, we would disapprove the application.

November 14, 1963.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
 FIRST COLORADO BANKSHARES, INC.,
 for approval of the acquisition of
 voting shares of Security National
 Bank, Denver, Colorado

BHC-69

ORDER APPROVING APPLICATION UNDER
BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1842) and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), an application on behalf of First Colorado Bankshares, Inc., Englewood, Colorado, a registered bank holding company, for the Board's approval of the acquisition of a minimum of 67 per cent of the voting shares of the Security National Bank, Denver, Colorado.

As required by section 3(b) of the Act, the Board notified the Comptroller of the Currency of receipt of the application and requested his views thereon. The Comptroller recommended approval of the application. Notice of receipt of the application was also

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given to the State Bank Commissioner of the State of Colorado. On behalf of the State Banking Board, the State Bank Commissioner requested that a public hearing be conducted at which a representative of the Banking Board might appear and present views on the application.

Notice of receipt of the application was published in the Federal Register on December 11, 1962 (27 Federal Register 12233), which provided an opportunity for submission of comments and views regarding the application. Thereafter, a public hearing, ordered by the Board pursuant to section 222.7(a) of the Board's Regulation Y (12 CFR 222.7(a)), was held before a duly selected Hearing Examiner; proposed findings of fact and conclusions of law were submitted by participating parties; and the Hearing Examiner's Report and Recommended Decision was filed with the Board wherein approval of the application was recommended. Exceptions to the Hearing Examiner's Report and Recommended Decision, with supporting brief, were filed by Protesting Banks, to which Applicant responded. Upon request of Protesting Banks, opposed by Applicant, oral argument was held before the Board. All of the aforementioned pleadings were received as part of the record and have been considered by the Board.

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that the acquisition so approved shall not be

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

Dated at Washington, D. C., this 14th day of November, 1963.

By order of the Board of Governors.

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

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION OF FIRST COLORADO BANKSHARES, INC.,
FOR APPROVAL OF THE ACQUISITION OF SHARES OF
SECURITY NATIONAL BANK, DENVER, COLORADO

STATEMENT

First Colorado Bankshares, Inc., Englewood, Colorado ("Bankshares" or "Applicant"), a registered 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 approval of the acquisition of not less than 67 per cent of the voting shares of the Security National Bank, Denver, Colorado ("Security National"), a proposed new bank at the time the application was filed and, as hereafter discussed, opened for business on October 14, 1963.

Background. - Following the filing of the application and pursuant to requirement of the Act, views on the application were requested of the Comptroller of the Currency. In reply, the Comptroller recommended approval of the proposed acquisition. Notice of receipt of the application was published in the Federal Register

on December 11, 1962, and was transmitted in writing to the State Bank Commissioner for the State of Colorado. On March 14, 1963, following expiration of the period allowed in the published notice for receipt of comments on Applicant's proposal, the Board ordered a public hearing to be conducted in Denver before a Hearing Examiner selected for this purpose by the U. S. Civil Service Commission. This hearing was not required by law, but was ordered pursuant to section 222.7(a) of the Board's Regulation Y (12 CFR 222.7) promulgated under the Act, upon the Board's finding that such hearing would be in the public interest.

Nineteen Colorado-based banks requested participation in the hearing as parties. By prehearing order the Hearing Examiner admitted six Denver banks^{1/} as parties and, under the group designation of Protesting Banks, they so participated in the hearing. Applicant, Protesting Banks, and a representative of the Colorado State Banking Board presented evidence. Applicant and Protesting Banks were additionally afforded the opportunity for cross-examination of witnesses. Subsequent to the hearing, Applicant and Protesting Banks filed proposed findings of fact and conclusions of law, with supporting briefs and reply briefs.

^{1/} Bank of Denver, Central Bank and Trust Company, Colorado State Bank, Guaranty Bank and Trust Company, Mountain States Bank, and National City Bank.

On August 16, 1963, the Hearing Examiner filed with the Board his Report and Recommended Decision wherein he recommended that the application be approved. Following the filing of exceptions to the Report and Recommended Decision by Protesting Banks, to which Applicant filed a reply brief, the Board, upon request of Protesting Banks and at the opposition of Applicant, held oral argument in this matter on September 20, 1963.

On the basis of the entire record, the formation of which has been outlined above, the matter is now before the Board for decision.

Views and recommendations of the Comptroller of the Currency. -

As noted earlier, the Comptroller of the Currency recommended approval of the application. He had previously granted his preliminary approval of a charter for Security National. In recommending approval of Applicant's acquisition of the new national bank, the Comptroller stated, in part: "Approval of the acquisition will acknowledge the need to marshal assets sufficient to the credit requirements of an area which has witnessed remarkable population and commercial growth. The public interest, in the full realization of Denver's economic potential, will be served by sanctioning the proposal."

Statutory factors. - In acting upon this application the Board is required under section 3(a) of the Act to take into consideration the following five factors: (1) financial history and condition of the applicant and the bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare

of the communities and area concerned; and (5) whether the effect of the 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.

Financial history, condition, and prospects of Applicant and Bank. - The Hearing Examiner concluded that Applicant's financial history, though brief, is satisfactory, its condition sound, and its prospects favorable. These conclusions were premised upon his stated findings (1) as to the substantial population and economic growth that has occurred since 1950 within the Denver Metropolitan Area, and (2) the satisfactory history, growth rate, and present condition of Applicant's three subsidiary banks. These banks are all located within the Denver Metropolitan Area, but in separated suburban communities in or adjacent to the City of Denver, each bank in a different county. First National Bank of Englewood ("First of Englewood"), established in 1910, is located in Englewood (Arapahoe County), a major suburb approximately seven miles south of Security National's location. At December 28, 1962,^{2/} First of Englewood had total deposits of \$35 million. University Hills Bank, opened for business in 1956, is located in a residential section of Denver County, approximately seven miles from downtown Denver, and has deposits of approximately \$9.5 million. Applicant's third subsidiary bank, the

^{2/} Unless otherwise indicated, all banking data noted are as of this date.

Lakeside National Bank, is located about six miles northwest of downtown Denver at Lakeside Center (Jefferson County), one of the Metropolitan Area's largest shopping centers. Lakeside Bank began operations in 1959 and now has deposits of \$6.4 million. In view of Applicant's present financial condition, and for the reasons given by the Hearing Examiner, the Board concurs in his conclusion that the financial history, condition, and prospects of Applicant are satisfactory.

In respect to Security National, the application submitted to the Board stated that the bank would be located on the ground and mezzanine floors of a new 30-story office building presently under construction in the heart of Denver's downtown business district, and was expected to open for business near year-end 1963. The bank's deposits, projected by Applicant to the end of each of its first three years of operation, are estimated to be \$8 million, \$12 million, and \$16 million, successively. On October 9, 1963, Applicant advised the Board in writing of changes, both already effected and then contemplated, in the plans for Security National's opening and in the plan of Applicant's acquisition of its shares. In brief, Applicant stated that Security National would be opened for business in temporary quarters immediately adjacent to the site of the office building under construction at an early date. The bank was opened for business on October 14, 1963. The bank's capital of \$1,575,000 was paid in full by essentially the same individuals who were identified as subscribers both in the application and at the hearing held thereon. Applicant's revised plan for acquiring

the shares of Security National now held by these individuals would require the issuance by Applicant of a greater number of its voting shares at a slightly increased value per share than originally proposed, and a reduction in its originally proposed debt. The Board concluded, and advised Applicant and Protesting Banks accordingly, that the changes effected and proposed by Applicant, as set forth in its October 9 communication, did not affect materially the ultimate issues before the Board for decision in this matter.

At this date, Security National has no meaningful operating history. However, on the basis of the financial history and condition of Applicant's present subsidiary banks and the three-year projection of deposits, loans, and earnings for Security National, which the Board finds reasonable in view of the economic prosperity of the Denver area, the Board concludes that Security National would be maintained in satisfactory financial condition if acquired and operated by Applicant, and that its prospects for profitable operations and growth are satisfactory.

Management of Applicant and Bank. - Applicant's management is considered satisfactory. This conclusion is substantiated by the sound financial history and condition of Applicant's subsidiaries, each of which has had, generally, the same managerial direction as Applicant. Applicant's President and Executive Vice President are, respectively, the Chairman of the Board and the President of Security National. The latter is also President of Applicant's largest subsidiary, First of Englewood. According to his testimony, he intends

to relinquish a major portion of his executive responsibilities at First of Englewood and devote himself principally to the duties of his office with Security National. The foregoing plan of management will be effected regardless of the Board's action on this application. However, if the application is approved, Security National's management would be further implemented by personnel from Applicant's organization and, if necessary, by personnel obtained by Applicant from outside its system. Accordingly, while it appears that Security National will be capably and soundly managed whether this application is approved or not, the Board finds reasonable the Hearing Examiner's conclusion that Security National's "requested formal affiliation with Applicant would allow . . . greater flexibility of movement and direction with resultant benefits to both institutions." Accordingly, the character of management of both Applicant and the bank is such as to be consistent with approval of the application.

Convenience, needs, and welfare of the communities and area concerned. - Denver's central business district is the area primarily and most directly concerned with and to be affected by Applicant's proposal. This is so not only in respect to the statutory factor now to be considered but, as hereafter discussed, in respect also to the effect that the proposed increase of Applicant's bank holding company system is likely to have on adequate and sound banking, the public interest, and the preservation of banking competition.

Security National's designated primary service area, that is, the area from which Applicant estimates that at least 75 per cent of the bank's IPC deposits ("individuals, partnerships, and corporations") will originate, coincides closely to Denver's central business district. While Protesting Banks offered evidence purporting to show that Security National's primary service area was in fact drawn too closely around the downtown business district, and that more realistically it should be expanded to include more of the adjacent suburban areas, the method of Applicant's determination of Security National's probable primary service area establishes its reasonableness to the Board's satisfaction.

The estimated population within Security National's primary service area, including employed persons, is approximately 70,000. There are in that area, all within approximately one-half mile of Security National's site, ten banks with aggregate deposits in excess of \$1.1 billion.^{3/} In addition, six banks located outside Security National's primary service area appear to compete materially within that area. These banks, none of which is a subsidiary of Applicant, are located from one and one-half to approximately four miles from Security National and have total deposits aggregating \$100 million.

^{3/} Hereafter, aggregate deposit and loan data of banks in Security National's primary service area will include such data of but nine banks. The 17th Street National Bank, Denver, was opened on April 22, 1963, and no comparable deposit and loan data of that bank are available. Reference to the number of banks in the area will include this bank.

The population of the Denver Metropolitan Area now exceeds 1,000,000, over 50 per cent of which is found in Denver. The Area's population growth mirrors an economic expansion, still in progress, evidenced in Denver by extensive, large office building construction, new business establishments, and a number of new apartment developments bordering the downtown area. It is noted that in addition to the 30-story building in which Security National will be located, at least four office buildings of 20 stories or more have been erected in downtown Denver within the past ten years. Denver can be accurately characterized as a principal focal point for the financial, industrial, and commercial activities of the State and of the Rocky Mountain area.

The Hearing Examiner concluded that not only was there no showing that the Denver business district presently required banking services additional to those now available, but that Denver's downtown area is now well served by existing banks. While the question of the establishment of Security National is not before this Board, its establishment having been earlier approved by the Comptroller, there is before the Board the question of whether there exists in downtown Denver an unserved need for banking services which would be met by approval of this application. The Board concurs in the Hearing Examiner's conclusion that no such need has been shown. Consistent with this conclusion, Applicant itself identifies the benefit asserted to inure to the area concerned as being the availability of more convenient banking service.

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The principal services that Applicant asserts Security National could provide more immediately and assuredly as a subsidiary of Applicant are: investment counseling, auditing, personnel recruitment and training, property appraisals, advertising and business development, purchasing of supplies and equipment, operations systems and research, and automated data processing. A majority of the services cited would be available to and through Security National even if this application were to be denied. Admittedly, however, the subsidiary relationship proposed would provide a closer and more certain working relationship among Applicant's subsidiaries than could reasonably be otherwise anticipated.

It will be primarily the estimated 3,000 occupants of the building in which Security National will be located, and the individuals and businesses in that immediate vicinity, whose convenience will be served by Security National's operation, somewhat more immediately and completely so, in the Board's judgment, by Applicant's control of that operation.

Thus, the Board concurs in the Hearing Examiner's conclusion that the services discussed can be made available more readily and economically to and through Security National

as a subsidiary of Applicant than could otherwise be done. While unable to attribute to this result the quantum of benefit apparently foreseen by the Hearing Examiner, the Board does find that the increased convenience to the area concerned provides slight support for approval of the application.

Effect of proposed acquisition on adequate and sound banking, public interest, and banking competition. - As earlier noted, each of Applicant's subsidiary banks is located in a different county of the State and six to seven miles from Security National's location. In view of their locations and considering their sizes and that of the newly established Security National, even if the latter bank were to be wholly unaffiliated with Applicant's present banks, competition between them would be negligible. This conclusion is reached in the light of the additional fact that Security National will be located in downtown Denver close to the five largest banks in the State, and that numerous other banks are located between Security National and Applicant's present subsidiaries.

Within its primary service area, Security National will compete materially with 16 banks, 13 of which have total deposits greater than those projected for Security National at the end of

three years of operation (\$16 million), and 13 of which have total loans greater than those projected for Security National in the same period (\$8.1 million).^{4/} Six of the ten competing downtown Denver banks have total deposits ranging from two to twenty-two times as great as Security National's. Of the total deposits and total loans held by banks located in the central business district, Applicant, through ownership of Security National, would control 1.4 per cent of such deposits and 1.2 per cent of such loans. Based on dollar amount of total deposits and total loans held, Security National ranks ninth and tenth, respectively, among the 11 banks located in Security National's primary service area.

At present, of the total deposits and total loans held by all banks^{5/} in the three-county area in which Applicant's subsidiaries are located, these subsidiary banks, combined, hold 3.6 and 3 per cent. These percentages would be increased, respectively, by 1 per cent and .9 per cent when Security National's total deposits and total loans are included. If Applicant is permitted to acquire Security National, Applicant's subsidiaries would hold 4.3 per cent of the deposits of all banks in the Denver Metropolitan Area and 2.8 per cent of such deposits in the State.

^{4/} Total deposits and loans figures hereinafter attributed to Security National will be those presented in Applicant's three-year projection.

^{5/} As used herein, "all banks" refers to all insured banks.

Applicant and Western Bancorporation, Los Angeles, California, are the only two registered bank holding companies controlling subsidiary banks in the State of Colorado. However, the Board has recently approved the formation of a third bank holding company, Denver U. S. Bancorporation, Inc., which will have its principal place of business in Denver and will control three banks, one located in Denver and one each in Littleton and Aurora. Its largest subsidiary will be Denver United States National Bank, Denver, with total deposits of approximately \$325 million. This bank and its principal Denver competitor, First National Bank, with total deposits of approximately \$360 million, are both located within two and one-half blocks of Security National. The three banks to be acquired by Denver U. S. Bancorporation hold in the aggregate approximately \$339 million of deposits.

The following data reflect (1) the percentages of the banking offices and total deposits, respectively, of all banks in the areas designated that are controlled by Applicant, as presently constituted, Denver U. S. Bancorporation, as proposed, and Western Bancorporation, combined, and (2) the extent to which these percentages would be affected by Applicant's acquisition of Security National: (a) in Security National's designated primary service area, 22.2 per cent and 34.2 per cent; respectively increased to 30 per cent and 35.1 per cent; (b) in the City and County of Denver, 16.7 per cent and 31.8 per cent; respectively increased to 21.1 per cent and 32.7 per cent; (c) in the three-county area where Applicant's present subsidiaries are located, 22.9 per cent and 33.5 per cent; respectively increased to 25 per cent and

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34.2 per cent; (d) in the Denver Metropolitan Area, 16.3 per cent and 30.9 per cent; respectively increased to 18 per cent and 31.6 per cent; and (e) in the State of Colorado, 5.2 per cent and 21.2 per cent; respectively increased to 5.7 per cent and 21.8 per cent.

On the basis of the foregoing, and considering the facts that Security National is newly established and will be in direct competition with the largest banks in the State, and that none of Applicant's present subsidiaries derives any substantial portion of its total business from Denver's central business district, the Board concludes that approval of this application will not have an adverse effect on the adequacy and soundness of banking, nor on competition in any of the pertinent areas, and will be consistent with the preservation of such competition.

In so concluding, the Board has weighed with particular care Protesting Banks' assertion that Applicant's ownership and operation of Security National would create unfair banking competition in that such ownership would enable Security National to pay less for management services, at least in its early stages, than would otherwise be the case; that Applicant would provide capital funds for Security National through use of a voluntary contribution; and that Security National would be enabled to provide services, through the instrumentality of the system, at a substantially lesser cost than could its

competitors. Assuming, arguendo, that Applicant's control of Security National would produce the results foreseen by Protesting Banks, the Board rejects as unfounded the assertion that such assistance constitutes "unfair" banking competition. Admittedly, the asserted advantages represent economies of operation perhaps more likely to be found in a banking holding company system operation than in the operation of an independent bank or even several banks affiliated by common ownership. However, the record in this case is void of any evidence that either the Applicant or Western Bancorporation, the other bank holding company system now operating in the State, has used such operational advantages in an unfair or predatory manner in relation to competitors of their banking subsidiaries. In view of Applicant's operating history, there is no basis for a conclusion that operational economies or other advantages that may be effected in respect to Security National will constitute unfair or undue competition. Rather, it is believed that operating under the direction and with the assistance of Applicant, Security National will constitute an additional, healthy competitive entry in the downtown Denver area.

Another reason given by Protesting Banks in opposing approval of this application is their asserted belief that such approval would give rise to efforts by other Colorado banks, particularly the Denver banks, to seek like holding company formations. The Board rejects as a controlling adverse consideration the foregoing

possibility and in doing so reaffirms its reasoning given in respect to the same contention in First Oklahoma Bancorporation, Inc., 48 Fed. Res. Bull. 1608, 1616. The Board's reasoning there given, in part, was that approval by it of a given application does not constitute a position of commitment to approval of any future application; rather, each application will be judged upon the pertinent facts presented. Absent a drastic change from the present competitive picture in Security National's primary service area, the least meritorious assertion that could be made in support of formation of an additional Denver-centered holding company is that such formation has been compelled, as a competitive measure, by Applicant's acquisition of Security National.

A final contention to be considered is that urged on behalf of the Colorado Banking Board that approval of Applicant's proposal would be "repugnant" to Colorado's statutory prohibition against branch banking. The Hearing Examiner concluded that such contention was without merit and supported this conclusion by references to and extracts from Board Statements on the same point in First Oklahoma Bancorporation, Inc., supra, and The Matter of the Application of Farmers and Mechanics Trust Company, Childress, Texas, 46 Fed. Res. Bull. 14, 16. The Board concurs in the Hearing Examiner's conclusion that the existence of a State statutory prohibition against branch banking, as in Colorado, cannot be weighed as an adverse consideration by the Board in its exercise of judgment on an application

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by a bank holding company to acquire stock of a bank in that State. The Board has considered the point briefed and argued orally by Protesting Banks that the Board's position should be reconsidered in the light of a recent decision by the United States Court of Appeals for the District of Columbia in James J. Saxon, Comptroller of the Currency v. Bank of New Orleans and Trust Company, et al., _____ F. 2d ____, decided August 14, 1963. In that case, the Court of Appeals affirmed the action of a District Court in enjoining the Comptroller of the Currency from authorizing the opening of a new national bank, acquisition of which by a bank holding company had been approved by this Board. The Comptroller's action, the Court held, was forbidden by a Louisiana statute prohibiting branch banking by State banks, and made applicable to national banks by provisions of Federal law. The Court's ultimate decision was premised upon a specific finding that, in its organization, financing, management, and operation, the new national bank was to all intents and purposes a branch of an existing national bank.

The Board finds inapplicable to its statutory functions under section 3 of the Bank Holding Company Act both the reasoning and holding in the Bank of New Orleans case. Accordingly, it believes its earlier position in the Farmers and Mechanics Trust Company matter to be consistent with controlling law, and precedent for the Board's present action in deciding the bank holding company application now before it.

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Summary and conclusion. - For the reasons herein given, the Board finds that the financial history and condition, prospects, and character of management of Applicant and the bank concerned are satisfactory, and consistent with approval of the application. The findings heretofore made regarding the convenience of the area principally involved weigh toward approval of the application, although not significantly. The Board finds that the increase in the size or extent of Applicant's system resulting from the acquisition proposed will not be inconsistent with adequate and sound banking, the public interest, or the preservation of banking competition. On the contrary, it is believed that banking competition in Denver may be intensified by consummation of the proposed acquisition.

To the extent that the findings and conclusions of the Hearing Examiner are consistent with those contained herein, they are adopted. Protesting Banks' exceptions to the Hearing Examiner's Report and Recommended Decision have been fully considered and the merit of certain of those exceptions is reflected in the Board's findings and conclusions. To the extent not so reflected, Protesting Banks' exceptions are denied.

On the basis of all the relevant facts as contained in the record before the Board, and in the light of the factors set forth in section 3(c) of the Act, it is the Board's judgment that the proposed acquisition would be consistent with the public interest and that the application should therefore be approved.

November 14, 1963.

CONCURRING STATEMENT OF GOVERNOR ROBERTSON

Item No. 17
11/14/63

In my opinion, First Colorado Bankshares' proposal to acquire Security National Bank does not contain the adverse consequences that were, in my view, inherent in the application of Denver U. S. Bancorporation, Inc., to form a bank holding company, which application the Board approved on November 7, 1963, and from which action I dissented.

Unlike the Denver U. S. Bancorporation proposal, the present application does not involve entry into Denver of a new bank holding company system, nor the acquisition of a large, well-established bank. Bankshares is already in existence; in fact, it has operated in Colorado for two years. Its three banks have combined total deposits of about \$51 million, an amount but one-sixth that of the total deposits held by the principal bank in Denver U. S. Bancorporation's proposed system. Whereas Bancorporation's formation will cause the elimination of substantial competition now existing among its proposed subsidiaries, no significant competition exists among the banks here involved. I consider adverse to approval even the slight increase in Applicant's control of banking resources, especially in view of the degree of concentration of control in a relatively few institutions over the banking resources of both the city and State. However, this adverse factor is outweighed, in my judgment, by the fact that, under Applicant's control and direction, Security National will offer additional, vigorous banking competition in the downtown Denver area.

Accordingly, I concur in the Board's action in approving this application.

November 14, 1963.

CONCURRING STATEMENT OF GOVERNOR MITCHELL

The real issue presented by this application is whether the owners of the Security National Bank should be permitted the business choice of having the bank operate as a part of First Colorado Bankshares' system. Neither the competitive situation nor public convenience is significantly affected since denial or approval will not alter the number or location of banking offices in Denver, nor, in my judgment, either the effective control or the management policies of the institution. It seems to me that the majority opinion's imputation of service and competitive benefits arising from approval is strained and artificial. It is, in my opinion, better not to throw a mantle of public concern over matters of purely private business advantage. If there be an issue of public concern involved here, it is that in a free enterprise system, bankers, along with other businessmen, should have the right, when the public is not adversely affected, to choose that form of business organization which they think has the most promise for their investment interest. Bankers are guided by the profit motive, and in seeking economies of scale and an optimal allocation of bank resources they should not be constrained unless a significant present or potential reduction in competition or services to bank customers is involved.

November 14, 1963.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 19
11/14/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 14, 1963.

The Honorable Charles D. Slay,
Commissioner of Banking,
Davenport Building - Fifth Floor,
Capitol Avenue & Ottawa Street,
Lansing, Michigan.

Dear Mr. Slay:

On October 30, 1963, you asked informally if it would be possible to obtain copies of the competitive factors reports submitted by the Department of Justice, Federal Deposit Insurance Corporation, and the Comptroller of the Currency in connection with the proposed consolidation of Old Kent Bank and Trust Company, Grand Rapids, Michigan, and Community State Bank, Grandville, Michigan.

The Board has considered your request and will make available to you copies of these reports when they are received from the reporting agencies provided those agencies do not object.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.