

Minutes for November 16, 1964.

To: Members of the Board

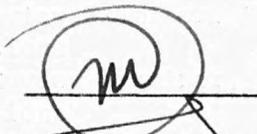
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

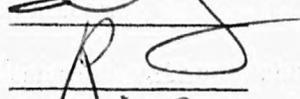
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

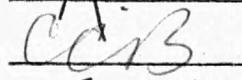
Chm. Martin



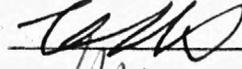
Gov. Mills



Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Monday, November 16, 1964. 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. Daane

Mr. Sherman, Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Sammons, Adviser, Division of International
Finance
Mr. Goodman, Assistant Director, Division
of Examinations
Mr. Leavitt, Assistant Director, Division
of Examinations
Mrs. Semia, Technical Assistant, Office of
the Secretary
Mr. Egertson, Supervisory Review Examiner,
Division of Examinations
Mr. McClintock, Supervisory Review Examiner,
Division of Examinations
Mr. Lyon, Review Examiner, Division of
Examinations
Mr. Smith, Review Examiner, Division of
Examinations
Mr. Furth, Consultant

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Atlanta, St. Louis, Minneapolis, and Dallas on November 12, 1964, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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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 Wells Fargo Bank, San Francisco, California, approving the establishment of a branch near the El Dorado County Fairgrounds, adjoining Placerville.	1
Letter to First National City Overseas Investment Corporation, New York, New York, granting permission to purchase shares of Australasia Investments Ltd., a corporation to be formed in the United Kingdom.	2
Letter to The Company for Investing Abroad, Philadelphia, Pennsylvania, granting permission to purchase additional shares of Corporacion Financiera de Caldas, S. A., Manizales, Colombia.	3

Request of Bamerical International (Item No. 4). There had been distributed a memorandum dated November 12, 1964, from the Division of Examinations regarding the request of Bamerical International Financial Corporation, New York, New York, for consent to purchase 80 per cent of the capital stock of a reorganized German installment finance bank to be known as Curt Briechle (G.m.b.H.), Moenchengladbach, Germany, at a cost approximately equivalent to \$1,000,000. A draft of letter that would grant the Board's consent was attached to the memorandum.

Mr. Solomon pointed out that, although the draft letter contained the conditions usually attached to consent to an investment in a bank, the German institution was in fact a finance company.

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Therefore, the staff suggested certain changes, which Mr. Solomon described, to make the letter follow the form used for investment in an organization other than a bank.

Governor Mills observed that the changes would eliminate the condition specifying that the Board might require examinations or audits of the German organization--a right that he believed should be retained. Responses indicated that this right was reserved in Regulation K, Corporations Engaged in Foreign Banking and Financing under the Federal Reserve Act, and that an effort had been made to avoid writing into letters of consent conditions that were imposed under the provisions of the Regulation. Governor Mills then suggested that in a case such as this, it would be desirable to place the applicant on notice in the letter as to the right of examination or audit, rather than to chance the possibility of alarm at an unexpected recourse to the terms of the Regulation in the future. In view of the diversity of interests reflected in a recent list of investments by Edge corporations, he was inclined toward the side of severity rather than that of lenience.

Questions were also raised as to whether the business conducted by the German institution, although primarily in the area of installment financing, might include some activities that should be classified as banking. After some discussion, a consensus developed that the letter of consent should retain the form used for an investment in a banking institution.

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The letter was thereupon approved unanimously in the form attached as Item No. 4.

Report on competitive factors (Columbia-Spartanburg, South Carolina). A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Commercial National Bank of Spartanburg, Spartanburg, South Carolina, into The First National Bank of South Carolina of Columbia, Columbia, South Carolina, was approved unanimously for transmittal to the Comptroller.

The conclusion read as follows:

The First National Bank of South Carolina of Columbia and The Commercial National Bank of Spartanburg serve different areas and there is virtually no competition between them.

Consummation of the proposed merger would substantially increase the size of First National, expand its geographic coverage into two additional counties, and by combining the third and sixth largest banks in the State constitute a significant step in a trend in South Carolina toward the grouping of commercial banks into large aggregations with a consequent decline of locally-headquartered banking outlets.

Messrs. Shay, Goodman, Egertson, and McClintock then withdrew from the meeting.

Request of Union Financial Corporation (Item No. 5). There had been distributed a memorandum dated November 6, 1964, regarding the request of Union Financial Corporation, Cleveland, Ohio, for a determination exempting it from all holding company affiliate requirements except those in section 23A of the Federal Reserve Act. The

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Corporation owned 69.8 per cent of the stock of Port Clinton National Bank, Port Clinton, Ohio, over 99 per cent of the stock of a savings and loan association, all of the stock of a manufacturing company, all of the stock of one and approximately half of the stock of five other real estate development and insurance companies, and was participating in a number of other real estate projects. The Division recommended granting the requested determination, on the basis of the Board's general policy of making favorable determinations as a normal matter in one-bank cases. Although that policy also contemplated that a determination would be denied in any extraordinary case in which denial seemed warranted, it was the opinion of the Legal Division and the Division of Examinations that the Corporation's ownership of 99.9 per cent of the stock of a Federally-insured savings and loan association did not constitute an extraordinary circumstance that would warrant denial. The memorandum cited other cases in which the Board had considered that the holding of stock of one bank and of a savings and loan association did not constitute unusual circumstances of a type to warrant denial. A draft of letter that would grant the request was attached to the memorandum.

Governor Robertson expressed the view that the case represented the kind of connection between banking and nonbanking interests that the Bank Holding Company Act was designed to prohibit. Even though the stock of only one bank was held, he believed that this Corporation should not be relieved from the law, and he would vote against granting the request.

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Governor Mills said that he shared Governor Robertson's distaste for a conglomerate organization such as this one had, but he did not see an appropriate escape from applying the one-bank rule, which generally produced logical decisions.

Governors Daane and Balderston and Chairman Martin also indicated that, although the situation presented might not be desirable, under the one-bank policy and the statutory definition of a bank holding company as one holding 25 per cent or more of the stock of two or more banks, there did not seem to be good grounds for denying the request.

The letter to Union Financial Corporation was thereupon approved, Governor Robertson dissenting. A copy of the letter is attached as Item No. 5.

Foreign travel (Item No. 6). Unanimous approval was given to recommendations by Mr. Young, in a memorandum of November 10, 1964, for foreign travel representing an extension of that approved by the Board on September 30, 1964, for attendance by Messrs. Maroni, Senior Economist, and Gomez, Economist, of the Division of International Finance, at a meeting to be held in Caracas, Venezuela. A copy of Mr. Young's memorandum is attached as Item No. 6.

Messrs. Young and Sammons then withdrew.

Application of Commercial Bancorp (Items 7 and 8). There had been distributed drafts of an order and statement reflecting the

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Board's approval on October 7, 1964, of the application of Commercial Bancorp, Inc., Miami, Florida, to become a bank holding company through acquisition of a minimum of 80 per cent of the voting shares of Commercial Bank of Miami, Miami, Florida, Merchants Bank of Miami, West Miami, Florida, and Bank of Kendall, Kendall, Florida.

Governor Daane commented on the absence from the draft statement of any clear justification of an approval of the application by unanimous vote. Mr. O'Connell responded that there was no information in the record that would support a stronger statement; the case was almost neutral. Only the fourth factor, convenience, needs, and welfare of the communities and area concerned, had given some ground for a relatively positive statement, namely, that that factor was consistent with approval although it lent but slight weight toward approval. In reply to a question by Governor Daane as to whether the benefits that the applicant claimed for the proposal might furnish material for a more positive statement, Mr. O'Connell remarked upon the need for caution in concurring with such claims unless they were obviously justified, lest other organizations with applications in prospect contend that their proposals involved parallel circumstances.

Governor Mills observed that this organization was permitted by law to make an application to organize a bank holding company, and the Board had the responsibility of either approving or disapproving the application. As he saw it, unless there was a balance of adverse factors, the Board's approval would be almost automatic.

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During further discussion there was agreement with certain changes in the language of the statement suggested by Governor Daane to lessen the implication that the Board was taking a positive action regarding a situation that lacked positive values, after which the issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as Items 7 and 8.

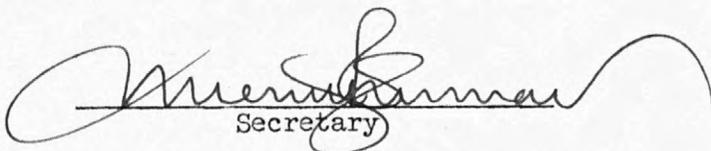
The meeting then adjourned.

Secretary's Note: Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on November 13, 1964, the following items:

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 9) approving the appointment of five assistant examiners as examiners.

Memorandum from Frederick R. Dahl, Chief, Special Studies and Operations Section, Division of International Finance, requesting permission to review a book on West African currency problems being considered for publication by the University of Kentucky Press.

Memorandum from Maurice H. Schwartz, Director, Division of Data Processing, requesting permission to teach (1) a course in data processing at the U.S. Department of Agriculture Graduate School, and (2) a course at George Washington University for the remainder of the current semester.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
11/16/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 16, 1964.



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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch in the vicinity of the El Dorado County Fairgrounds in an unincorporated area adjoining the city of Placerville, El Dorado County, California, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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.)

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
11/16/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 1964.

First National City Overseas Investment Corporation,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In accordance with the request contained in your letter of September 22, 1964, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for your Corporation to purchase and hold 5,100 shares, par value £1 each, of Australasia Investments Ltd., a proposed new company to be formed in the United Kingdom, provided such stock is acquired within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3
11/16/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 1964.



The Company for Investing Abroad,
Fidelity-Philadelphia Trust Building,
Philadelphia 9, Pennsylvania.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letters of September 18 and September 22, 1964, addressed to Mr. Joseph R. Campbell, Vice President, Federal Reserve Bank of Philadelphia, the Board of Governors grants consent for your Corporation to purchase and hold 10,000 additional shares, par value Colombian Pesos 100 each, of the capital stock of Corporacion Financiera de Caldas, S.A., Manizales, Colombia, at a cost of approximately US\$100,000, provided such stock is acquired within one year from the date of this letter.

Your letter of September 18, 1964, states that on May 29, 1964, your Corporation purchased 20,000 shares of Corporacion Financiera de Caldas, S.A. "at a par value of Colombian Ps. \$100 per share for \$200,000" and that the purchase was reported in the quarterly report required under Section 211.8(d) of Regulation K and was dated July 7, 1964. The quarterly report states, among other things, that the shares were purchased for US\$200,000 and expresses the opinion that the development of United States foreign commerce will be furthered by your investment in Corporacion Financiera de Caldas, S.A.

In Section 211.8(a) of Regulation K, the Board of Governors has granted its general consent "for any Corporation to acquire . . . and hold the shares of corporations organized under foreign law if such acquisition . . . (3) is otherwise likely to further the development of United States foreign commerce; but . . . the aggregate amount invested in the shares of any other corporation under clause (3) of this paragraph

The Company for Investing Abroad -2-

may not exceed \$200,000 or its equivalent . . ." As the Call Report of Condition of your Corporation as of June 30, 1964, shows in Item A.3 that the shares of Corporacion Financiera de Caldas are carried at a Book Value of \$200,800, it would appear that the aggregate amount invested in the shares of Corporacion Financiera de Caldas is in excess of the amount permitted by the general consent. Accordingly, it will be appreciated if you will furnish the Board of Governors, through the Federal Reserve Bank of Philadelphia, an explanation of the difference in the carrying value as reported in the Call Report and the cost reported in your quarterly report.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

Item No. 4
11/16/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 17, 1964.



Bamerical International
Financial Corporation,
41 Broad Street,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of November 4, 1964, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for Bamerical International Financial Corporation ("BIFC") to purchase and hold 80 per cent of the capital stock of a reorganized German instalment finance bank to be known as Curt Briechle (G.m.b.H.), Moenchengladbach, Federal Republic of Germany, at a cost of approximately US\$1,000,000, provided such shares are acquired within one year from the date of this letter.

It is understood that an initial investment of US\$750,000 will be made for the purchase of the present limited partnership equity in Curt Briechle K.G., Moenchengladbach, Federal Republic of Germany; that the partnership will then be dissolved and a new limited liability company established to be known as Curt Briechle (G.m.b.H.); and that within one year, an additional investment of US\$250,000 will be made in the capital of the new company.

The Board also approves the purchase and holding of shares of the German bank within the terms of the above consent in excess of 15 per cent of BIFC's capital and surplus.

The Board's consent to the proposed purchase and holding of shares of the German bank by BIFC is granted subject to the following conditions:

- (1) That BIFC shall not hold any shares of stock in the German bank if the German bank at any time fails to restrict its activities to those permissible to a corporation in which a corporation organized under

Bamerical International Financial Corporation -2-

Section 25(a) of the Federal Reserve Act could, with the consent of the Board of Governors, purchase and hold stock, or if the German bank establishes any branch or agency or takes any action or undertakes any operation in the Federal Republic of Germany or elsewhere, in any manner, which at the time would not be permissible if the German bank were a corporation organized under said Section 25(a);

- (2) That, when required by the Board of Governors, BIFC will cause the German bank to permit examiners selected or auditors approved by the Board of Governors to examine the German bank and to furnish the Board of Governors with such reports as it may require from time to time;
- (3) That BIFC shall not carry on its books the shares of the German bank at a net amount in excess of its proportionate share of the book capital accounts of the German bank, after giving effect to the elimination of all known losses; and
- (4) That any share acquisitions or dispositions by the German bank be reported under Section 211.8(d) of Regulation K in the same manner as if the German bank were a corporation organized under Section 25(a) of the Federal Reserve Act.

Subject to continuing observation and review, the Board suspends, until further notice, the provisions of subparagraph (1) of the fourth paragraph of this letter so far as they relate to restrictions on loans granted by the German bank in the Federal Republic of Germany in the currency of that country.

Upon completion of the proposed acquisition, it is requested that the Board of Governors be furnished, through the Federal Reserve Bank of New York, with copies of the Articles of Association, Memorandum of Association, and by-laws of the German bank.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 5
11/16/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 16, 1964.

Mr. Richard I. Kuhn,
Vice President and Counsel,
Union Financial Corporation,
238 Superior Avenue, N. E.,
Cleveland 14, Ohio.

Dear Mr. Kuhn:

This refers to the request contained in your letter of September 23, 1964, submitted through the Federal Reserve Bank of Cleveland, for a determination by the Board of Governors of the Federal Reserve System as to the status of Union Financial Corporation, Cleveland, Ohio, as a holding company affiliate.

From the information presented, the Board understands that Union Financial Corporation owns over 99 per cent of the stock of a savings and loan association, all of the stock of a manufacturing company, all of the stock of one and approximately half of the stock of five other real estate development and insurance companies, and is participating in a number of other real estate projects; that it is a holding company affiliate by reason of the fact that it owns 27,934 of the 40,000 outstanding shares of stock of the Port Clinton National Bank, Port Clinton, Ohio; and that it does not, directly or indirectly, own or control any stock of, or manage or control any other banking institution.

In view of these facts the Board has determined that Union Financial Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing, or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. Richard I. Kuhn

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If, however, the facts should at any time indicate that Union Financial Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Item No. 6
11/16/64

November 10, 1964.

TO: Board of Governors
FROM: Mr. Young
SUBJECT: Foreign Travel: Messrs. Maroni and Gomez

On September 30, 1964, the Board of Governors approved the attendance of Messrs. Maroni and Gomez at a meeting to be held at Caracas, Venezuela from November 24 to December 2 under the auspices of the Center for Latin American Monetary Studies.

It is recommended that Mr. Gomez' stay in Venezuela be prolonged for a period of two or three days to enable him to visit the Central Bank of Venezuela. The additional cost would be negligible, and it would enable him to develop personal contacts with the economic staff of this institution.

It is further recommended that Mr. Maroni be authorized to return by way of Mexico City and to spend a week there familiarizing himself with current economic conditions in Mexico. As the Board knows, Mexico has recently increased its borrowings in the United States capital markets and, along with Venezuela, it is one of the largest holders of dollar balances among the Latin American Central Banks. It has been some time since any of our people have paid an extended visit to the Bank of Mexico and I believe that the proposed visit by Mr. Maroni would be extremely worth while.

Young

UNITED STATES OF AMERICA

Item No. 7
11/16/64

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of	:
COMMERCIAL BANCORP, INC.	:
for permission to become a bank holding	:
company through acquisition of stock of	:
three banks in Florida.	:

ORDER APPROVING APPLICATION UNDER
BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)) and section 222.4(a)(1) of Federal Reserve Regulation Y (12 CFR 222.4(a)(1)), an application on behalf of Commercial Bancorp, Inc., Miami, Florida, for the Board's approval of action whereby Applicant would become a bank holding company through the acquisition of a minimum of 80 per cent of the voting shares of each of the following banks located in Florida: Commercial Bank of Miami, Miami; Merchants Bank of Miami, West Miami; and Bank of Kendall, Kendall.

As required by section 3(b) of the Act, the Board notified the Florida State Commissioner of Banking of the receipt of the application and requested his views and recommendation.

The Commissioner recommended approval. Notice of receipt of the application was published in the Federal Register on April 24, 1964 (29 F. R. 5522), which provided an opportunity for submission of comments and views regarding the proposed transaction. Time for filing such views and comments has expired and all comments and views filed with the Board have been considered by it.

IT IS ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that the acquisition so approved 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 16th day of November, 1964.

By order of the Board of Governors.

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

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION OF COMMERCIAL BANCORP, INC., MIAMI, FLORIDA,
FOR PRIOR APPROVAL OF ACTION TO BECOME A BANK HOLDING COMPANY

STATEMENT

Commercial Bancorp, Inc., Miami, Florida ("Applicant"), has filed an application pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 ("the Act") requesting prior approval of action whereby Applicant would become a bank holding company within the meaning of the Act through the acquisition of 80 per cent of the outstanding stock of each of the following three banks in Florida: Commercial Bank of Miami, Miami ("Commercial Bank"); Merchants Bank of Miami, West Miami ("Merchants Bank"); and Bank of Kendall, Kendall ("Kendall Bank").

The three proposed subsidiary banks are commonly owned and controlled as reflected by the fact that Applicant's six organizers own 60.7 per cent, 72.5 per cent, and 73.5 per cent of the common stock of Commercial Bank, Merchants Bank, and Kendall Bank, respectively. Applicant's president, who is one of its organizers, owns 45.7 per cent, 50.2 per cent, and 50.7 per cent of Commercial Bank, Merchants Bank, and Kendall Bank, respectively, and is also president of each of the three proposed subsidiary banks.

Applicant proposes to acquire, in exchange for shares of its stock, a minimum of 80 per cent of the outstanding stock of each of the three banks. On the basis of a 100 per cent exchange of stock of the banks for holding company stock, Applicant's organizers would control 67 per cent of the holding company.

At December 20, 1963,^{1/} Commercial Bank held total deposits of \$20.5 million; Merchants Bank held total deposits of \$16.1 million; and Kendall Bank, organized in July 1962, held total deposits of \$3.5 million. Each proposed subsidiary bank is a nonmember insured bank.

Views and recommendation of State supervisory authority. -

In response to a request by the Board for views and a recommendation on Applicant's proposal, the Commissioner of Banking for the State of Florida recommended that the application be approved.

Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding company and the banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether 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.

^{1/} Unless otherwise indicated, all banking data noted are of this date.

Financial history, condition, prospects, and management of Applicant and the banks concerned. - While Applicant has no financial history, its proposed financial structure appears sound. The financial history and condition of each of the proposed subsidiary banks is satisfactory, as are their prospects and the prospects of the Applicant. The managements of the proposed subsidiary banks are experienced and competent. Applicant's management will be composed of officers and directors of the respective subsidiary banks, and the individual who is president of each bank is the president of Applicant. It is concluded that Applicant's management will be satisfactory.

Convenience, needs, and welfare of the communities and area concerned. - Applicant and the three proposed subsidiary banks are located in Dade County, the most populous county in the State of Florida. Dade County, with an estimated population of 1,074,000, has grown at a rate faster than the State of Florida as a whole. The County has a diversified economic base with retail trade and tourism constituting major sources of employment and income.

Each proposed subsidiary bank has only one office, branch banking being prohibited by Florida law. Commercial Bank is located in northeast Dade County about five miles north of downtown Miami. Its primary service area ^{2/} has an estimated population of 115,000,

^{2/} As used herein, "primary service area" refers to the area from which Applicant estimates that each of the proposed subsidiary banks derives approximately 75 per cent of its deposits of individuals, partnerships, and corporations.

encompassing an area of about 6-1/2 miles from east to west and 9-1/2 miles from north to south, and has located therein almost 2,300 business establishments. Data compiled by Dade County officials and submitted by Applicant project an area population of 125,500 by 1970.

Merchants Bank is located about twelve miles southwest of Commercial Bank. Bank's primary service area, which has a population of about 126,000 (estimated to increase to 172,000 by 1970), covers an area of approximately 56 square miles and includes a large area to the west where there is no other commercial banking institution. There are about 1,450 business establishments in Merchants Bank's primary service area.

Kendall Bank is situated about 5-1/2 miles south of Merchants Bank, almost directly across from a large shopping center which contains a major department store. The bank has a primary service area extending about 6-1/4 miles from east to west and 9-1/2 miles from north to south. The area has experienced rapid population growth in the last decade. Its present population of about 114,000 is expected to increase to about 231,000 by 1970. There are nearly 1,800 businesses in Kendall Bank's primary service area.

While the primary service areas of the three proposed subsidiary banks have evidenced growth and a potential need for expanded banking services, there is no evidence that present banking requirements in any of the areas are going unserved or are being inadequately served.

In the main, Applicant's case for approval of its proposal rests upon its assertion that the following principal advantages will be realized by the banks involved, with ultimate benefit to the public:

(1) there will be made available to the banks' customers new and improved services such as trust department facilities, foreign department services, and expanded and improved credit facilities; (2) as expansion of the banks' physical facilities becomes necessary, an occurrence predicted by Applicant, a more ready source of capital for this purpose will be assured through Applicant; and (3) improvements will be made in the banks' internal operating procedures and controls.

While some benefit would be realized if Applicant were to accomplish the innovations and improvements described, the absence in the record of evidence of an existing or reasonably foreseeable need either for trust services on a scale visualized by installation of trust departments, or for services usually provided by a foreign department of a bank, minimizes the potential benefit to the public from Applicant's proposal. Similarly, in respect to the proposed expansion of one or more of the banks' premises, there is evidence in the record that such expansion has taken place as needed without apparent capital impairment. In respect to improvements in the banks' operating procedures and controls, the Board believes that the improvements forecast by Applicant can be accomplished in nearly the same degree by the three commonly controlled banks as presently operated. The Board concludes that the evidence bearing on the

fourth statutory factor is consistent with, and lends some weight toward, approval of the application.

Effect of proposed acquisition on adequate and sound banking, public interest, and banking competition. - The 47 commercial banks located in Dade County hold combined deposits of about \$1.3 billion. The combined deposits of Commercial Bank, Merchants Bank, and Kendall Bank amount to approximately \$40 million, or about three per cent of the deposits held by all banks in Dade County, and less than one per cent of the total deposits of all banks in the State.

Commercial Bank is the fifth largest of 17 banks operating in its primary service area. Its deposits of \$20.5 million represent slightly more than 7 per cent of the deposits held by the aforementioned 17 banks. The four largest banks in Commercial Bank's primary service area have deposits ranging in total from \$35 million to slightly above \$50 million. Merchants Bank ranks fourth in size of eight banks in its primary service area, its deposits of \$16 million representing about 14 per cent of the combined deposits of those eight banks. Kendall Bank, with deposits of \$3.5 million, is the smallest of seven banks located in its primary service area; its deposits are equal to about nine per cent of the combined deposits of all banks in the latter area.

In addition to the competition offered by banks located within the respective service areas, nine other banks having combined deposits of \$125 million, and ranging in size of deposits held from \$3 million to \$44 million, are located outside of but compete in one

or more of the three banks' primary service areas. Viewing as a single area the three primary service areas here involved, 28 banks therein, including Applicant's three proposed subsidiaries, hold combined deposits of \$411 million, of which less than 10 per cent are held by Commercial Bank, Merchants Bank, and Kendall Bank, combined. As to either the 25 banks located in this greater area (excluding Applicant's proposed subsidiaries), or the 9 banks located outside the area but competing therein, the Board concludes that the competition to be offered by the three banks operating under Applicant's ownership and control will not differ significantly in nature or degree from that now offered by these banks.

Nor does it appear that there exists significant competition among and between the three proposed subsidiary banks that would be eliminated by consummation of this proposal. The lack of such existing competition, while due in part to the common ownership and control previously mentioned, is attributable in some degree to the distances separating each of the three banks, and to their sizes in relation to the other banks located and competing in their respective primary service areas. Thus, even absent the common ownership and control evidenced, it is reasonably concluded that no significant competition would exist between or among the three proposed subsidiary banks in the foreseeable future.

In sum, consummation of Applicant's proposal appears to be consistent with the maintenance of adequate and sound banking and the preservation of banking competition.

Conclusion. - 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 16, 1964.

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

Item No. 9
11/16/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 16, 1964.

Mr. E. H. Galvin, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Dear Mr. Galvin:

In accordance with the request contained in Mr. Swan's letter of November 5, 1964, the Board approves the appointment of the following named individuals, at present assistant examiners, as examiners for the Federal Reserve Bank of San Francisco, effective January 1, 1965.

Creighton Beeching
William J. Blanchard
Eugene A. Thomas
Roy T. Thronson
Paul W. Van Etten

Please advise the salary rates.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

