

Minutes for April 13, 1966






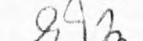
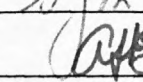
To: Members of the Board

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	<u></u>
Gov. Robertson	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>
Gov. Brimmer	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, April 13, 1966. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Shepardson  
Mr. Mitchell  
Mr. Daane  
Mr. Maisel  
Mr. Brimmer

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Holland, Adviser to the Board  
Mr. Solomon, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Koch, Deputy Director, Division of Research and Statistics  
Mr. Smith, Assistant Director, Division of Examinations  
Mr. Thompson, Assistant Director, Division of Examinations  
Messrs. Sanders and Via, Senior Attorneys, Legal Division  
Mr. Kline, Assistant Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on April 11, 1966, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to the Bank.

Approved letters. The following letters were approved unanimously after consideration of background information that had been made available to the Board. Copies of the letters are attached under the respective item numbers indicated.

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	<u>Item No.</u>
Letter to Citizens Bank of Ada, Ada, Oklahoma, approving the application made on its behalf for admission to membership in the Federal Reserve System.	1
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Pleasanton.	2
Letter to National Bank of Commerce, Los Angeles, California, granting its request for permission to continue to maintain reduced reserves.	3
Letter to the Federal Deposit Insurance Corporation regarding the application of The Miners' State Bank of Iron River, Iron River, Michigan, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	4
Letter to the Department of Justice complying with its request for a copy of the 1955 earnings and dividends report of Commerce Union Bank, Nashville, Tennessee.	5
Letter to the Federal Reserve Bank of New York interposing no objection to its proposed program of foreign travel during 1966.	6
Letter to the Federal Reserve Bank of Richmond authorizing access, under certain conditions, by Fidelity and Deposit Company of Maryland to specified reports of examination of Bank of Dublin, Dublin, Virginia, and other records.	7

With reference to Item No. 6, the proposed foreign travel program of the Federal Reserve Bank of New York for 1966 had been the subject of discussion by members of the Board with President Hayes at a meeting on April 12, 1966, which had been arranged pursuant to the understanding at

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the Board meeting on February 14, 1966. A memorandum of the April 12 discussion has been placed in the Board's files.

Application of Wells Fargo Bank (Items 8-10). There had been distributed drafts of an order and statement reflecting the Board's denial on March 28, 1966, of the application of Wells Fargo Bank, San Francisco, California, to merge Bank of Sonoma County, Sebastopol, California. A dissenting statement by Chairman Martin also had been distributed.

After discussion, the issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as Items 8 and 9. A copy of Chairman Martin's dissenting statement is attached as Item No. 10.

Application of Baystate Corporation. There had been distributed a memorandum dated March 16, 1966, from the Division of Examinations, with other pertinent papers, regarding the application of Baystate Corporation, Boston, Massachusetts, to acquire up to 100 per cent of the outstanding voting shares of Lynn Safe Deposit and Trust Company, Lynn, Massachusetts. The Division recommended approval.

After a discussion introduced by comments by Mr. Thompson based on the distributed material, the application was approved unanimously, it being understood that an order and statement would be prepared for the Board's consideration. It was also understood, however, that release of the order and statement would not be contemplated until such time as



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the Massachusetts Board of Bank Incorporation issued a decision on the similar application filed with the State.

At the instance of Governor Shepardson, there followed a general discussion of the weight that should appropriately be given to competition from financial institutions other than commercial banks in the consideration of bank merger and bank holding company applications. It was understood that the staff would consider the matter further in light of the views expressed by members of the Board.

Application of First Montana Bank Corporation. There had been distributed a memorandum dated March 29, 1966, from the Division of Examinations, with other pertinent papers, regarding the application of First Montana Bank Corporation, Great Falls, Montana, to become a bank holding company through acquisition of a majority of the voting shares of Ravalli County Bank, Hamilton, Montana, and First State Bank, Stevensville, Montana. The Division recommended denial if, in the Board's opinion, such action was legally supportable.

After a preliminary discussion of some of the aspects of the case, it was understood that consideration of the application would be deferred pending the availability of a memorandum from the Legal Division relating to questions presented by the relationships between applicant and The Montana Corporation.

Examination of Minneapolis Bank. Mr. Smith summarized information disclosed through the examination of the Federal Reserve Bank of

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Minneapolis made by the Board's staff as of December 1, 1965, his comments supplementing the report of examination and related memoranda that had been circulated to the Board.

Following discussion, it was agreed that there were no matters arising out of the examination on which action by the Board was required. However, it was understood that appropriate information would be placed in the Board's files concerning the utilization by the Reserve Bank of chartered airplanes on certain occasions.

The meeting then adjourned.

Secretary's Note: At 10:35 a.m., the members of the Board met with the following representatives of the New York Clearing House Association for discussion of the views of the Clearing House with respect to the proposal to define as deposits promissory notes of member banks and other forms of indebtedness, with certain exceptions: George Champion, President; Paul R. Fitchen, Executive Vice President and Secretary; and William Curtis Pierce of Sullivan and Cromwell, Principal Counsel. A memorandum of the discussion is being placed in the Board's files.

Secretary's Notes: A letter was sent today to The Chase Manhattan Bank (National Association), New York, New York, acknowledging receipt of notice of its intent to establish an additional branch in the Dominican Republic, to be located in Santo Domingo.

On April 12, 1966, Governor Shepardson approved on behalf of the Board a memorandum from the Legal Division and the Division of Administrative Services dated April 7, 1966, stating that it was planned to award to Judd & Detweiler the contract for printing 15,000 paper-bound and 1,000 loose-leaf copies of a revised edition of the Federal Reserve Act at an estimated cost of \$14,100, plus

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\$688 for each additional 1,000 paper-bound copies, exclusive of author's corrections. Provision had been made in the 1966 budget of the Legal Division to cover the cost of this project. It was understood that no change would be made in the distribution plan or in the charge of \$1.25 established in 1961.

Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Salary increase

Constance I. Stokes, Stenographer, Legal Division, from \$4,149 to \$4,641 per annum, effective April 24, 1966.

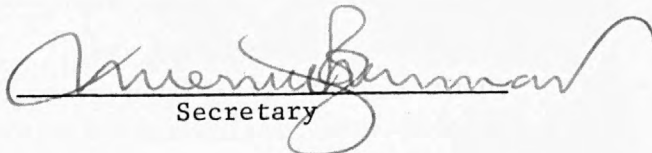
Transfer

Janet L. Lemley, from the position of Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of International Finance, with no change in basic annual salary at the rate of \$4,953, effective April 24, 1966.

Acceptance of resignation

Robert D. Heyde, Attorney, Legal Division, effective April 23, 1966.

Governor Shepardson also approved on behalf of the Board a proposal that the Board co-host with the Treasury a reception on Thursday evening, April 21, 1966, at Anderson House in connection with the meeting that week of the Deputies of the Group of Ten, with the understanding that the cost to each agency might be in the area of \$600.

  
Secretary

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

Item No. 1  
4/13/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1966

Board of Directors,  
Citizens Bank of Ada,  
Ada, Oklahoma.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application made on behalf of Citizens Bank of Ada, Ada, Oklahoma, for stock in the Federal Reserve Bank of Kansas City, effective if and when the bank opens for business under appropriate State authorization, subject to the numbered conditions hereinafter set forth.

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.
3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$250,000, and other capital funds of not less than \$250,000.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.



Citizens Bank of Ada

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It is understood that the bank does not plan to exercise fiduciary powers upon admission to membership. Should the bank at any future time desire to exercise any powers not exercised at the time of admission to membership it will be necessary, under condition of membership numbered 1, to obtain permission of the Board of Governors.

If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's charter has been issued and a certified copy of such resolution should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to six months from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Enclosure.



Item No. 2  
4/13/66

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1966



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 intersection of Santa Rita Road and Valley Avenue, Pleasanton, Alameda County, California, provided the branch is established within one year 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.)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3  
4/13/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1966

Board of Directors,  
National Bank of Commerce,  
Los Angeles, California. 90048.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the National Bank of Commerce to continue to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opened its branch in Los Angeles.

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, D. C. 20551

Item No. 4

4/13/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1966

The Honorable K. A. Randall, Chairman,  
Federal Deposit Insurance Corporation,  
Washington, D. C. 20429

Dear Mr. Randall:

Reference is made to your letter of March 28, 1966, concerning the application of The Miners' State Bank of Iron River, Iron River, Michigan, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

There have been no corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and there are no programs that the Board would advise be incorporated as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System.

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. 5  
4/13/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 18, 1966



Mr. James L. Minicus, Attorney,  
Department of Justice,  
c/o Office of the United States Attorney,  
Nashville, Tennessee 37203.

Dear Mr. Minicus:

In Assistant Attorney General Donald F. Turner's letter of April 5, 1966, he requested that a copy of the Report of Earnings and Dividends for the year 1955 for Commerce Union Bank, Nashville, Tennessee be forwarded to you. A copy of the Report is enclosed.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure.

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

Item No. 6  
4/13/66



**ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD**

April 13, 1966

Mr. William F. Treiber,  
First Vice President,  
Federal Reserve Bank  
of New York,  
New York, New York. 10045

Dear Mr. Treiber:

This is in reply to your letter of January 21 regarding a proposed program of foreign travel, leaves of absence, and other assignments abroad for members of the staff of the Federal Reserve Bank of New York during 1966.

This matter has been called to the attention of the Board of Governors, which interposes no objection to the proposed program.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7  
4/13/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



April 13, 1966

Mr. John L. Nosker, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia. 23213

Dear Mr. Nosker:

This acknowledges receipt of a copy of letter dated March 17, 1966, addressed to you by Mr. John W. Edmonds, III, of the law firm of Tucker, Mays, Moore & Reed, Richmond, Virginia, delivered by you to Mr. Solomon during your recent visit to the Board in connection with the conference of representatives of Reserve Bank examination departments. Mr. Edmonds' letter sets forth his firm's representation of the Fidelity and Deposit Company of Maryland against whom claim has been made in the amount of \$750,313.88 by Bank of New River Valley (successor by merger to Bank of Dublin, Dublin, Virginia) under the blanket bond issued to Bank of Dublin.

Mr. Edmonds has requested, on behalf of Fidelity and Deposit Company of Maryland, access to reports of examination of Bank of Dublin as of April 2, 1962, February 11, 1963, May 30, 1964, and January 25, 1965, together with "other documents relating to the Bank of Dublin and its successor." A request has also been made for an opportunity to discuss with you and other officers and employees of your Bank the material referred to above and other matters.

Your attention is directed to the Board's letter to President Wayne of October 5, 1965, enclosing a copy of the Board's letter of October 4, 1965, to First Virginia Corporation setting forth the nature and extent of the Board's authorization for access by the Corporation to materials relating to Bank of Dublin. It will be noted that the Corporation was given access to the open and confidential sections of reports of examination of Bank of Dublin dated January 25, 1965, and May 3, 1965. No request was made for, nor reference made to, the reports of examination dated April 2, 1962,

Mr. John L. Nosker

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February 11, 1963, and May 30, 1964, mentioned in Mr. Edmonds' letter. It is assumed that any excerpts from these three reports of examination were made by the Corporation and the Bank of New River Valley, without prior authorization, from copies of such reports in the possession of Bank of New River Valley. The excerpt from the report of January 25, 1965, referred to by Mr. Edmonds, presumably was prepared pursuant to the Board's authorization of October 25, 1965, responding to the Corporation's request.

In view of the apparent specific references made by Bank of New River Valley to portions of the reports of examination mentioned, the Board authorizes access by Fidelity and Deposit Company of Maryland, through Mr. Edmonds, to the open sections of the April 2, 1962, February 11, 1963, and May 30, 1964 reports of examination of Bank of Dublin, and to the open and confidential sections of the January 25, 1965 report of examination, in whatever manner you consider appropriate. In addition, Mr. Edmonds is authorized access to the notes of the May 1, 1965 meeting to which the Corporation was given access. It is understood that the authorization herein given contemplates possession at all times by you of the materials to which access is given, with the right of Mr. Edmonds to make appropriate notes therefrom. In connection with Mr. Edmonds' visit to your Bank for this purpose, you and other designated officers and employees of your Bank are authorized to discuss with Mr. Edmonds any aspect of the Bank of Dublin matter that appears appropriate under the circumstances.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Item No. 8  
4/13/66

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

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In the Matter of the Application of  
WELLS FARGO BANK  
for approval of merger with  
Bank of Sonoma County  
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ORDER DENYING APPLICATION FOR APPROVAL OF  
MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), an application by Wells Fargo Bank, San Francisco, California, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Bank of Sonoma County, Sebastopol, California, under the charter and title of Wells Fargo Bank. As an incident to the merger, the main office and two branches of Bank of Sonoma County would become branches of the resulting bank. 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 Attorney General 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 denied.

Dated at Washington, D. C., this 13th day of April, 1966.

By order of the Board of Governors.

Voting for this action: Governors Robertson, Shepardson, Mitchell, Daane, Maisel, and Brimmer.

Voting against this action: Chairman Martin.

(signed) -- Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)



Item No. 9  
4/13/66BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMAPPLICATION BY WELLS FARGO BANK  
FOR APPROVAL OF MERGER WITH  
BANK OF SONOMA COUNTYSTATEMENT

Wells Fargo Bank, San Francisco, California ("Wells Fargo"), with total deposits of about \$3.5 billion, has applied, pursuant to the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), for the Board's prior approval of the merger of that bank with the Bank of Sonoma County, Sebastopol, California ("Sonoma Bank"), which has total deposits of about \$17 million. The banks would merge under the charter and name of Wells Fargo, which is a member of the Federal Reserve System. As an incident to the merger, the three offices of Sonoma Bank would become branches of Wells Fargo, increasing the number of its offices to 210.

Competition. - The head office of Sonoma Bank is in Sebastopol, a town with an estimated population of 3,500, which is located in south-central Sonoma County about 55 miles north of San Francisco. The bank operates two branches in western Sonoma County, one in Forestville and one in Guerneville, six miles and 14 miles northwest of Sebastopol, respectively. Western Sonoma County is primarily an agricultural area.



The nearest offices of Wells Fargo to Sonoma Bank are its three branches in Santa Rosa, which has a population of about 43,000. Sebastopol and Santa Rosa are separated by an eight-mile-wide, sparsely populated, low lying plain that, because of occasional flooding, is presently unsuited for development. The towns are connected by good roads. Santa Rosa is by far the largest community and trading center in the region. About one-third of the residents of Sebastopol commute to work, most of them to Santa Rosa. The relevant area for the purpose of considering the effect of the proposal on competition is the combined Sebastopol/Santa Rosa area.

The head office of Sonoma Bank is about eight miles from the three Santa Rosa offices of Wells Fargo. Each bank derives a portion of its business from areas served by the other. The proposed merger would eliminate existing and potential competition between the merging banks.

Wells Fargo, the State's third largest bank, is one of eight banks that operate a total of 22 offices in the Sebastopol/Santa Rosa area.<sup>1/</sup> After the proposed merger, Wells Fargo and Bank of America, NT&SA, the State's largest bank, together would account for 63 per cent of the loans and 63 per cent of the IPC deposits held by all banking offices in the relevant area. The offices of these two banks and the area's third largest bank would account for 89 per cent and 91 per cent, respectively, of such loans and deposits.

<sup>1/</sup> The figures do not include the Sebastopol office (opened in September of 1965) of a bank headquartered in Petaluma.

The three offices of Wells Fargo presently account for 31 per cent of the loans and 23 per cent of the IPC deposits held by the banking offices in the Sebastopol/Santa Rosa area. After the proposed merger, the offices of Wells Fargo would account for 39 per cent and 33 per cent, respectively, of such loans and deposits. Wells Fargo would continue to rank first among area banks in terms of loans held, and would advance in rank from third to first in terms of IPC deposits held.

The effect of the proposed merger on competition would be adverse.

Financial and managerial resources and future prospects. -

Each bank has adequate financial resources, capable management and satisfactory prospects, as would have the continuing bank.

Convenience and needs of the communities. - The economy of the

Sebastopol/Santa Rosa area appears to be sound, and the prospects for growth, particularly around Sebastopol, are very good. The ratios of loans to IPC deposits for 21 of the 22 banking offices that serve this area are very high, ranging from 75 per cent to 165 per cent. The area is an importer of loan funds.

The principal reason advanced in support of approval of the proposed merger is that Sonoma Bank is unable to satisfy the credit needs of the Sebastopol community. Sonoma Bank's loans are equal to about 76 per cent of its IPC deposits. The Petaluma-headquartered bank that recently opened an office in Sebastopol also has a high ratio of loans to IPC deposits. However, Bank of America, the largest bank

in the United States, has an office in Sebastopol and that office is capable of importing loan funds. In addition, the banking offices in Santa Rosa are quite accessible to the residents of Sebastopol. Nine of these offices are operated by five of the State's seven largest banks. The smallest of these five large banks has total deposits in excess of \$1 billion and, altogether, these five banks account for about two-thirds of the total deposits held by all California banks.

There is a lack of persuasive evidence that the existing banking needs of the Sebastopol community are not being met satisfactorily and without undue inconvenience, or that the future banking needs of the community will not be adequately served. Further, the replacement of Sonoma Bank by Wells Fargo would not enable Wells Fargo to import more loan funds into the Sebastopol/Santa Rosa area than it is already capable of importing through its three offices in Santa Rosa. It would, however, benefit to some degree the convenience of Sebastopol residents by providing a closer alternative source of loan funds and other banking services.

The banking convenience and needs of the Santa Rosa community would not be appreciably affected by the proposed merger.

Summary and conclusion. - The banking factors in this case are neutral and, therefore, the decision must rest on a balancing of the considerations under the convenience and needs factor against those under the competitive factor. The proposed merger would benefit to some extent the convenience of the residents of Sebastopol, a result



that in itself is very desirable. However, such a benefit would be accompanied in this case by the elimination of competition between the merging banks and, more importantly, by an increase in the strength of Wells Fargo, a bank which is already one of the dominant forces in the relevant market area. It is the judgment of the Board that the potential benefit under the convenience and needs factor in this proposal does not, on balance, outweigh the adverse considerations under the competitive factor.

Accordingly, the application is denied.<sup>2/</sup>

April 13, 1966.

<sup>2/</sup> The application in this case was pending when the Bank Merger Act was amended effective February 21, 1966, by Public Law 89-356. The case is disposed of under the amended law, but the Board concluded that the result would have been the same if the pre-February 21, 1966, law had been applied.

## DISSENTING STATEMENT OF CHAIRMAN MARTIN

In my view, the replacement of Sonoma Bank by Wells Fargo would be of considerable benefit to the banking convenience and needs of the Sebastopol community. The banking offices in Santa Rosa may be conveniently available to that group of one-third of the residents of Sebastopol who apparently commute to work in Santa Rosa, as well as to those residents of Sebastopol who may regularly travel to Santa Rosa to shop. But it cannot be gainsaid that the banking offices in Santa Rosa are less conveniently available to that group of two-thirds of the residents of Sebastopol who do not commute to work in Santa Rosa, as well as to those residents of Sebastopol who may not find it necessary, or convenient to shop regularly in Santa Rosa. And certainly farmers and businessmen, whose banking needs are relatively greater than those of the typical banking customer, must find it more convenient to bank in the local community. The closer alternative source of relatively complete banking services that would result from the replacement of Sonoma Bank by an office of Wells Fargo would benefit the banking convenience and needs of a majority of the residents of Sebastopol and, in addition, would enhance the economic prospects and growth of the community. In my judgment, these potential benefits outweigh the adverse considerations under the competitive factor.

Accordingly, I would approve the application.

April 13, 1966.