

THE BANKING STRUCTURE IN EVOLUTION:

*A Response to
Public Demand*



102nd ANNUAL REPORT 1964

The Administrator of National Banks

JAMES J. SAXON, *Comptroller of the Currency*

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Letter of Transmittal

TREASURY DEPARTMENT,
OFFICE OF THE COMPTROLLER OF THE CURRENCY,
Washington, D.C., September 1, 1965.

SIRS: Pursuant to the provisions of section 333 of the United States Revised Statutes, I am pleased to submit the *102nd Annual Report of the Comptroller of the Currency, the Administrator of National Banks*, which covers operations for the year 1964. I have also included in this *Report* a statement of our policies with respect to the banking structure covering the fields of chartering, branching, and mergers, together with several appendices reproducing the major public expressions of the policies of this Office during the past year.

Respectfully,

JAMES J. SAXON,
Comptroller of the Currency.

THE PRESIDENT OF THE SENATE
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES

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THE BANKING STRUCTURE IN EVOLUTION:

*A Response to
Public Demand*

I. *A Statement of Policy*

THE NATION'S industry and commerce are alive with change. If the banking industry is to serve their needs most effectively, it will have to match the initiative and imagination displayed elsewhere in the economy. The temper of the banking industry, and the energy with which new opportunities are created and pursued, will be critically affected by the attitudes of the public authorities. A negative or un-receptive outlook on the part of the regulator may dampen the initiative of banks and impede effective response to public demand for banking services and facilities.

For nearly four years, we have been engaged in an effort to broaden the opportunity for private initiative in the National Banking System, insofar as this could properly be done in the light of existing law and the public purpose to sustain and safeguard the viability of the banking system. In our 101st Annual Report to the Congress, we reviewed the changes that were instituted and those advocated with respect to the operating powers of National Banks. In this 102nd Annual Report, we shall examine the changes of policy and practice relating to the structure of the National Banking System.

The banking structure that is most ideal in terms of the public need will vary with the changing requirements for banking services and facilities. Like the operating powers of commercial banks, the structure of the banking industry must continuously be adapted to emerging demands and opportunities.

All of the forces of change which are at work throughout the economy, both domestic and international, influence the ideal banking structure to be sought. In our prosperous and vigorous society these changes are constant, far-reaching, and of compelling importance. Increases in personal income and population affect the volume of savings seeking productive uses. The growth of capital and advances in technology bring new products and new industries. These, in turn, often give rise to new communities and shifts of population. Population movements are further accelerated as income levels rise and permit the pur-

chase of new homes. All of these factors have worked to produce demands for additional types of banking services and for banking facilities at new locations. The responses by the banks and the banking authorities to these new demands and opportunities have molded the evolution of the banking structure.

"Structure" is a term generally used to describe the composition and dispersion of an industry, geographically, by size of unit, and by the range of products manufactured and distributed. The structure of an industry is also affected by the ease with which new firms may enter and existing firms may expand. In all industries, structure is influenced by such factors as the location of the materials of production, the accessibility of markets, and production and demand conditions, as well as by unique factors such as the inventive process and entrepreneurial initiative. Banking, however, and the other regulated industries, differ fundamentally from the unregulated industries in one significant respect—the influence of government on structure.

In the unregulated industries, the influence of government on structure is at a minimum. In these industries, the broadest scope is preserved for individual initiative; public controls are, for the most part, either indirect or peripheral. Except in unusual times such as war, it is rare in the unregulated industries to impose precise and positive rules of conduct for the individual. He is forbidden to engage in certain practices and certain governmental activities may indirectly affect the choices he makes, but beyond these limiting factors he has a free choice of entry and free discretion to select his own investment, production, and marketing policies. For example, although the total supply of money and credit is regulated, the government does not normally allocate their uses nor fix the prices of goods and services produced and sold. Collective bargaining is required, but wage rates are not fixed. Anticompetitive accretions of market power and deceptive practices are controlled, but there is no effort through public authority to select and enforce any exact set of competitive conditions.

This is in clear contrast to the public policies followed in the regulated industry of banking. In virtually every significant aspect, the structure of the banking industry is directly controlled by government. Entry into banking is restricted and the expansion of existing banks is closely regulated. No bank may be formed without a charter from the government. No bank may expand its size through the acquisition of new capital or the formation of new branches without the sanction of a public authority. No bank may expand through the acquisition of other banks without the prior approval of government.

Underlying this intercession of government in banking is a basic public policy that sets this industry clearly apart from others. The factor which distinguishes banking from other industries is the public concern to safeguard the viability of the banking system. This concern is founded upon the central role which banking performs in the economy, and the critical significance of public confidence in the banking system. The banking system provides the chief instrument of payment in the conduct of business and private transactions, and it represents one of the principal channels through which savings are directed to productive uses. In order that these functions may be performed effectively, there must be public confidence in the banking system. Without such confidence, funds would not be deposited in banks nor would checks be accepted in payment of transactions, and the performance of the entire economy would be greatly impaired.

There are three basic forms of public control that affect the structure of the banking industry: (1) chartering controls; (2) branching controls; and (3) merger controls.

A. *Chartering Controls*

The imposition of entry controls through the requirement of a public charter represents the most fundamental structural regulation of the banking industry. In the unregulated industries, freedom of entry is preserved as the essential basis for the reliance placed on private initiative to exploit profitable opportunities for serving consumer demands, and generally to make certain that productive resources move to their best uses throughout the economy. It is recognized that free entry may result in the elimination of inefficient competitors, but this is regarded as a small price to pay for the public benefits of private initiative and innovation. Failures in banking, however, are considered to be of greater public consequence than failures in other industries because of the broad effects on confidence in the banking system and the severe

incidence on individuals and small business firms. Entry restrictions have thus been adopted as one of the measures for preserving the viability of the banking system.

Since the existence of entry restrictions deprives the public of the full benefits of competition in meeting consumer demands, it becomes the responsibility of the regulatory authorities to make certain that entry controls are not so severely administered as to inhibit the provision of needed banking services and facilities. If the public authorities are insufficiently alert or sluggishly responsive to emerging requirements, artificial shortages may appear. This is precisely the situation which prevailed several years ago as a result of postwar changes in the size and location of population and industry.

Shortages of supply normally create mounting pressures for market entry in a capital-rich and dynamic economy such as our own. This poses administrative problems where there is public control of entry. As the saturation point is approached in a market under the pressure of new entry, it becomes increasingly difficult to make accurate estimates of need and potential profitability. Moreover, in order to sustain the viability of the banking system, it is desirable to preserve opportunities for new banks to grow to efficient size. For these reasons, a temporary halt may occasionally be required in the chartering of new banks in some markets, as occurred under the more responsive chartering policies of the past several years.

Some observers have been concerned lest the chartering of new banks should proceed so far as to increase the rate of bank failures, and it is worthwhile to consider how firm the safeguards against failure should be in the chartering of new banks. It must be remembered that bank entry is regulated not because there is a private right of existing banks to be protected against competition, but because there is a public concern to sustain the viability of the banking system. It can never be in the public interest to protect banks against competitors who are either more efficient or more responsive to public demands. There are, moreover, positive public benefits to be derived through the periodic introduction into the banking industry of new competitive forces with fresh ideas and fresh talents.

An absolute safeguard against bank failures resulting from new entry would require an absolute bar against entry, for any new competitor will have some effect on his rivals and will himself run the risk of failure. In order to reconcile the need to protect the viability of the banking system with the equally vital need to assure sufficient production of banking services, a unique

combination of public policies has been adopted. Applications for entry are carefully screened in terms of public demand, potential profitability, and effects upon competitors. In order to assure the capability of new banks to operate efficiently and effectively, certain minimum capital requirements are imposed, and the competence of proposed management is appraised and approved by the regulatory authorities. The operating policies and practices of all banks are continuously supervised to sustain their solvency and liquidity. Finally, as an ultimate safeguard where failure does occur, a system of deposit insurance has been provided. Through these measures, confidence in the banking system is preserved without paralyzing the competitive forces. Thus, the banking industry is enabled to undertake the risks that are required in serving the demands of a thriving and flourishing economy.

The chartering of new banks represents, in many respects, the most delicate task which confronts the bank regulatory authorities. A new bank represents a new competitor, and a new competitor is rarely welcome in any industry. On the other hand, since bank charters are valuable because they are limited in supply, they are actively sought by competing applicants. The public authorities are thus subjected to intensive pressures both from those who seek charters and those who oppose them. Moreover, in reaching decisions on charter applications, there can be no absolute certainty of the fate that will befall new banks or their competitors.

Despite these difficulties of administering entry controls, banking must not be treated as a "closed" industry. Each new generation produces a new group of men and women of skill and ability seeking outlets for the use of their talents, and in our prosperous society there is a constant accumulation of capital in search of profitable employment. In some measure, these new productive resources will find their best uses in the banking industry, and the public will benefit by allowing them access to that industry.

B. Branching Controls

The second principal form of structure control is the regulation of branching. A bank may expand internally through the formation of *de novo* branches, or externally through the absorption of other banks by means of merger. Merger controls, however, raise a number of separate issues and will be discussed in the next section.

The policy issues confronted in branching are in many respects similar to those which appear in the chartering of new banks. Since the formation of a

de novo branch introduces a new competitor into a market, the same questions arise of public need or convenience, potential profitability, and effects upon competitors. But inasmuch as branching increases the size of an individual bank, new issues also emerge concerning the potential for greater operating efficiency and for enlargement of the range of services offered to consumers.

There will be some circumstances in which a new branch will be able to serve public demand to better advantage than a new bank. Some banking markets can profitably support a new branch where a new bank could not prosper. A new branch may be able to bring to a community a broader range of services than could be efficiently provided by a newly chartered bank. Moreover, the abandonment of a branch will be less harmful—both to the parent bank and to the banking system—than the failure of a new bank; thus, where prospects are not immediately certain, or where expansion is based partially on anticipated growth in demand, branching might be the preferred course. The choice of whether to provide for bank expansion through new charters or through new branches is also affected by other considerations which are discussed in the next two sections.

Much of the recent demand for new branches, as has been true of that for new charters, stems from the growth and shifts of population and the creation and relocation of industries. Very commonly in recent years, for example, the movement of population from urban to suburban areas has deprived urban banks of customers and created new demands in suburban areas. Moreover, the growth of new industries often gives rise to new working and residential communities with new needs for banking services and facilities. Through branching, a bank may "move with its customers" and retain its position in the industry. The broader the geographic dispersion of a bank's offices, the more readily may the deposits from surplus areas be put to effective use in areas where loan demand exceeds the deposits generated. Further, by increasing its size, branching may enable a bank to produce some services at lower cost. It may also enable a bank to spread its risks more effectively and thus allow engagement in lending activities that would not be feasible for a smaller bank. A larger bank, moreover, has a larger legal lending limit and so may serve certain classes of customers more effectively than smaller banks.

In the unregulated industries, the economies of scale actually realized, and the variety of services actually performed, are determined competitively. In

banking, however, the regulatory authorities have the ultimate responsibility to choose the means of bank expansion best calculated to serve the public interest. Their decisions will inevitably affect the prices and range of products and services offered to consumers.

The authority to permit the formation of branches is much more severely restricted than the power of the regulatory authorities to allow the creation of new banks. These long-standing traditions with respect to branch banking have had a deep-seated and far-ranging effect upon the entire banking structure of the country, and upon the performance of the banking system. They have greatly enlarged the number of banks, hampered the growth of banks to most efficient size, inhibited the development of specialized services by many banks, and diminished the effectiveness and efficiency of the banking system in the vital task of facilitating the movement of capital to its best uses throughout the Nation. In some degree, these limitations have been overcome through the solicitation of loans and deposits in areas beyond the powers to branch, and through the establishment of affiliates, satellites, or holding companies. These, however, represent generally inferior means for the expansion of banking operations.

There is the mistaken belief that broader authority to permit branching would lead to harmful effects upon competition in the banking industry. Greater power to allow the formation of branches, however, would merely add to the discretionary authority of the regulatory agencies. Equipped with a more extensive range of alternatives, the banking authorities would be in a better position to choose the precise means of bank expansion most suitable to serve the needs of individual banking markets, and most likely to provide the required services and facilities at the least cost. Indeed, the risk of monopoly power is greatest where the greatest reliance is placed on unit banking. Since new branches might be able to operate profitably in markets where new unit banks could not survive, the prohibition of branching would exclude potential competitive forces from these markets.

There is no consideration of the public interest which would justify an absolute withholding of the branching tool from the regulatory authorities. The only proper basis for the restriction of branching is the suitability of this means of bank expansion to serve emerging public demands in particular banking markets. Under this principle, the regulatory authorities should have the full discretion to authorize the formation of branches wherever they can serve the public interest to best advantage.

C. Merger Controls

The third means by which government influences the banking structure is through direct administrative control of mergers. In the unregulated industries mergers may be freely undertaken, subject only to prosecution under the antitrust laws. In banking, however, mergers require the prior administrative approval of a regulatory authority, and the regulatory agencies in reaching their decisions apply a variety of statutory criteria relating to the banking and public consequences of proposed mergers.

The desire to merge is critically affected by the power to branch. Merger applications rarely appear in no-branch States because a merger under those conditions usually requires the closing of one of the merged banks. Thus, two tools of structure control are effectively lost where branching is prohibited, and needed bank expansion must take place almost entirely through new charters.

The public benefits which may be derived from mergers stem basically from the economies of large-scale enterprise, and the greater variety of services which larger firms may offer to consumers. These benefits will arise where increases in the scale of operations yield savings in costs, or where a broadening in the lines of production or the extension of operations to new markets permit greater dispersion of risks and thus allow the undertaking of ventures unsuitable for smaller firms. A larger and more broadly based bank may also be able to offer specialized services which are not profitable for smaller institutions, and should be able to move capital more efficiently from surplus to deficit areas. Moreover, the legal lending limits of banks require the presence of larger institutions to meet the needs of larger businesses most proficiently.

In our public policy for the unregulated industries, we have generally distinguished between the growth of firms through internal expansion and their growth through merger. Growth through merger has been viewed with greater public concern because it entails the elimination of competitors and, for this reason, merger limitations have been imposed through the antitrust laws. The direct administrative controls applied to bank mergers are also based in part upon the competitive effects of such mergers, but, as we shall see, the banking authorities apply a variety of other public interest criteria in deciding bank merger cases. These criteria are specifically related to the fact that the banking structure is under direct public control.

There is some probability that growth through merger may have a more adverse effect on the liveliness of competition than growth through internal expansion. However, there are countervailing considerations. A merger may enable a firm to acquire plant, personnel, and market-access not otherwise readily attainable, or attainable only at greater cost. More fundamentally, even though the intensity of competition may be adversely affected by growth through merger, merger may nevertheless produce benefits of larger-scale production which are in some degree passed on to consumers in the form of improved service or lower prices. The task of public policy is to allow those increases in the size of firms that are, on the whole, beneficial to consumers, while restricting those that are, on balance, harmful.

There are two reasons why merger may often be the preferred course of expansion in banking, even though in comparable circumstances reliance on internal growth may be more appropriate for the unregulated industries.

First, the banking authorities have a positive responsibility to see that the public convenience and need for banking services and facilities are met. In carrying out this responsibility, they do not have the authority to require the provision of service such as is found in the fully regulated industries like the "public utilities"; their choices are limited to the private proposals for bank expansion presented for their approval. If they find that a proposed merger will yield public benefits and they see no superior means for achieving these benefits either at hand or in clear prospect, they have a strong positive reason for approving the merger. In the unregulated industries, there is no public responsibility to fashion industry expansion according to the public need; reliance is placed on private initiative and no public authority faces the problem of choosing the form or method of industry growth.

Second, in choosing the *best* means to serve the public convenience and need for banking services, the banking authorities must appraise the alternatives in terms of the effects on the solvency and liquidity of competing banks. Bank merger proposals are generally designed to provide new services to a community, to provide services at lower cost, or to enter new markets. The alternative means of achieving these purposes are new charters and *de novo* branching. If the existing banks in a market are poorly managed, financially weak, or unprogressive, such added competition may threaten their solvency or liquidity and merger may constitute the only effective means of

bringing improved service to a community without posing a threat to bank viability.

In the unregulated industries, there is no public concern to safeguard individual firms against failure. Indeed, in these industries freedom to compete and to eliminate less efficient rivals is essential to the reliance placed on private initiative to serve consumer demands. It is therefore appropriate in the freely competitive industries to impose more severe restrictions on growth through merger than are applied to banking.

Bank mergers have sometimes been opposed on the ground that, although they may improve service for some classes of consumers, they may do so at the expense of others. Some classes of consumers, however, have needs which only larger banks can serve efficiently. If other classes of consumers are disadvantaged by a merger, a new opportunity is presented to competing banks and the banking authorities may respond by authorizing new charters or new branches. In this way, the needs of *all* classes of bank customers may be served most efficiently and most effectively.

The Bank Merger Act of 1960 provided for direct administrative control of bank mergers by the banking authorities, and established broad public interest standards to guide the administration of these controls. In addition to the "effect of the transaction on competition (including any tendency toward monopoly)," the banking agencies are required to consider the financial history and condition of each of the banks involved, the adequacy of their capital structures, their future earnings prospects, the general character of their management and, most significantly, "the convenience and needs of the community to be served." Mergers are to be approved only where, after considering all of these factors, the transaction is found to be "in the public interest." Since the passage of the Bank Merger Act, however, two Supreme Court decisions have subjected bank mergers to the antitrust laws. This has given rise to ambiguities of policy and conflicts of purpose.

The problems are both philosophic and procedural. There is no serious dispute about the desirability of applying antitrust principles to the unregulated industries. Since in those industries primary reliance is placed on individual initiative and private enterprise to meet consumer demands, there are justifiable reasons for preserving freedom of entry and restricting the acquisition of market power in order to enable the competitive forces to function. In banking, however, entry and expansion are under direct public control. The competitive forces are purposefully restricted in order to safeguard the viability of the banking system, and an effort to apply conventional antitrust principles

in these circumstances is almost certain to conflict with bank regulatory objectives.

This is well demonstrated by the difficulties that have been encountered under the Bank Merger Act since the *Philadelphia* and *Lexington* decisions brought bank mergers under the antitrust laws. Although the banking agencies must continue to reach their decisions according to the broader public interest standards set forth in the Bank Merger Act, their decisions are now subject to attack in the courts under the narrower standards of the antitrust laws.

This impasse can be clearly resolved only by exempting bank mergers from the antitrust laws completely as has been done in other regulated industries, or by subjecting such mergers to the full application of those laws. If this latter course is chosen, the Bank Merger Act should be repealed. There would seem to be no valid reason for subjecting banks to more onerous premerger requirements than apply in the unregulated industries if bank mergers are to be subject to attack under the antitrust laws. More fundamentally, if it is to be public policy to apply conventional antitrust concepts to banking, it logically follows that bank entry and bank branching should also be free of direct public control. The least satisfactory course is the present one of entrusting regulatory powers to the banking agencies and judging the exercise of those powers on the assumption that the competitive forces are to be fully preserved and fully operative. It should be observed, however, that a decision to move toward free bank entry and expansion raises questions which go beyond the problems of banking structure. It is highly doubtful that bank operating practices could be effectively supervised, and the viability of the banking system sustained, without some form of public control over the banking structure.

There is one intermediate course through which a reconciliation might be achieved between the Bank Merger Act and the antitrust laws without a statutory change. The courts, in antitrust cases involving bank mergers, could take cognizance of the fact that banking competition is restricted through public regulation, and that bank mergers receive prior administrative approval from a public authority according to broad

public interest standards which transcend purely competitive considerations. This approach would not be as clear-cut as the other alternatives we have presented, and would undoubtedly leave large areas of uncertainty for long periods. Nevertheless, if in bank merger cases the courts considered the unique competitive conditions which prevail in the regulated industry of banking, there would be a greater likelihood that the antitrust criteria developed principally with the unregulated industries in mind could be adapted to banking without impairing the effectiveness of bank regulation. An effort to test this approach for accommodating these two basic strands of our public policy was recently undertaken by the Comptroller of the Currency as an intervening defendant in an antitrust action relating to the merger of the Mercantile Trust Company N.A. and the Security Trust Company, both of St. Louis.

There is one administrative procedure under the Bank Merger Act which should be modified if that Act is to remain in force. At present, the banking agencies not directly involved in a merger decision are required to submit advisory opinions on the "competitive factor" to the responsible agency. Since this factor comprises only one of the seven considerations required to be taken into account, the advisory opinions do not represent a judgment on the desirability of a merger. Nevertheless, differences between the advisory opinions and the decisions on mergers have often been falsely cited as evidence of differences in merger policy among the banking agencies. Moreover, five years of experience under the Bank Merger Act have demonstrated that the advisory opinions of the banking agencies not faced with the responsibility of decision are ordinarily routine and rarely present facts or ideas unknown to the responsible agency. There seems to be no proper reason for continuing this procedure.

Retention of the Justice Department advisory opinions may appear to have greater justification. However, the role of the Justice Department in bank merger cases will ultimately rest on the resolution of the more fundamental issue of the proper applicability of the antitrust laws to the regulated industry of banking.

II. *Evolution of the Banking Structure, 1900-65*

THE COMMERCIAL BANKING industry is a service industry that has customer relationships throughout the economy. Consequently, the evolution of the banking structure has been significantly conditioned by changes in general economic activity. The other principal influence on the banking structure has been the system of public controls described in the preceding section. Among these controls, branching limitations have had the greatest effect on the banking structure as evidenced by the disparate conditions found among unit and branch banking States.

The evolution of the banking structure since 1900 may be sketched in broad terms by a comparatively few numbers. (See Chart 1 and Tables 1 and 2.)* In 1900, there were approximately 13,000 commercial banks, and they operated only about 100 branches. Twenty years later, the number of banks had risen to 29,000, and the number of branches to 1,300. The Great Depression took a heavy toll and, by the end of 1934, the number of commercial banks had dropped to about 15,400. Branches, on the other hand, had begun to assume greater importance as indicated by the nearly 3,000 in operation that year.

During the next 30 years, there was a gradual decline in the number of banks which was reversed only in the 1963-64 period. However, branch operations became increasingly important during this period. Although in 1919 only 4 percent of commercial banking offices were branches, by the end of 1964 the proportion of branches had risen to 51 percent.

We turn now to a brief examination of the evolution of the banking structure, with particular emphasis on the period 1961-65.

A. *Rapid Expansion: 1900-20*

Although the statistics on banking structure before 1920 are relatively sparse, it would be misleading to

use the 1920 banking structure as a benchmark against which to measure succeeding developments. Spurred by a period of economic expansion in both the industrial and agricultural sectors, and uninhibited by significant legal barriers to entry, an unprecedented expansion of about 130 percent occurred in banking facilities during the 1900-20 period. This expansion was almost entirely in the form of new banks, and it was concentrated heavily in the agricultural States of the Midwest and Great Plains. Branch operations at that time were relatively insignificant.

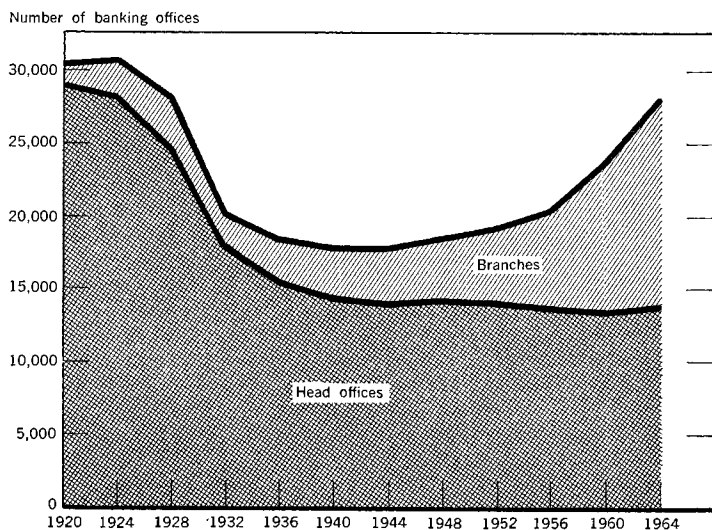
B. *Sharp Retrenchment: 1921-34*

In the 13 years following 1921, the number of commercial banks declined by approximately half. The major part of this reduction took place during the depths of the depression, 1930-33, when 9,000 banks failed and another 2,300, many of which were in financial difficulties, were absorbed by other banks. Perhaps of greater significance, however, were the more than 5,000 bank suspensions which occurred during the 1921-29 period while most sectors of the economy were prosperous.

A number of factors contributed to the unstable condition of the banking system in the 1920's. The great increase in the number of banks from 1900 to 1920 had raised the number of banking offices in relation to population to a historic high. Many banks were established in small, farm-oriented trading centers at a time when the agricultural sector was participating in the general prosperity; the pronounced weakness in this sector during the 1920's precipitated the failure of a number of these small, specialized institutions. The increased use of automobiles revolutionized shopping habits, and in so doing increased the competition among scattered banks. The growth of large-scale industrial and commercial activity increased the demand for services which only large banks could offer, and thus led to the absorption of a number of smaller banks.

*The tables supporting this section will be found in Section IV, The Data.

Chart 1

Commercial banks and commercial bank branches in the U. S.,
1920-1964

Source: Table 1

The Midwestern and Plains States in which much of the bank expansion of the 1900-20 period took place were mainly unit banking States, and those States also accounted for a very sizeable proportion of the banks which failed in the 1921-34 period. In this period of banking instability, the subsequent growth of branch banking was foreshadowed. By the end of 1934, branches represented 16 percent of all commercial banking offices, compared with 4 percent in 1919. (See Table 3.)

C. Consolidation: 1935-46

The reorganization of the banking structure forced by the depression was largely completed by the end of 1934. At that time, there were 15,353 commercial banks and 2,973 branch offices in operation. The next 12 years, including the period of World War II, were characterized by relative stability in the banking structure. Principally as a result of mergers, the number of banks declined slowly to 14,044 at the end of 1946. Although the number of branches increased by 1,008 during the period, to 3,981, this did not offset the decline in number of banks, so that the number

of commercial banking offices fell from 18,326 to 18,025.

D. Postwar Adjustments: 1946-60

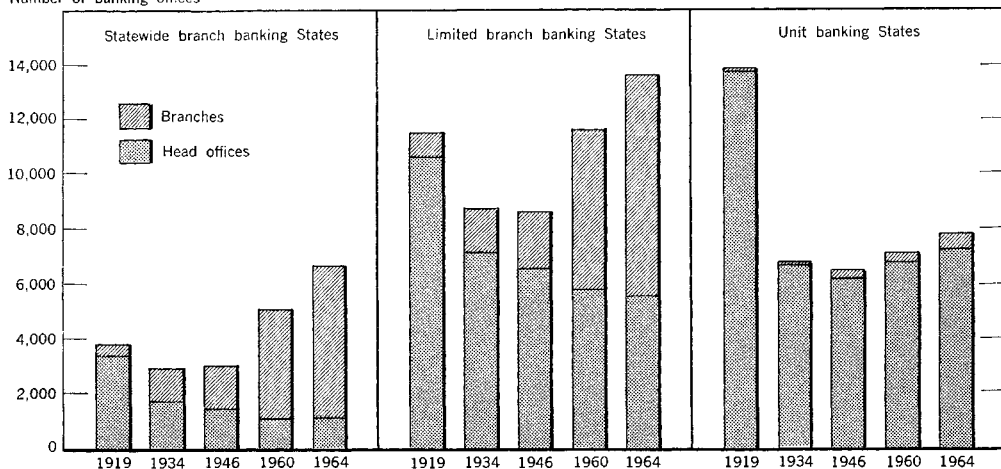
The most striking feature of the banking structure in 1946 was the fact that fewer commercial banking offices were in operation than at the end of the period of drastic banking reorganization 12 years earlier. Yet, in the interim, wartime demands had generated a high level of economic activity, and income and population had increased substantially. Gross National Product in 1954-dollars was \$282.5 million in 1946, compared with \$138.5 million in 1934, an increase of 104 percent. The population of the country increased by 11 percent in the same period. Further, the wartime shortages of many goods and the complete absence of others, coupled with the relatively high levels of wartime income, had created a backlog of demand which promised to spur postwar economic activity.

It is plain that in 1946 the country as a whole required additional banking facilities to allow the banking needs of the public to be met fully and effectively. This was especially true in those urban areas

Chart 2

Commercial banks and branches, by State groups classified by branch law, selected years

Number of banking offices



Source: Table 3

that had experienced the greatest economic growth during the war, and in those rural areas where banking retrenchment in the 1920's and 1930's had been most extreme.

In the 14 years from the end of 1946 to the end of 1960, the number of commercial banking offices increased from 18,025 to 23,716. Although the number of banks declined from 14,044 to 13,473 during the period, as a result of merger absorptions in excess of new bank formations, there was a great increase in the number of *de novo* branches. Branch offices, including those resulting from mergers, increased from 3,981 at the end of 1946 to 10,243 at the end of 1960. There were, it should be noted, significant variations among the States in the increase of commercial banking offices: 67 percent in statewide branching States, 35 percent in limited branching States, and 10 percent in unit banking States. (See Chart 2.)

The overall increase of 32 percent in commercial banking offices from 1946 to 1960, although substantial, failed to keep pace with the growth of real Gross National Product, which was 56 percent higher in 1960 than in 1946. There thus remained at the end of the period as great a need for additional banking facilities as prevailed at the beginning.

E. Economic Growth and Bank Expansion: 1961-65

1. NEW BANKS AND TOTAL NUMBER OF BANKS

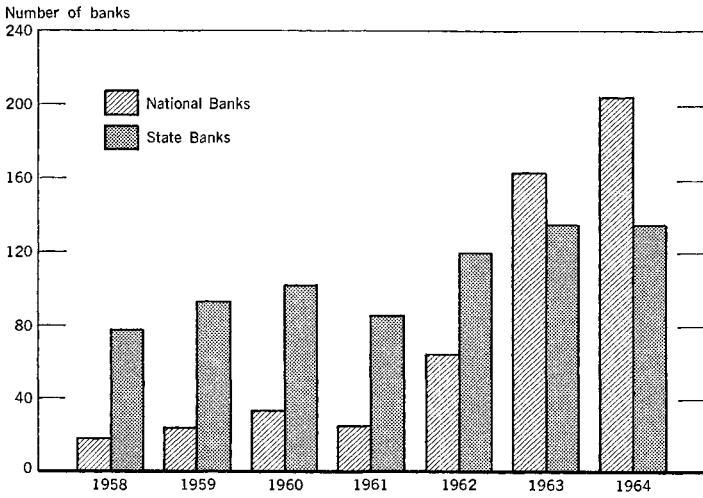
During the period from 1961 to mid-1965, the Nation enjoyed its longest peacetime expansion in history. Real Gross National Product was 17 percent higher in 1964 than in 1960. Population continued to grow at a much higher rate than during the economically depressed 1930's.

The number of commercial banking offices increased by 18.5 percent during the years 1961-64, compared with a 12.9 percent increase in 1957-60, and an 8.7 percent increase in 1953-56. The 1961-64 expansion occurred in response not only to the banking needs generated by the economic growth of those years, but also to the unfilled demands that existed at the beginning of the period.

The number of commercial banks increased slightly during the period 1961-64, the first such increase over a four-year span since 1945-48, and only the second since 1920. Although new charters averaged only about 91 per year during the period 1947-60, the average rose to about 235 in the years 1961-64. (See Chart 3.) Only 20 percent of the new commercial banks established in the 1947-60 period were National

Chart 3

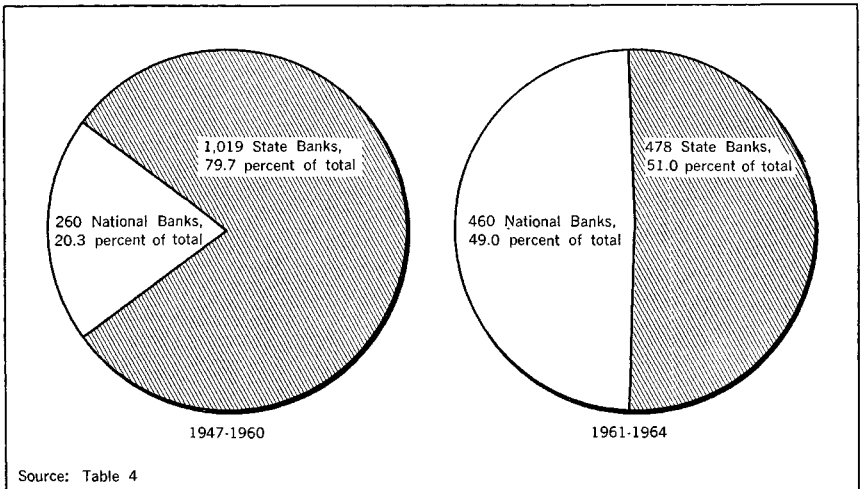
Newly-organized commercial banks in the U. S.,
by class of bank, 1958-1964



Source: Table 4

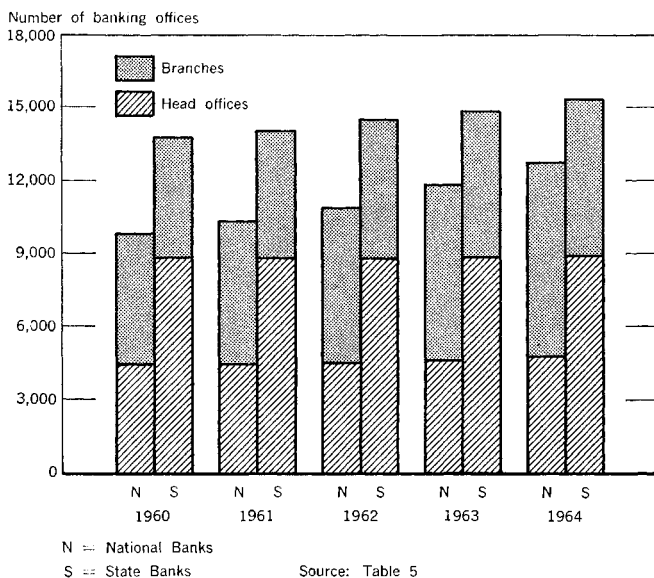
Chart 4

Newly-organized commercial banks, by class of bank



Source: Table 4

Chart 5

Commercial banks and branches by class of bank,
1960-1964

Banks, but the proportion rose to 49 percent in 1961-64. (See Chart 4 and Table 4.) The higher rate of chartering led to a 2.4 percent net increase in the total number of National Banks in 1963 and a 3.4 percent increase in 1964; the comparable net increases in State banks were 0.3 percent and 0.4 percent. (See Table 5.) The rate of chartering of National Banks declined, however, in the second half of 1964 and the first half of 1965.

The volume of new chartering was strongly influenced by the prevailing branch laws. Of the 826 banks chartered in 1962-64, 59 percent were in the 16 unit banking States, 22 percent in the 17 limited branching States, and 19 percent in the 17 statewide branching States and the District of Columbia. (See Table 6.)

Although the majority of new banks were located in unit banking States, it is interesting to note that the *ratio* of new banks to total banks in existence was higher in statewide branching States than in unit banking States. This pattern is attributable mainly to the much larger number of existing banks in unit banking States; at the end of 1964, there were 7,173

banks in unit banking States and 1,087 in statewide branching States.

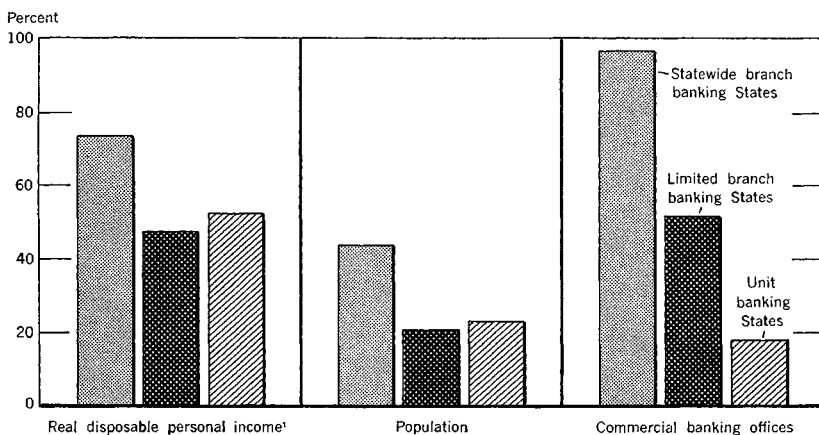
In every year between 1952 and 1964, the number of commercial banks increased in unit banking States, the total increase in the 12-year period being 13.1 percent. In limited branching States, a slight decrease occurred in the number of banks each year in the same period, with a total decline of 13.6 percent. There were 19 percent fewer banks in statewide branching States at the end of 1964 than at the end of 1952, though the number increased slightly in 1963 and 1964. These movements in the total number of banks are largely explained by the relatively infrequent disappearance of banks through merger in unit banking States, and by the fact that the branching alternative tended to hold down the number of new banks in branching States.

2. BRANCH EXPANSION AND THE TOTAL NUMBER OF BANKING OFFICES

Despite the increase in the number of new banks in recent years, most of the expansion in banking facilities has taken the form of *de novo* branching.

Chart 6

Percentage changes in real disposable income, population,
and commercial banking offices for States grouped by
branch law, 1951-1964



¹ 1951-1963

Source: Table 7

The number of branches operated by National Banks rose from 5,325 at the end of 1960 to 7,957 at the end of 1964, a 49 percent increase. During the same period, branches of State banks increased by 30 percent, from 4,918 to 6,381. (See Chart 5.) Continuing the long-term trend, branches represented 43 percent of total commercial banking offices at the beginning of the period and 51 percent at the end.

The rates of growth in population and income since 1950 for statewide branching States have outdistanced the comparable rates for the limited branching and unit banking States. (See Chart 6.) For example, in the statewide branching groups population increased by 16.6 percent and 7.8 percent, respectively, for the periods 1956-60 and 1961-64. (See Table 7.) The comparable figures for the limited branching States were 6.9 and 5 percent, and for the unit banking States, 9 and 5.5 percent. Personal income movements showed a similar spread for the same two periods; the percentage increases were 38.8 and 27.5 percent for the statewide branching group, 26 and 20.6 percent for the States with limited branching, and 31 and 20.6 percent for the unit banking group.

These differential rates of economic growth were accompanied by marked differences in the percentage increase of total commercial banking offices during

1961-64. In the statewide branching States, the increase was 30.4 percent; in the limited branching States, the figure was 18.4 percent; while the unit banking States experienced only a 9.9 percent increase.

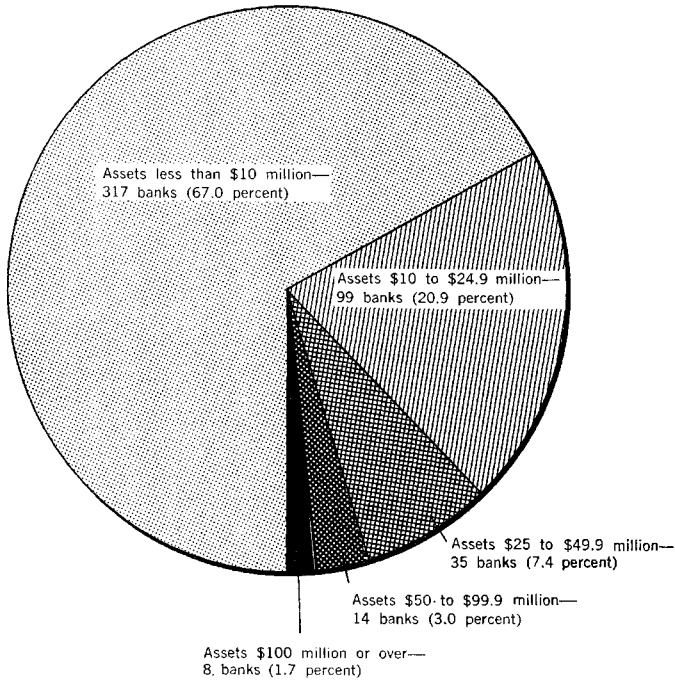
3. STRUCTURAL CHANGE THROUGH MERGER

The principal avenue for the exit of banks in recent years has been absorption through merger. Most mergers in the postwar period were not of an emergency character involving near-insolvency on the part of the acquired bank. This is in sharp contrast to the situation found in many mergers of the early 1930's.

From the date the Bank Merger Act went into effect in 1960, through June 30, 1965, 459 merger transactions took place in which the resulting bank was a National Bank; these involved the absorption of 473 banks. The majority of the acquired banks were small; 317, or 67 percent, had assets of less than \$10 million; and 416, or 88 percent, had under \$25 million in assets. (See Chart 7 and Table 8.) Only 8 of the 459 transactions, or less than 2 percent, involved the union of 2 banks each having more than \$100 million in assets. Less than 8 percent took place in unit banking States where a merger would usually require the closing of one of the merged offices.

Chart 7

Classification of acquired banks by size
in those mergers under the Bank Merger Act
in which a National Bank resulted, through June 30, 1965



Source: Table 8

4. THE INCIDENCE OF BANK FAILURES

As contrasted with earlier periods, the bank failure rate has been exceedingly small within recent years. In the period from 1952 to the middle of 1965, only 62 commercial banks failed. (See Table 9.) Of these,

9 were National Banks, 33 were insured State banks, and 20 were noninsured State banks. These figures show that commercial bank failures have averaged less than 5 per year out of a total bank population of 13,500 to 14,000.

III. *The Future of the Banking Structure*

THE MARKETS FOR BANKING services vary from those composed of small depositors who require only convenient access to savings accounts and checking facilities, to the largest business firms which have need for a great variety of banking services throughout the country and even internationally. In this spectrum of markets, there is a role for banks of a diversity of sizes. Well-managed, efficient, small banks have a special appeal to certain classes of consumers and a unique competence to serve their needs. Equally, there are banking requirements that only large institutions can meet efficiently and effectively. The task of structure policy is to seek that balance among banks of various sizes which will accord proper recognition to the production advantages of each, and to the specific capabilities each may possess for meeting the varied demands of the consuming public.

The record of structural change in recent years demonstrates distinct progress toward that goal. Yet there remains one obstacle which continues to hamper the attainment of an ideal banking structure, and which will deeply influence the future performance of the banking system.

The industrial and business structure of the Nation, which has made possible the great achievements of the economy through the years, could not have been attained without the freedom of trade we have enjoyed within and among the States of the Union. The freedom of labor and capital to move throughout the country in response to anticipated public demands, and the liberty to undertake creative new ventures, have been indispensable elements in the lively and spirited economy which has characterized our history. Banking, along with certain of the other regulated industries, represents the one major segment of the economy in which this basic principle of freedom of trade has not been fully applied. As a result, many banks have been barred from the complete realization of production economies, and many communities have been deprived of the broader range of banking services which could have been provided to them.

These limitations over branching may, in a sense, be attributed to the duality of the banking system, but they are not inherent in that system. Properly conceived, the dual banking system can be an effective

instrument for perceptive adaptation of banking to the Nation's needs. The dispersion of banking controls among the States and the Federal Government broadens the opportunity to develop new ideas and to test new approaches. It enables either segment of the dual banking system to supplement the other where deficiencies arise in service to the community. This is the great strength of the dual banking system.

Some observers have equated the health of the dual banking system with uniformity and equality. They are concerned lest either segment of the system gain an advantage over the other. There is, however, no risk that either part of the dual banking system will achieve a *publicly* harmful position of superiority. Competitive superiority can be attained only through more efficient and more effective service to the public, and it can never be in the public interest to restrict the initiative of one segment of the dual banking system for the purpose of protecting the competitive position of the other. The best hope for the future lies in greater freedom for each of the systems to meet the ever-changing public demands for an ever-increasing variety of banking services and facilities.

The Nation looks forward to a future of growing population, improved personal skills, rising incomes, increasing accumulation of capital, advancing technologies, a broadening range of products and services offered to consumers, and expanding interests throughout the world. To meet these needs and opportunities, a sensitively responsive banking system, alert both to present and future requirements, is essential. No tool that is useful to improve the functioning of the banking system should arbitrarily be withheld, nor should any be applied except in furtherance of that aim.

The ultimate surpassing factor in the progress of the economy has been the spirit of initiative and innovation which abounds in our society. That spirit must be sustained and nourished in the banking industry if the promise of the future is to be fully realized. The continuing challenge is to devise new and better ways to serve the public demand. This calls for persistent questioning of present methods, ingenuity and inventiveness in the conception of improvements, and the enterprise to carry them out.

The Data

TABLE 1.—Commercial banks and commercial bank branches in the United States,* 1920–64

Year	Number of banks	Percent change in banks	Number of branches	Percent change in branches	Total commercial banking offices	Percent change in total offices
1920†	29,086		1,281		30,367	
1924	28,185	—3.10	2,297	79.31	30,482	0.38
1928	24,968	—11.41	3,138	36.61	28,106	—7.79
1932	17,802	—28.70	3,195	1.82	20,997	—25.29
1936	15,120	—15.07	3,270	2.35	18,390	—12.42
1940	14,344	—5.13	3,525	7.80	17,869	—2.83
1944	13,992	—2.45	3,924	11.32	17,916	.26
1948	14,164	1.23	4,349	10.83	18,513	3.33
1952	14,049	— .81	5,274	21.27	19,323	4.38
1956	13,642	—2.90	7,360	39.55	21,002	8.69
1960	13,473	—1.24	10,243	39.17	23,716	12.92
1964	13,760	2.13	14,338	39.98	28,098	18.48

*Data exclude banks and banking offices in territories.

†The 1920 data are as of June 30. The remaining data are as of years-end.

Sources: Office of the Comptroller of the Currency, Annual Report, various years; Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues; Board of Governors of the Federal Reserve System, Banking and Monetary Statistics, 1943.

The figures presented in the text and tables represent, insofar as possible, the total number of commercial banks and banking offices located within the various States of the United States. Sources which justified their total figures by a breakdown among States were used in preference to sources which did not. This procedure was adopted simply as an aid in evaluating the probable accuracy, especially for the earlier years, of the limited sources available.

The second procedure applied involved the use, wherever available in the form indicated above, of reports of the Office of the Comptroller of the Currency for National Bank Data, and reports of the Federal agencies having jurisdiction over State banks for State bank data.

These two procedures lead to slightly different total bank and total banking office figures than have appeared in the reports of any one banking agency.

TABLE 2.—Commercial banking offices, gross national product and population of the United States, 1920–64

Year	Commercial banking offices*	Percent change (4-year periods)	Gross national product (billions of 1954 dollars)	Percent change (4-year periods)	Population (millions)	Percent change (4-year periods)
1920	30,367				106.5	
1924	30,482	0.4			114.1	7.1
1928	28,106	—7.8	181.8†		120.5	5.6
1932	20,997	—25.3	130.1	—28.4‡	124.8	3.6
1934	18,326		138.5		126.4	
1936	18,390	—12.4	173.3	33.2	128.1	2.6
1940	17,869	—2.8	205.8	18.8	132.5	3.4
1944	17,916	.3	317.9	54.5	133.9	1.1
1946	18,025		282.5		139.9	
1948	18,513	3.3	293.1	—7.8	146.7	9.6
1949	18,686		292.7		149.3	
1950	18,960		318.1		151.9	
1951	19,134		341.8		154.0	
1952	19,323	4.4	353.5	20.6	156.4	6.6
1953	19,609		369.0		159.0	
1954	19,950		363.1		161.9	
1955	20,428		392.7		165.1	
1956	21,002	8.7	402.2	13.8	168.1	7.5
1957	21,559		407.0		171.2	
1958	22,139		401.3		174.1	
1959	22,894		428.6		177.1	
1960	23,716	12.9	440.2	9.4	180.0	7.1
1961	24,537		447.9		183.1	
1962	25,518		476.8		185.9	
1963	26,793		492.6		188.1	
1964	28,098	18.5	516.0	17.2	191.3	6.3

*Excludes offices in territories. †1929–32.

Sources: Banking offices—Office of the Comptroller of the Currency, Annual Report, various years, and Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues. Gross national product—Department of Commerce, Survey of Current Business, various issues. Population—Department of Commerce, Statistical Abstract of the United States, various years.

TABLE 3.—Commercial banks and branches, by States

	1919†			1934		
	Banks	Branches	Total	Banks	Branches	Total
Statewide Branching:						
Alaska†						
Arizona	81	21	102	17	18	35
California	704	179	883	283	800	1,083
Connecticut	134	0	134	144	9	153
Delaware	39	16	55	47	12	59
District of Columbia	44	4	48	21	30	51
Hawaii†						
Idaho	208	0	208	64	26	90
Maine	115	32	147	69	57	126
Maryland	234	59	293	179	75	254
Nevada	33	0	33	10	5	15
North Carolina	523	46	569	243	68	311
Oregon	265	1	266	104	30	134
Rhode Island	33	14	47	26	33	59
South Carolina	421	15	436	126	20	146
Utah	125	0	125	60	10	70
Vermont	86	0	86	75	12	87
Washington	368	10	378	199	31	230
Total	3,413	397	3,810	1,667	1,236	2,903
Percent change for group from previous date				-51.2	211.3	-23.8
Limited Branching:						
Alabama	334	20	354	217	16	233
Georgia	720	25	745	322	25	347
Indiana	1,029	3	1,032	515	39	554
Kentucky	575	1	576	444	25	469
Louisiana	254	80	334	147	53	200
Massachusetts	232	45	277	216	105	321
Michigan	633	218	851	435	134	569
Mississippi	303	24	327	216	35	251
New Jersey	360	21	381	398	113	511
New Mexico	113	5	118	43	0	43
New York	880	229	1,109	797	616	1,413
Ohio	1,147	106	1,253	685	166	851
Pennsylvania	1,468	36	1,504	1,105	91	1,196
South Dakota	655	0	655	212	1	213
Tennessee	519	31	550	329	46	375
Virginia	448	20	468	328	69	397
Wisconsin	938	9	947	636	94	730
Total	10,608	873	11,481	7,045	1,628	8,673
Percent change for group from previous date				-33.6	86.5	-24.5
Unit Banking:						
Arkansas	462	6	468	230	5	235
Colorado	371	0	371	160	0	160
Florida	253	2	255	155	0	155
Illinois	1,376	0	1,376	878	0	878
Iowa	1,676	0	1,676	622	95	717
Kansas	1,304	0	1,304	752	0	752
Minnesota	1,446	0	1,446	690	6	696
Missouri	1,546	0	1,546	702	0	702
Montana	418	0	418	125	0	125
Nebraska	1,146	2	1,148	435	2	437
New Hampshire	69	1	70	65	1	66
North Dakota	882	0	882	210	0	210
Oklahoma	925	0	925	416	0	416
Texas	1,450	0	1,450	957	0	957
West Virginia	335	0	335	181	0	181
Wyoming	148	0	148	63	0	63
Total	13,807	11	13,818	6,641	109	6,750
Percent change for group from previous date				-51.9	890.9	-51.2
Total United States	27,828	1,281	29,109	15,353	2,973	18,326
Percent change for group from previous date				-44.8	132.1	-37.0

*Branch law classification used is that which appeared in *The National Banking Review*, 1, March 1964, p. 341. The basis for classification was pragmatic, rather than statutory.

†Branches are as of 1920. ‡Included after admission as States.

grouped by branch law,* selected years, 1919-64

1946			1950			1960			1964		
Banks	Branches	Total	Banks	Branches	Total	Banks	Branches	Total	Banks	Branches	Total
10	35	45	11	56	67	13	27	40	12	46	58
207	880	1,087	202	979	1,181	117	1,636	1,753	200	2,232	2,432
123	20	143	112	50	162	70	197	267	66	285	351
39	14	53	38	20	58	20	53	73	20	63	83
20	35	55	19	45	64	12	90	102	15	81	96
						12	81	93	12	109	121
47	42	89	43	55	98	32	82	114	24	119	143
64	68	132	63	71	134	47	129	176	46	160	206
170	94	264	164	119	283	133	237	370	121	355	476
8	17	25	8	19	27	7	35	42	8	56	64
227	161	388	225	218	443	183	504	687	152	707	859
70	75	145	70	102	172	51	194	245	51	249	300
23	44	67	16	60	76	9	89	98	10	110	120
149	30	179	148	49	197	145	141	286	133	237	370
59	12	71	55	24	79	50	70	120	55	100	155
72	9	81	70	11	81	56	33	89	49	50	99
122	115	237	118	144	262	87	283	370	97	373	470
1,410	1,651	3,061	1,362	2,022	3,384	1,054	4,054	5,108	1,087	5,573	6,660
-15.4	33.6	5.4	-3.4	22.5	10.6	-22.6	100.5	50.9	3.1	37.5	30.4
219	23	242	225	26	251	238	82	320	252	135	387
316	30	346	397	42	439	421	97	518	431	159	590
489	83	572	487	109	596	443	307	750	431	437	868
390	34	424	385	44	429	355	144	499	348	214	562
155	62	217	165	77	242	190	173	363	209	231	440
187	143	330	182	177	359	171	370	541	159	523	682
434	198	632	442	239	681	380	575	955	361	804	1,165
203	52	255	201	68	269	193	132	325	196	188	384
348	133	481	324	165	489	253	430	683	236	621	857
44	6	50	51	15	66	55	52	107	63	80	143
672	694	1,366	629	786	1,415	402	1,368	1,770	354	1,802	2,156
674	176	850	659	226	885	585	635	1,220	547	869	1,416
1,016	124	1,140	971	193	1,164	703	784	1,487	591	1,139	1,730
169	44	213	169	49	218	174	59	233	173	72	245
294	68	362	297	98	395	297	210	507	294	290	584
315	86	401	313	114	427	305	265	570	277	466	743
554	145	699	554	152	706	561	158	719	578	168	746
6,479	2,101	8,580	6,451	2,580	9,031	5,726	5,841	11,567	5,500	8,198	13,698
-8.0	29.1	-1.1	-0.4	22.8	5.3	-11.2	126.4	28.1	-3.9	40.4	18.4
219	20	239	232	19	251	237	45	282	245	88	333
142	1	143	154	4	158	192	1	193	246	1	247
184	3	187	199	6	205	309	0	309	424	0	424
871	3	874	891	2	893	966	0	966	1,030	0	1,030
649	161	810	663	164	827	673	183	856	675	221	896
614	1	615	612	0	612	587	22	609	594	47	641
677	6	683	680	6	686	689	6	695	720	9	729
596	0	596	600	1	601	626	23	649	643	53	696
110	0	110	110	0	110	121	0	121	129	1	130
409	2	411	418	2	420	426	11	437	432	25	457
64	2	66	75	2	77	74	3	77	73	19	92
151	25	176	150	22	172	156	28	184	163	42	205
383	1	384	386	1	387	389	18	407	417	30	447
851	4	855	908	5	913	1,011	8	1,019	1,130	31	1,161
180	0	180	180	0	180	182	0	182	184	0	184
55	0	55	53	0	53	55	0	55	68	0	68
6,155	229	6,384	6,311	234	6,545	6,693	348	7,041	7,173	567	7,740
-7.3	110.1	-5.4	2.5	2.2	2.5	6.1	48.7	7.6	7.2	62.9	9.9
14,044	3,981	18,025	14,124	4,836	18,960	13,473	10,243	23,716	13,760	14,338	28,098
-8.5	33.9	-1.6	0.6	21.5	5.2	-4.6	111.8	25.1	2.1	40.0	18.5

Sources: Office of the Comptroller of the Currency, Annual Report, various years; Board of Governors of the Federal Reserve System, Banking and Monetary Statistics, 1943; Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues.

TABLE 4.—Number of newly organized commercial banks in the United States, by class of bank, 1947-64

Year	National	State	Total
1947.....	17	92	109
1948.....	15	65	80
1949.....	11	60	71
1950.....	7	61	68
1951.....	9	53	62
1952.....	15	58	73
1953.....	16	52	68
1954.....	16	55	71
1955.....	28	88	116
1956.....	30	93	123
1957.....	20	67	87
1958.....	18	78	96
1959.....	24	94	118
1960.....	34	103	137
Total, 1947-60.....	260	1,019	1,279
1961.....	26	86	112
1962.....	65	120	185
1963.....	164	136	300
1964.....	205	136	341
Total, 1961-64.....	460	478	938
Total, 1947-64.....	720	1,497	2,217

Source: *The National Banking Review*, 2, March, 1965, p. 306.

TABLE 5.—Commercial banks and branches in the United States,* by class of bank, 1960-64

Year	National banks					State banks					Total offices National and State banks
	Number of banks	Percent change in banks	Number of branches	Percent change in branches	Total offices	Number of banks	Percent change in banks	Number of branches	Percent change in branches	Total offices	
1960.....	4,529	.....	5,325	.....	9,854	8,944	.....	4,918	.....	13,862	23,716
1961.....	4,512	-0.38	5,855	9.95	10,367	8,920	-0.27	5,250	6.75	14,170	24,537
1962.....	4,504	-0.18	6,445	10.08	10,949	8,924	.04	5,645	7.52	14,569	25,518
1963.....	4,614	2.44	7,209	11.85	11,823	8,954	.34	6,016	6.57	14,970	26,793
1964.....	4,772	3.42	7,957	10.38	12,729	8,988	.38	6,381	6.07	15,369	28,098

*Banks and banking offices in territories excluded.

Sources: *The National Banking Review*, 2, March 1965. Office of the Comptroller of the Currency, Annual Report, various years, and Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues.

TABLE 6.—Number of newly organized commercial banks and total commercial banks,* by State groups classified by branch law, 1952-64

Year	Statewide branch banking			Limited branch banking			Unit banking			All States		
	Total banks	New banks	New as percent total	Total banks	New banks	New as percent total	Total banks	New banks	New as percent total	Total banks	New banks	New as percent total
1952.....	1,342	16	1.19	6,367	22	.35	6,340	35	.55	14,049	73	.52
1953.....	1,334	18	1.35	6,300	21	.33	6,350	29	.46	13,984	68	.49
1954.....	1,257	9	0.72	6,204	18	.29	6,378	44	.69	13,839	71	.51
1955.....	1,202	22	1.83	6,090	31	.51	6,423	63	.98	13,715	116	.85
1956.....	1,161	12	1.03	5,995	33	.55	6,486	78	1.20	13,642	123	.90
1957.....	1,119	15	1.34	5,927	24	.40	6,521	48	.74	13,567	87	.64
1958.....	1,090	9	.83	5,845	25	.43	6,567	62	.94	13,502	96	.71
1959.....	1,083	17	1.57	5,761	23	.40	6,632	78	1.18	13,476	118	.88
1960.....	1,054	14	1.33	5,726	39	.68	6,693	84	1.26	13,473	137	1.02
1961.....	1,041	22	2.12	5,660	34	.60	6,731	56	.83	13,432	112	.83
1962.....	1,022	28	2.74	5,575	44	.79	6,831	113	1.65	13,428	185	1.38
1963.....	1,037	56	5.40	5,524	57	1.03	7,007	187	2.67	13,568	300	2.21
1964.....	1,087	75	6.90	5,500	79	1.44	7,173	187	2.61	13,760	341	2.48

*Banks in territories are excluded.

Sources: New bank data—*The National Banking Review*, 2, March 1965, p. 350. Total bank data—Office of the Comptroller of the Currency, Annual Report, various years, and Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues.

TABLE 7.—Commercial banking offices, population and personal income by State groups classified by branch law,* 1934-64

Item	1934	1946	Percent change 1935- 46	1950	Percent change 1947- 50	1955	Percent change 1951- 55	1960	Percent change 1956- 60	1964	Percent change 1961- 64
Commercial banking offices:											
Statewide branch banking†	2,903	3,061	5.4	3,384	10.6	3,875	14.5	5,108	31.8	6,660	30.4
Limited branch banking...	8,673	8,580	-1.1	9,031	5.3	9,909	9.7	11,567	16.7	13,698	18.4
Unit banking.....	6,750	6,384	-5.4	6,545	2.5	6,644	1.5	7,041	6.0	7,740	9.9
All State total.....	18,326	18,025	-1.6	18,960	5.2	20,428	7.7	23,716	16.1	28,098	18.5
Population (thousands):											
Statewide branch banking†	21,279	28,494	33.9	30,466	6.9	34,811	14.3	40,596	16.6	43,771	7.8
Limited branch banking...	68,399	73,182	7.0	79,108	8.1	84,686	7.1	90,566	6.9	95,101	5.0
Unit banking.....	36,694	38,216	4.1	41,668	9.0	44,810	7.5	48,824	9.0	51,490	5.5
All State total.....	126,372	139,892	10.7	151,242	8.1	164,307	8.6	179,986	9.5	190,362	5.8
Personal income (millions of current dollars):											
Statewide branch banking†	9,970	39,047	291.6	47,853	22.6	68,758	43.7	95,441	38.8	121,644	27.5
Limited branch banking...	30,885	91,974	197.8	118,222	28.5	159,289	34.7	200,679	26.0	242,051	20.6
Unit banking.....	12,627	45,395	259.5	59,368	30.8	78,581	32.4	102,944	31.0	124,150	20.6
All State total.....	53,482	176,416	229.9	225,443	27.8	306,628	36.0	399,064	30.1	487,845	22.2
Real disposable personal in- come (millions of 1954-dol- lars):											
Statewide branch banking†	.....	44,589	.....	48,520	8.8	60,321	24.3	72,991	21.0	\$84,208	△15.4
Limited branch banking...	.....	106,346	.....	119,074	12.0	140,069	17.6	158,886	13.4	\$174,989	△10.1
Unit banking.....	.....	54,298	.....	60,136	10.8	69,769	16.0	82,485	18.2	\$91,994	△11.5
All State total.....	.....	205,233	.....	227,730	11.0	270,159	18.6	314,362	16.4	\$351,191	△11.7

*Branch law classification used is that which appeared in *The National Banking Review*, 1, March 1964, p. 341. The basis for classification was pragmatic, rather than statutory.

†Alaska and Hawaii excluded until admission as States.

‡Alaska and Hawaii excluded.

§1963 data.

△1960-63.

Sources: Banking office data—Office of the Comptroller of the Currency, Annual Report, various years. Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, various issues. Board of Governors of the Federal Reserve System, Banking and Monetary Statistics, 1943.

Population and personal income data—Department of Commerce, Statistical Abstract of the United States, various years.

Disposable personal income data—Department of Commerce, Survey of Current Business, April 1965.

TABLE 8.—*Mergers* under the Bank Merger Act, 1960, in which the resulting institution was a National Bank, classified by size of acquiring and acquired banks, through June 30, 1965*

<i>Acquiring bank†</i>	<i>Acquired banks</i>					
	<i>Assets less than \$10 million</i>	<i>Assets \$10 million to \$24.9 million</i>	<i>Assets \$25 million to \$49.9 million</i>	<i>Assets \$50 million to \$99.9 million</i>	<i>Assets \$100 million or over</i>	<i>Total</i>
Assets less than \$10 million.....	49	.....	.....	.....	.....	49
Assets \$10 million to \$24.9 million.....	63	6	.....	.....	.....	69
Assets \$25 million to \$49.9 million.....	52	14	4	.....	.....	70
Assets \$50 million to \$99.9 million.....	54	19	7	1	.....	81
Assets \$100 million or over.....	99	60	24	13	8	204
Total.....	317	99	35	14	8	473

*Includes all forms of acquisition.

†For this classification, the bank with the larger total assets in each transaction was considered to be the acquiring bank.

‡459 transactions were included. Since 6 of these involved 3 banks and 4 involved four banks, 473 banks were absorbed in the 459 transactions.

TABLE 9.—*U.S. Commercial bank failures,* 1952-65*

<i>Year</i>	<i>Number of bank failures</i>				<i>Bank failure rate per 10,000 banks</i>		<i>Business failure rate per 10,000 firms</i>
	<i>National</i>	<i>State insured</i>	<i>State noninsured</i>	<i>Total</i>	<i>National</i>	<i>State insured</i>	
1952.....	0	3	1	4	0	3.5	28.7
1953.....	0	2	1	3	0	2.3	33.2
1954.....	0	2	2	4	0	2.3	42.0
1955.....	2	3	0	5	4.3	3.5	41.6
1956.....	1	1	1	3	2.2	1.2	48.0
1957.....	0	1	1	2	0	1.2	51.7
1958.....	1	3	5	9	2.2	3.5	55.9
1959.....	0	3	0	3	0	3.5	51.8
1960.....	0	1	1	2	0	1.2	57.0
1961.....	2	3	4	9	4.4	3.5	64.4
1962.....	0	0	2	2	0	0	60.8
1963.....	0	2	0	2	0	2.3	56.3
1964.....	1	6	1	8	2.1	6.9	53.2
1965 (6 months).....	2	3	1	6	.....	.....	.....
Total.....	9	33	20	62	.....	.....	.....

*For insured banks, the figures show the number of cases requiring FDIC disbursements. For noninsured banks, the figures show the number of cases described by the FDIC as "noninsured bank failures."

Sources: Federal Deposit Insurance Corporation, Annual Report, 1952 through 1963, for bank data for those years. Bank data for 1964 and 1965 from FDIC, Report to the Comptroller of the Currency of Liquidation and Insurance Expenses, November 30, 1964, and supplement. Business failure data from Economic Report of the President, 1965.

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I. State of the National Banking System

During 1964, the assets of national banks rose by almost \$20 billion, or 11.7 percent. On December 31, 1964, the 4,615 national banks had total assets of \$190.1 billion.

As can be seen in table 1, the 1964 rate of increase in assets was greater for national banks than for either State member or insured nonmember banks. In 1962 and 1963, the assets of insured nonmember banks rose at a faster rate than did the assets of national banks. In 1964, the first time in 3 years, the assets of national banks rose by more than the assets of savings and loan associations. Credit unions continued to expand at a faster rate than national banks or commercial banks; this was also true in 1962 and 1963.

To some extent, these asset changes reflect the increase in the number of national banks and banking offices. In December 1964, there were 4,780 commercial banks under the supervision of the Comptroller of the Currency, including 7 nonnational banks in the District of Columbia. This represents a 3.4 percent increase since the end of 1963. During 1963, the comparable increase was 2.4 percent and, in 1962, there was a decline of 0.2 percent. The number of State

member banks declined by 3 percent in 1964, continuing the decline of the last 5 years. The number of insured nonmember banks continued to rise in 1964 at about the same rate as in 1962 and 1963. During 1964, the number of national banking offices (the sum of national banks and branches of national banks, including the banks in the District of Columbia) increased by 7.6 percent, less than the 8.2 percent rise experienced in 1963, but more than the 5.5 percent rise of 1962. As in 1962 and 1963, the percentage increase in banking offices under the supervision of the Comptroller of the Currency was greater than for either State member or insured nonmember banks.

In evaluating the growth of the commercial banking system during 1964, it should be noted that the economy experienced a 6.6 percent rise in gross national product (in current dollars), a 12 percent growth in corporate profits before taxes, and a 5.9 percent gain in personal income. A significant factor accounting for this growth of the economy was a 4.3 percent increase in the money supply—an increase greater than in 1961, 1962, or 1963.

TABLE 1.—*Number of commercial banks, and banking offices, and total assets, by class of bank, end of 1963 and 1964, and percent change 1963-64*

[Dollar amounts in billions]

Item	Number of banks			Number of banking offices			Value of assets		
	1963	1964	Percent change 1963-64	1963	1964	Percent change 1963-64	1963	1964	Percent change 1963-64
All commercial banks	13, 566	13, 771	1. 51	26, 905	28, 231	4. 93	\$314. 1	\$348. 4	10. 92
National banks ¹	4, 622	4, 780	3. 42	11, 859	12, 754	7. 55	171. 2	191. 2	11. 68
State member banks	1, 493	1, 448	- 3. 01	4, 632	4, 695	1. 36	90. 5	98. 1	8. 40
Insured nonmember banks	7, 177	7, 266	1. 24	10, 084	10, 448	3. 61	50. 1	55. 8	11. 38
Noninsured banks	274	277	1. 09	330	334	1. 21	2. 3	3. 3	43. 48

¹ Includes 7 nonnational banks in the District of Columbia.

TABLE 2.—*Total assets of commercial banks, mutual savings banks, savings and loan associations, and credit unions; end of December 1962, 1963, and 1964, and percent change 1963-64*

[Dollar amounts in millions]

Item	Dec. 28, 1962	Dec. 20, 1963	Dec. 31, 1964	Percent increase 1963-64
Commercial banks.....	\$298, 196	\$314, 056	\$348, 433	10. 95
Mutual savings banks.....	46, 121	49, 702	54, 240	9. 13
Savings and loan associations.....	93, 605	107, 559	119, 295	10. 91
Credit unions.....	7, 188	8, 128	9, 303 ¹	14. 46 ¹

¹ Based on preliminary December 1964 data.

II. Assets, Deposits, and Capital Accounts

The assets of national banks grew 11.7 percent during 1964. Their earning assets (loans, securities, Federal funds sold, and direct lease financing) registered a 10.1 percent increase over 1963, but these assets as a proportion of total assets declined from 80.5 percent at the end of 1963 to 79.3 percent at the end of 1964. Loans and discounts increased 14.6 percent (see table 3) while total securities displayed a modest 4.2 percent increase. As a percentage of total assets, loans and discounts increased from 49.0 percent in 1963 to 50.3 percent in 1964, but securities dropped from 30.6 percent in 1963 to 28.6 percent in 1964. Holdings of direct U.S. Government obligations by national banks increased 0.4 percent, reversing the decline of 6.3 percent in 1963. However, the relationship of these holdings to total assets fell from 19.6 percent in 1963 to 17.6 percent in 1964. State and local obligations increased 13.5 percent over 1963, less than the 20.4 percent increase experienced in 1963 period. As a percentage of total assets, State and local obligations rose slightly from 9.6 percent in 1963 to 9.8 percent in 1964. This increase of loans and discounts, as contrasted with the relative decrease in securities holdings, reflects the brisk demand for loans from the private sector of our economy.

State member banks had an 8.8 percent increase in loans in 1964—the same rate of increase they experienced in 1963. Securities holdings of State member banks increased 1.1 percent in 1964. Their holdings of direct U.S. Government obligations de-

clined 4.0 percent—less than the 7.8 percent decrease in 1963. Holdings of State and local government obligations increased 10.8 percent—less than the 23.3 percent increase experienced in 1963.

Loan deposit ratios of national banks rose from 30.0 percent in 1936 to 37.5 in 1954 and continued to rise to 55.3 in 1963 and 56.3 in 1964. This ratio for State member banks fell slightly from 59.7 in 1963 to 59.2 in 1964.

Deposits of national banks increased by \$18.8 billion in 1964, a 12.5 percent rise. The growth of time and savings deposits (\$9.5 billion, or 15.5 percent) exceeded that of demand deposits (\$9.3 billion, or 10.4 percent) for 1964, thus continuing past trends in deposit distribution. Demand deposits fell from 59.3 percent of total deposits at the end of 1963 to 58.2 percent at the end of 1964, while time and savings deposits rose from 40.7 percent in 1963 to 41.8 percent in 1964.

Total capital of national banks increased by \$1.5 billion or 11.1 percent during 1964. There was a sharp increase in the use of debenture financing during 1964, with a rise in the amount outstanding from \$45 million to \$475 million. Undivided profits, surplus, and common capital increased from their 1963 levels by 5.1, 7.6, and 8.3 percent, respectively. At the end of 1964, total capital was 7.92 percent of total liabilities and capital, approximately the same as last year's 7.96 percent.

TABLE 3.—*Assets and liabilities of national banks on Dec. 20, 1963; Dec. 31, 1964; and percent change December 1963 to December 1964*
[Dollar amounts in millions]

Item	Dec. 20, 1963	Dec. 31, 1964	Percent change 1963 to 1964
	4,615 banks	4,773 banks	
ASSETS			
Loans and discounts (including overdrafts)	\$83,388	\$95,577	14.62
U.S. Government securities, direct obligations	33,311	33,448	.41
Obligations guaranteed by U.S. Government	73	89	21.92
Obligations of States and political subdivisions	16,380	18,592	13.50
Other bonds, notes, and debentures	2,408	2,237	-7.10
Total loans and securities	135,560	149,943	10.61
Federal funds sold	1,457	821	-43.65
Direct lease financing	24	81	237.50
Reserve with Federal Reserve bank	28,635	34,066	18.97
Currency and coin			
Balances with other banks, and cash items in process of collection	2,591	2,789	7.64
Fixed assets	575	652	13.39
Customers' liability on acceptances outstanding	1,388	1,760	26.80
Other assets			
Total assets	170,229	190,113	11.68
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	67,740	74,200	9.54
Time and savings deposits of individuals, partnerships, and corporations	56,606	64,763	14.41
Postal savings deposits	3,874	3,787	-2.25
Deposits of U.S. Government			
Deposits of States and political subdivisions	11,523	13,647	18.43
Deposits of banks	9,009	10,733	19.14
Certified and officers' checks, etc.	2,072	2,486	19.98
Total deposits	150,823	169,617	12.46
Demand deposits	89,389	98,660	10.37
Time and savings deposits	61,434	70,957	15.50
Rediscunts and other liabilities for borrowed money	395	299	-24.30
Federal funds purchased	1,309	827	-36.82
Acceptances executed by or for account of reporting banks and outstanding	584	666	14.04
Other liabilities	3,569	3,656	2.44
Total liabilities	156,681	175,065	11.73
CAPITAL ACCOUNTS			
Debentures	45	475	955.56
Common stock	3,959	4,286	8.26
Preferred stock	25	28	12.00
Surplus	6,700	7,207	7.57
Undivided profits	2,529	2,657	5.06
Reserves and retirement account for preferred stock	290	393	35.52
Total capital accounts	13,548	15,048	11.07
Total liabilities and capital accounts	170,229	190,113	11.68

TABLE 4.—Percent distribution of assets, and liabilities, of national banks, December 1963 and 1964

Item	December 1963	December 1964
ASSETS		
Securities:	<i>Percent</i>	<i>Percent</i>
U.S. Government, direct and guaranteed	19.61	17.64
Obligations of States and political subdivisions	9.62	9.78
Other bonds and securities	1.41	1.18
Total securities	30.65	28.60
Loans and discounts	48.99	50.27
Federal funds sold . . . . .	.86	.43
Direct lease financing . . . . .	.01	.04
Cash and balances with other banks, excluding reserves	10.37	11.96
Reserve with Reserve banks	6.45	5.95
Fixed assets	1.52	1.47
All other assets	1.15	1.27
Total assets	100.00	100.00
LIABILITIES		
Deposits:		
Demand of individuals, partnerships, and corporations	39.79	39.03
Time of individuals, partnerships, and corporations	33.25	34.07
U.S. Government	2.27	1.99
States and political subdivisions	6.77	7.18
Banks	5.29	5.65
Other deposits (including postal savings)	1.22	1.31
Total deposits	88.60	89.22
Demand deposits	52.51	51.90
Time deposits	36.09	37.32
Other liabilities	3.44	2.87
Capital funds:		
Debentures . . . . .	.03	.25
Capital stock	2.34	2.27
Surplus	3.94	3.79
Undivided profits and reserves	1.66	1.60
Total capital accounts	7.96	7.92
Total liabilities and capital accounts	100.00	100.00

TABLE 5 — *Demand and time deposits: dollar amount, and percent distribution, by type of bank, December 1963 and 1964*

[Dollar amounts in millions]

Item	December 1963		December 1964	
	Dollar amount	Percent distribution	Dollar amount	Percent distribution
All commercial banks:				
Total deposits.....	\$276, 230	100. 0	\$308, 427	100. 0
Demand.....	164, 050	59. 4	180, 199	58. 4
Time.....	112, 180	40. 6	128, 228	41. 6
Members of Federal Reserve System:				
Total deposits.....	229, 376	100. 0	255, 724	100. 0
Demand.....	138, 064	60. 2	151, 384	59. 2
Time.....	91, 312	39. 8	104, 340	40. 8
National banks:				
Total deposits.....	150, 823	100. 0	169, 617	100. 0
Demand.....	89, 389	59. 3	98, 660	58. 2
Time.....	61, 434	40. 7	70, 957	41. 8
State member banks:				
Total deposits.....	78, 553	100. 0	86, 108	100. 0
Demand.....	48, 675	62. 0	52, 725	61. 2
Time.....	29, 878	38. 0	33, 383	38. 8
Insured nonmember banks:				
Total deposits.....	45, 270	100. 0	50, 507	100. 0
Demand.....	24, 887	55. 0	27, 308	54. 1
Time.....	20, 383	45. 0	23, 199	45. 9
Noninsured banks:				
Total deposits.....	1, 583	100. 0	2, 197	100. 0
Demand.....	1, 098	69. 4	1, 508	68. 6
Time.....	485	30. 6	689	31. 4

III. *New Charters, Branches and Mergers*

There were 232 national bank charters issued in 1964, including two for Deposit Insurance Corporation National Banks organized under section 11 of the Federal Deposit Insurance Act. Of these charters, 27 represented conversions of State-chartered banks, an increase of one from 1963. Five States (California, 38; Colorado, 11; Florida, 23; Oklahoma, 11; and Texas, 24) accounted for 52.7 percent of all primary national bank charters issued. No primary national bank charters were issued in 15 States.

At the end of 1964, there were 7,960 national bank branches, an increase of 782 over December 31, 1963. Pennsylvania and California experienced the greatest net additions of branch offices—105 and 98, respec-

tively. Other States with substantial net increases in branches were: New York (66), Michigan (52), New Jersey (46), Ohio (38), Massachusetts (32), Virginia (32), Washington (28), Indiana (26), and Connecticut (20).

Of the 782 national bank branches opened in 1964, 474, or 60.6 percent, were located in communities with a population of less than 25,000. National banks with total resources of less than \$25 million opened 239 branches, or 30.6 percent of the total.

During 1964, the Comptroller of the Currency approved 91 consolidations, mergers, and absorptions involving national banks, as compared with 90 in 1963.

TABLE 6.—Number of national banks and banking offices, by States, Dec. 31, 1964

State	National banks			Number of branches of national banks	Number of national banking ¹ offices
	Total	Unit	With branches		
United States ²	4, 773	3, 537	1, 236	7, 960	12, 733
Alabama.....	80	56	24	106	186
Alaska.....	5	0	5	38	43
Arizona.....	4	1	3	166	170
Arkansas.....	63	40	23	47	110
California.....	90	57	33	1, 648	1, 738
Colorado.....	115	115	0	0	115
Connecticut.....	27	12	15	152	179
Delaware.....	5	4	1	3	8
District of Columbia.....	8	1	7	45	53
Florida.....	187	187	0	0	187
Georgia.....	55	32	23	100	155
Hawaii.....	2	0	2	39	41
Idaho.....	9	4	5	90	99
Illinois.....	410	410	0	0	410
Indiana.....	124	63	61	244	368
Iowa.....	101	80	21	23	124
Kansas.....	169	145	24	24	193
Kentucky.....	82	43	39	110	192
Louisiana.....	47	17	30	126	173
Maine.....	22	8	14	62	84
Maryland.....	49	24	25	171	220
Massachusetts.....	93	34	59	303	396
Michigan.....	96	44	52	355	451
Minnesota.....	193	191	2	6	199
Mississippi.....	31	8	23	42	73
Missouri.....	91	77	14	14	105
Montana.....	48	48	0	0	48
Nebraska.....	125	109	16	16	141
Nevada.....	3	1	2	30	33
New Hampshire.....	50	35	15	17	67
New Jersey.....	146	52	94	390	536
New Mexico.....	33	15	18	46	79
New York.....	203	110	93	755	958
North Carolina.....	31	9	22	248	279
North Dakota.....	41	36	5	5	46
Ohio.....	221	102	119	465	686
Oklahoma.....	222	199	23	23	245
Oregon.....	11	6	5	199	210
Pennsylvania.....	387	242	145	724	1, 111
Rhode Island.....	4	0	4	52	56
South Carolina.....	25	6	19	161	186
South Dakota.....	33	28	5	34	67
Tennessee.....	75	32	43	179	254
Texas.....	³ 539	539	0	0	539
Utah.....	12	8	4	53	65
Vermont.....	28	19	9	27	55
Virginia.....	⁴ 123	61	62	274	397
Washington.....	28	13	15	322	350
West Virginia.....	79	79	0	0	79
Wisconsin.....	109	97	12	24	133
Wyoming.....	38	38	0	0	38
Virgin Islands.....	1	0	1	2	3
District of Columbia—all ⁵	15	2	13	78	93

¹ Number of banking offices is the sum of total national banks and number of branches of national banks.

² Includes Virgin Islands.

³ Includes Deposit Insurance National Bank of Dell City, Dell City, Tex.—organized under Section 11 of the Federal Deposit Insurance Act—to operate no longer than for a 2-year period.

⁴ Includes Deposit Insurance National Bank of Newport News, Newport News, Va.—organized under Section 11 of the Federal Deposit Insurance Act—to operate no longer than for a 2-year period.

⁵ Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

TABLE 7.—National bank charter applications,¹ and charters issued,² by States, Jan. 1—Dec. 31, 1964; received, approved, rejected, abandoned, and pending as of Dec. 31, 1964

State	Received ²	Approved	Rejected	Abandoned	Pending Dec. 31, 1964	Charters Issued
United States ³	538	185	242	30	81	232
Alabama	16	10	5	0	1	8
Alaska	0	0	0	0	0	0
Arizona	0	0	0	0	0	1
Arkansas	9	3	2	1	3	3
California	105	30	52	5	18	38
Colorado	29	9	19	0	1	11
Connecticut	12	3	3	0	6	4
Delaware	0	0	0	0	0	0
District of Columbia	3	1	1	1	0	1
Florida	70	15	38	10	7	26
Georgia	9	2	5	2	0	1
Hawaii	2	0	0	0	2	0
Idaho	0	0	0	0	0	0
Illinois	21	12	5	1	3	9
Indiana	2	2	0	0	0	1
Iowa	3	1	0	0	2	1
Kansas	4	1	3	0	0	2
Kentucky	0	0	0	0	0	0
Louisiana	4	1	3	0	0	3
Maine	0	0	0	0	0	0
Maryland	6	2	2	0	2	4
Massachusetts	4	2	0	0	2	1
Michigan	12	7	1	0	4	8
Minnesota	9	1	5	2	1	4
Mississippi	6	4	1	0	1	2
Missouri	22	9	8	2	3	9
Montana	7	2	4	0	1	1
Nebraska	4	3	1	0	0	4
Nevada	6	0	4	1	0	0
New Hampshire	1	1	0	0	0	0
New Jersey	14	10	3	0	1	7
New Mexico	5	3	1	0	1	4
New York	12	4	6	0	2	5
North Carolina	0	0	0	0	0	0
North Dakota	3	2	0	1	0	3
Ohio	12	7	1	0	4	4
Oklahoma	29	2	23	2	2	11
Oregon	1	1	0	0	0	0
Pennsylvania	3	1	2	0	0	2
Rhode Island	0	0	0	0	0	0
South Carolina	4	0	4	0	0	0
South Dakota	1	0	1	0	0	0
Tennessee	3	1	0	0	2	1
Texas	46	11	28	1	6	25
Utah	5	2	2	0	1	2
Vermont	0	0	0	0	0	0
Virginia	7	3	3	1	0	4
Washington	10	6	4	0	0	5
West Virginia	3	2	1	0	0	3
Wisconsin	4	4	0	0	0	5
Wyoming	9	5	1	0	3	4
Virgin Islands	0	0	0	0	0	0
Puerto Rico	1	0	0	0	1	0

¹ Includes conversions.

² Includes applications pending as of Dec. 31, 1963.

³ Includes Virgin Islands and Puerto Rico.

⁴ Includes one Deposit Insurance Corporation national bank.

TABLE 8.—*Charters, liquidations, and capital stock changes of national banks, calendar 1964*

Item	Number of banks	Capital stock		Capital notes and debentures
		Common	Preferred	
Increases:				
Banks newly chartered:				
Primary organizations	¹ 205	\$87, 212, 260	0	0
Reorganizations	0	0	0	0
Conversions of State banks	27	52, 425, 023	0	\$25, 000, 000
Capital stock:				
Preferred: 2 cases by new issues	0	0	\$3, 200, 000	0
Common:				
203 cases by statutory sale	0	23, 680, 081	0	0
587 cases by statutory stock dividend	0	153, 926, 577	0	0
7 cases by statutory consolidation	0	7, 097, 250	0	0
54 cases by statutory merger	0	13, 593, 275	0	0
Capital notes and debentures: 27 cases by new issue	0	0	0	405, 014, 100
Total increases	232	337, 934, 466	3, 200, 000	430, 014, 100
Decreases:				
Banks ceasing operations:				
Voluntary liquidations:				
Succeeded by national banks	9	1, 560, 000	0	0
Succeeded by State banks	1	1, 250, 000	0	0
No successor	1	150, 000	0	0
Statutory consolidations	4	0	0	0
Statutory mergers	39	0	0	0
Conversions into State banks	6	1, 100, 000	0	0
Merged or consolidated with State banks (Public Law 706)	15	4, 950, 800	0	0
Receivership	1	100, 000	0	0
Capital stock:				
Preferred: 3 cases by retirement	0	0	39, 140	0
Common:				
1 case by statutory reduction	0	50, 000	0	0
10 cases by statutory merger	0	1, 386, 363	0	0
Capital notes and debentures: 1 case by retirement	0	0	0	100, 000
Total decreases	76	10, 547, 163	39, 140	100, 000
Net change	154	327, 387, 303	3, 160, 860	429, 914, 100
Charters in force Dec. 31, 1963, and authorized capital stock	4, 625	3, 964, 436, 146	25, 195, 470	45, 300, 000
Charters in force Dec. 31, 1964, and authorized capital stock	4, 779	4, 291, 823, 449	28, 356, 330	475, 214, 100

¹ Includes 2 Deposit Insurance National Banks organized under sec. II of the Federal Deposit Insurance Act.

TABLE 9.—*Branches of national banks: in operation Dec. 31, 1963; opened for business, discontinued, or consolidated, Jan. 1–Dec. 31, 1964; and branches in operation Dec. 31, 1964*

State	Branches in operation Dec. 31, 1963	Branches opened for business Jan. 1–Dec. 31, 1964	Existing branches discontinued or consolidated Jan. 1–Dec. 31, 1964	Branches in operation Dec. 31, 1964
United States ¹	2 7, 228	782	50	7, 960
Alabama	2 97	9	0	106
Alaska	38	0	0	38
Arizona	154	12	0	166
Arkansas	35	12	0	47
California	2 1, 550	102	4	1, 648
Colorado	0	0	0	0
Connecticut	132	20	0	152
Delaware	3	0	0	3
District of Columbia	2 38	7	0	45
Florida	0	0	0	0
Georgia	2 97	6	3	100
Hawaii	38	1	0	39
Idaho	84	6	0	90
Illinois	0	0	0	0
Indiana	218	26	0	244
Iowa	19	4	0	23
Kansas	24	0	0	24
Kentucky	2 102	9	1	110
Louisiana	118	9	1	126
Maine	61	1	0	62
Maryland	2 156	19	4	171
Massachusetts	271	33	1	303
Michigan	2 303	53	1	355
Minnesota	6	0	0	6
Mississippi	36	6	0	42
Missouri	2 14	2	2	14
Montana	0	0	0	0
Nebraska	17	0	1	16
Nevada	28	2	0	30
New Hampshire	2	15	0	17
New Jersey	344	48	2	390
New Mexico	40	8	2	46
New York	689	74	8	755
North Carolina	2 232	20	4	248
North Dakota	3	2	0	5
Ohio	2 427	39	1	465
Oklahoma	21	2	0	23
Oregon	2 190	9	0	199
Pennsylvania	2 619	111	6	724
Rhode Island	52	1	1	52
South Carolina	2 145	17	1	161
South Dakota	34	0	0	34
Tennessee	161	20	2	179
Texas	0	0	0	0
Utah	48	5	0	53
Vermont	22	6	1	27
Virginia	2 242	36	4	274
Washington	2 294	28	0	322
West Virginia	0	0	0	0
Wisconsin	22	2	0	24
Wyoming	0	0	0	0
Virgin Islands	2	0	0	2
District of Columbia—all ³	70	8	0	78

¹ Includes Virgin Islands.

² Revised from 1963 Annual Report.

³ Includes national and nonnational banks in the District of

Columbia, all of which are supervised by the Comptroller of the Currency.

TABLE 10.—*Branches of national banks opened for business, by community size and size of bank, Oct. 1-Dec. 31, 1964, and calendar 1964*

<i>Category</i>	<i>Jan. 1- Dec. 31, 1964</i>
In cities with population:	
Less than 5,000	190
5,000 to 24,900	284
25,000 to 49,900	94
50,000 to 99,900	58
100,000 to 249,900	40
250,000 to 499,900	30
500,000 to 1,000,000	44
Over 1,000,000	42
Total	782
By banks with total resources (in millions of dollars):	
Less than \$10.0	122
\$10.0 to \$24.9	117
\$25.0 to \$49.9	80
\$50.0 to \$99.9	64
\$100.0 to \$999.9	259
Over \$1,000	140
Total	782

TABLE 11.—*De novo branch applications of national banks, by States, Jan. 1–Dec. 31, 1964; received, approved, rejected, abandoned, and pending as of Dec. 31, 1964*

State	Received ¹	Approved	Rejected	Abandoned	Pending Dec. 31, 1964
United States ²	1, 026	670	142	50	164
Alabama.....	19	13	2	0	4
Alaska.....	1	0	0	1	0
Arizona.....	16	11	2	0	3
Arkansas.....	12	11	1	0	0
California.....	191	107	49	7	28
Colorado.....	0	0	0	0	0
Connecticut.....	22	15	0	1	6
Delaware.....	1	1	0	0	0
District of Columbia.....	6	4	1	0	1
Florida.....	0	0	0	0	0
Georgia.....	11	9	0	2	0
Hawaii.....	0	0	0	0	0
Idaho.....	6	2	3	0	1
Illinois.....	0	0	0	0	0
Indiana.....	14	13	0	0	1
Iowa.....	15	11	0	2	2
Kansas.....	1	0	0	1	0
Kentucky.....	6	5	0	0	1
Louisiana.....	7	5	0	0	2
Maine.....	3	1	0	0	2
Maryland.....	37	19	11	1	6
Massachusetts.....	32	25	2	0	5
Michigan.....	77	47	9	3	18
Minnesota.....	0	0	0	0	0
Mississippi.....	9	7	0	1	1
Missouri.....	3	3	0	0	0
Montana.....	0	0	0	0	0
Nebraska.....	1	1	0	0	0
Nevada.....	3	2	0	0	1
New Hampshire.....	12	9	1	0	2
New Jersey.....	42	25	5	4	8
New Mexico.....	5	5	0	0	0
New York.....	96	54	13	13	16
North Carolina.....	29	19	1	2	7
North Dakota.....	4	1	1	1	1
Ohio.....	71	59	1	1	10
Oklahoma.....	4	4	0	0	0
Oregon.....	23	16	6	0	1
Pennsylvania.....	87	53	13	5	16
Rhode Island.....	2	1	0	0	1
South Carolina.....	18	14	0	0	4
South Dakota.....	2	1	1	0	0
Tennessee.....	26	24	0	1	1
Texas.....	0	0	0	0	0
Utah.....	11	7	1	0	3
Vermont.....	7	4	0	0	3
Virginia.....	68	44	13	4	7
Washington.....	26	18	6	0	2
West Virginia.....	0	0	0	0	0
Wisconsin.....	0	0	0	0	0
Wyoming.....	0	0	0	0	0
Virgin Islands.....	0	0	0	0	0
District of Columbia—all ³	10	7	1	0	2

¹ Includes applications pending as of Dec. 31, 1963.

² Includes Virgin Islands.

³ Includes national and nonnational banks in the District of

Columbia, all of which are supervised by the Comptroller of the Currency.

IV. Income and Expenses of National Banks

The composition of earning assets continued to shift from securities to loans during 1964, and deposits shifted from demand to time. An analysis of the income and dividend statements for national banks reflects these changes. While loans and discounts have higher yields than securities, the additional supply of funds raised through time deposits has been more costly. This price-cost relationship between loans and time deposits has led banks to search for other sources of funds. One source is the debenture. The phenomenal growth of this form of financing during 1964 readily attests to its usefulness.

During 1964, net income of national banks increased by \$7.4 million (see table 12) to a level of \$1,213 million. Operating revenue for 1964 exceeded the 1963 level by \$845 million, an 11.6 percent increase. Interest and discount on loans accounted for \$610 million, or 72.2 percent, of this \$845 million increase. Earnings on U.S. Government securities increased 1.6 percent, while earnings from other securities (mostly State and local issues) increased \$97 million, or 19.2 percent.

Operating expenses for 1964 rose 12.9 percent from the 1963 level of \$5,229 million. Of this \$676 million increase, 51 percent (\$345 million) represented the

cost of interest on time and savings deposits; this was 18.0 percent above the 1963 level—less than the 20.7 percent increase registered in 1963. Salaries and wages expense rose by 7.9 percent from 1963. Net current operating earnings increased to \$2,243 million in 1964, \$169 million above the 1963 level.

Net income before related taxes dropped to \$1,854.7 million in 1964, from \$1,893.9 in 1963. This 2.1 percent decline from 1963 can be traced to a net change of \$208.5 million in profits, recoveries, losses, and transfers to valuation reserves. Profits on securities sold decreased \$44.8 million, or 50.9 percent, from 1963. Transfers from valuation reserves fell \$85.7 million, or 81.6 percent, from 1963. Conversely, transfers to valuation reserves increased \$36.0 million to \$365.6 million. The net result was a \$388.3 million reduction in operating earnings. After deduction of \$10.2 million for interest paid on capital notes and debentures, taxable income was reduced to \$1,844.5 million.

In 1964, Federal income taxes decreased \$57.4 million from the 1963 level. The factors behind this change were a lower corporate tax rate, and a greater share of income derived from tax-exempt sources.

TABLE 12.—*Current operating revenue, expenses, and dividends of national banks, December 1963 and 1964, and dollar and percent changes, 1963-64*

[Dollar amounts in millions]

Item	December 1963	December 1964	Change 1963-64	
			Dollar	Percent
Number of banks ¹	\$4, 615	\$4, 773	158	3. 42
Capital stock (par value) ²	3, 886. 0	4, 163. 1	277. 1	7. 13
Capital accounts ³	13, 102. 0	14, 297. 8	1, 195. 8	9. 13
Current operating revenue:				
Interest and dividends on—				
U.S. Government obligations.....	1, 171. 3	1, 189. 7	18. 4	1. 57
Other securities.....	504. 9	601. 7	96. 8	19. 17
Interest and discount on loans.....	4, 621. 6	5, 232. 4	610. 8	13. 22
Service charges on deposit accounts.....	408. 8	441. 4	32. 6	7. 97
Other current operating revenue.....	596. 0	682. 5	86. 5	14. 51
Total.....	7, 302. 5	8, 147. 7	845. 2	11. 57
Current operating expenses:				
Salaries, wages, and fees ⁴	1, 770. 0	1, 909. 1	139. 1	7. 86
Officer and employee benefits ⁵	242. 6	266. 0	23. 4	9. 65
Interest on time and savings deposits.....	1, 917. 3	2, 262. 7	345. 4	18. 01
Net occupancy expense of bank premises.....	313. 6	350. 8	37. 2	11. 86
Other current operating expenses.....	985. 3	1, 116. 1	130. 8	13. 28
Total.....	5, 228. 8	5, 904. 7	675. 9	12. 93
Net current operating earnings.....	2, 073. 7	2, 243. 0	169. 3	8. 16

See footnotes at end of table.

TABLE 12.—*Current operating revenue, expenses, and dividends of national banks, December 1963 and 1964, and dollar and percent changes, 1963-64—Continued*

Item	December 1963	December 1964	Change 1963-64	
			Dollar	Percent
Recoveries, transfers from valuation reserves, and profits:				
On securities:				
Profits on securities sold or redeemed	88.1	43.3	-44.8	-50.85
Recoveries	2.3	1.6	-.7	-30.43
Transfers from valuation reserves	44.8	39.2	-5.6	-12.50
On loans:				
Recoveries	8.1	7.6	-.5	-6.17
Transfers from valuation reserves	105.0	19.3	-85.7	-81.62
All other	55.5	57.6	2.1	3.78
Total	303.8	168.6	-135.2	-44.50
Losses, chargeoffs, and transfers to valuation reserves:				
On securities:				
Losses and chargeoffs	34.1	54.2	20.1	58.94
Transfers to valuation reserves	39.3	41.3	2.0	5.09
On loans:				
Losses and chargeoffs	12.5	13.5	1.0	8.00
Transfers to valuation reserves	329.6	365.6	36.0	10.92
All other	68.1	82.4	14.3	21.00
Total	483.6	556.9	73.3	15.16
Net income before related taxes	1,893.9	1,854.7	-39.2	-2.07
Taxes on net income:				
Federal	637.1	579.7	-57.4	-9.01
State	50.9	51.4	.5	.98
Total	688.0	631.2	-56.8	-8.26
Net income before dividends	1,205.9	⁴ 1,213.3	7.4	0.61
Cash dividends declared:				
On common stock	547.1	591.5	44.4	8.12
On preferred stock	1.1	1.3	.2	18.18
Total	548.2	592.8	44.6	8.14
Memoranda items:				
Recoveries credited to valuation reserves (not included in recoveries above):				
On securities	5.3	2.6	-2.7	-50.94
On loans	60.4	106.0	45.6	75.50
Losses charged to valuation reserves (not included on losses above):				
On securities	11.9	32.3	20.4	171.43
On loans	177.7	225.9	48.2	27.12
Stock dividends (increases in capital)	126.3	153.5	27.2	21.54
	Percent	Percent		Change
Ratios:				
Current operating expenses to current operating revenue	71.60	72.47		+0.87
Net income before dividends to capital accounts	9.20	8.49		-.71
Cash dividends to capital stock	14.11	14.24		+.13
Cash dividends to capital accounts	4.18	4.15		-.03

¹ Number of banks, as of end of year, but figures of income, expenses, etc., include banks which were in operation a part of the year but were inactive at the close of the year.

² Figures are averages of amounts reported for the June and

December call dates in the year indicated and the December call date in the previous year.

³ Exclusive of building employees.

⁴ This figure is after deduction of \$10.2 million, interest paid on capital notes and debentures.

V. *Litigation*

A. *Branch Litigation*

In 13 actions brought in North Carolina, competing banks sought to either permanently enjoin the Comptroller's issuance of branch certificates, or to obtain declaratory judgment that approval and issuance of the branch certificate were in violation of applicable branching law and injunctions that prohibit operation of the branches. In one such case, the plaintiff bank brought an action against the Comptroller to have his approval of the branch in question declared unlawful, and to enjoin the Comptroller from issuing a certificate of authority to open the branch; and further, to enjoin the defendant bank from opening the branch in question. The plaintiff bank asserted that the new branch was unlawful because the defendant bank's capital structure was inadequate under sections 53-62 of the General Statutes of North Carolina, and the Banking Act of 1933 as amended (12 U.S.C. 36(c)). Plaintiff bank also alleged that the public necessity and convenience would not be served by the opening of a new branch and that the establishment of a branch of the defendant bank at the location in question would increase competition, thereby causing it to lose customers and business. The plaintiff further contended that the lack of an adjudicatory hearing at the administrative level violated the Administrative Procedure Act 5 U.S.C. 1004.

Plaintiff bank requested a temporary restraining order and a preliminary injunction. Defendant bank moved to dismiss for failure to state a claim upon which relief could be granted, on the ground that its capital was adequate, and for want of jurisdiction. The defendant Comptroller moved to dismiss or in the alternative for summary judgment on the grounds that plaintiff bank lacked standing, that the Comptroller's decisions and actions were lawful and proper, and that his discretionary acts were not subject to judicial review. Pending the district court's decision on the pending motions, the Comptroller refrained from issuing a certificate of authority to open the new branch.

Lack of adequate capitalization by the defendant bank, the only allegation as to violation of law made by the plaintiff, was remedied prior to the district court's ruling when defendant bank altered its capital structure to meet the requirements of North Carolina law, even as they were interpreted by the plaintiff bank.

On August 12, 1964, the district court, without having heard oral argument, granted the plaintiff's

preliminary injunction and denied the defendant's motion to dismiss. The court held the Comptroller's approval of the branch invalid on the ground that his failure to grant a full adversary hearing at the administrative level violated the hearing provisions of the Administrative Procedure Act. The court ruled that the threat of competition presented by the newly authorized branch was sufficient to confer upon plaintiff bank standing to invoke the district court's jurisdiction. The court apparently based its ruling on the belief that judicial review of the Comptroller's decision would be impossible without such a hearing.

Prior to granting plaintiff bank's motion for summary judgment, the court, at the request of the counsel of the Comptroller, agreed to hear oral argument for the first time. In an additional brief and in oral argument, counsel for the Comptroller pointed out that if the Comptroller's approval of the branch was reviewable at all, any disputed facts could and should, under the Administrative Procedure Act, be determined in an evidentiary trial in the district court, and that no adversary hearing at the administrative level was required to protect the plaintiff bank's procedural rights. The district court, however, entered a final order in judgment declaring invalid the Comptroller's approval of defendant bank's branch application, and enjoining him from issuing a certificate of authority based upon that approval. From that order, notice of appeal was filed in the Circuit Court of Appeals, the Fourth Circuit in Richmond, Va., on November 6, 1964. In the appeal, counsel for the Comptroller argued, first, that the Comptroller of the Currency has authority to act upon applications for the establishment of new branches without holding an adversary hearing at the administrative level and, secondly, that competitive banks have no standing to challenge the Comptroller's determination that a new branch would be in accord with the public need and convenience and that his determination is at any rate discretionary and nonreviewable. The first ground for appeal was broken down into two separate points, the first of which was that the National Bank Act and the Administrative Procedure Act authorize the Comptroller to pass upon branch and charter applications without an adversary hearing. This point was supported by the argument that the Administrative Procedure Act requires adversary hearing at the administrative level only in cases "of adjudication required by statute to be determined on the record after

opportunity for an agency hearing." The brief states that the Administrative Procedure Act does not itself impose any requirement for an adversary hearing before an agency, but only specifies the procedures to be followed where some other statute requires such a hearing.

The Comptroller's appeal was also directed at establishing the rule that competitive banks have no standing to challenge the Comptroller's determination for public need and convenience and that, at any rate, the Comptroller's approval or disapproval of a branch application on the basis of public need and convenience is discretionary and not subject to judicial review. *First National Bank of Smithfield, North Carolina, v. First National Bank of Eastern North Carolina, and James J. Saxon, Comptroller of the Currency of the United States*. Civil Action No. 1460, (E.D.N.C.). The following cases contained some or all of the issues involved in the above-mentioned case. *Commercial and Industrial Bank v. James J. Saxon, Comptroller of the Currency, Civil Action No. 723* (E.D.N.C.), *Peoples Bank and Trust Co. v. James J. Saxon, et al.*, Civil Action No. 867, (E.D.N.C.), *First Citizens Bank & Trust Co. v. James J. Saxon, et al. and First Union National Bank of North Carolina Intervenor*, Civil Action No. 928 (E.D.N.C.), *First Citizens Bank and Trust Company v. James J. Saxon*, Civil Action No. 1476, (E.D.N.C.), *First National Bank of Smithfield, North Carolina, v. First National Bank of Eastern North Carolina and James J. Saxon, et al.*, Civil Action No. 1477 (E.D.N.C.), *First Citizens Bank and Trust Company v. James J. Saxon*, Civil Action No. 1589 (E.D.N.C.), *First Citizens Bank and Trust Company v. James J. Saxon and First Union National Bank of North Carolina Intervenor*, Civil Action No. 1663 (E.D.N.C.), *Bank of Haw River v. James J. Saxon* (U.S.D.C.M.D.N.C., Greensboro Div., Civil Action No. C-124 G-65).

The other four cases in North Carolina were mooted either by merger of one of the banks involved or by withdrawal of the application for the branch by the applicant bank.

In an action in the U.S. District Court for the Northern District of Mississippi against the defendant Comptroller Saxon, a State bank sought a declaratory judgment that the Comptroller had no authority to issue a certificate of approval for a branch bank in an area closely adjacent to the corporate limits of the town in which plaintiff bank had situated a branch of its own and was benefiting from branch office protection. Plaintiff bank also sought to enjoin the Comptroller from permitting such a branch to conduct

business in the county, and alleged that the Comptroller's issuance of a certificate of approval for the establishment of such a branch constituted an unlawful establishment of a branch bank facility. At the time of the litigation, plans were under consideration by the municipal government to annex the area in which the branch office of defendant national bank was going to be located. If these plans had been consummated, they would have allowed the national bank to move its branch into the center of the town which had been inaccessible to branches of banks based elsewhere. The case is now pending while depositions are being taken and discovery being made. *The Bank of Tupelo, Mississippi, v. James J. Saxon and First Citizens National Bank of Tupelo, Mississippi, Intervenor*, Civil Action No. EC 6514 (D.C.N.D. Miss. 1965).

The Comptroller's issuance of a branch certificate to a national bank located in the State of New York was contested in a case where the new branch was located in an unincorporated area adjacent to an incorporated village in which several competitive banks enjoyed home office protection. It was alleged by three of the defendant national bank's competitors that the area was prohibited as a branch location of the defendant bank because, although such area could qualify for incorporation as a village under state law, it lacked the required characteristics of a village in the community sense. It was also alleged that the issuance of a branch certificate was illegal because the Comptroller violated his own rules and regulations in processing the branch application. Granting the Comptroller's motion for summary judgment, the district court held that (1) the Comptroller had complied with the branch location requirements of 12 U.S.C. 36; (2) that *ex parte* contacts, such as were made with the Comptroller were not prohibited; and (3) that the opening by the defendant national bank of the branch in question in temporary quarters did not constitute a new branch application such as might have required investigations by lower echelons in the Office of the Comptroller. *The Union Savings Bank of Patchogue et al. v. James J. Saxon, Comptroller of the Currency*, Civil Action No. 2445-62 (D.C.D.C. 1962). The judgment in favor of the Comptroller and the defendant national bank was appealed to the Circuit Court of Appeals for the District of Columbia which vacated the judgment of the district court and remanded the case for further proceedings. The Court of Appeals, which did not decide the question relating to the Administrative Procedures Act, held that the word "village" as used in New York statute law must

be given its natural meaning, i.e., an area possessed of some attributes of a community. In reaching this conclusion the Court of Appeals rejected the administrative interpretation of the New York Banking Law made by the New York Banking Department, an interpretation which was followed by the Comptroller of the Currency in approving the disputed branch application of the defendant national bank, to the effect that if an unincorporated area could be incorporated, a branch could be located therein. The Court of Appeals held that under section 36(c) of the National Bank Act, the applicable branching statute under which the Comptroller operates it is clear that a national bank may establish a branch only where a State bank branch would be authorized "by the statute law of the State in question by language specifically granting such authority affirmatively and by implication or recognition . . .". The court held that the section 36 reference to the statute law of the State refers only to legislative enactments, and that interpretations of those enactments—such as the test which was used by the Comptroller as well as by the New York Banking Department—were not legislation, and therefore could not be incorporated into the Federal law.

The Court of Appeals held that the judgment of the lower court granting the motions for summary judgment were reversed, and the district court subsequently ordered a complete reexamination and reconsideration on the part of all the parties concerned relative to the application for a new branch in the incorporated village area. The case is presently pending before the U.S. District Court for the District of Columbia.

In another case pending in New York State, which involves the definition of the term "unincorporated village," competitor banks alleged that the approval of a branch of a national bank by defendant Saxon was arbitrary and unlawful under the test set out in the *Patchogue* case cited above. Plaintiff bank seeks to preliminarily and permanently enjoin the Comptroller (1) from permitting defendant national bank from opening the branch office in question, and (2) from issuing any certificate of approval of said branch. Further, the plaintiff seeks to have withdrawn any evidence of approval by defendant Comptroller of the branch in question, to have a judgment entered declaring Comptroller's action in this respect to be beyond the scope of his discretion and null and void. *Oysterman's Bank & Trust Company v. James J. Saxon*, Civil Action No. 1717-64 (D.C.S.D., N.Y. 1965).

In a recent case in Michigan, plaintiff State banks sought to enjoin (1) the defendant bank from estab-

lishing a branch, and (2) the Comptroller of the Currency from approving the application of the defendant bank and issuing a certificate of approval. Further, the plaintiff sought a declaratory judgment that the establishment of said branch would be in violation of 12 U.S.C. 36 and section 34 of the Michigan Financial Institutions Act. Plaintiffs in this action claimed that the Comptroller's approval of the proposed branch would be unlawful because: (1) the proposed location is not within a village; (2) the home office and branch office protection provision of the foregoing Michigan statute was ignored; (3) the Comptroller failed to make a showing of necessity as required by the foregoing Michigan statute; and (4) approval of the application without allowing plaintiffs a hearing or opportunity to cross-examine applicant or offer evidence in protest was in contravention of the Administrative Procedure Act, and, furthermore, denied plaintiffs the procedural due process which is guaranteed by the 14th amendment to the Constitution of the United States. In answering the complaint, the defendant Comptroller averred that the provisions of sections 34 of the Michigan Financial Institutions Act relating to the requirements of "necessity" and "prospects of successful operation" need not be considered by the Comptroller in deciding whether to authorize the branch in question, since these requirements of State law are not incorporated into 12 U.S.C. 36(c) (2). The Comptroller further asserted that plaintiffs have no right to be free from competition merely because they are doing business in the area in question, and he denied the applicability of the Administrative Procedure Act to this Office in relation to its function of approving applications for branches of national banks. *Security Bank and Wyandotte Savings Bank v. James J. Saxon and Manufacturers National Bank of Detroit* (U.S.D.C. E.D. Michigan, S.D.C.A. No. 26303).

In a case recently decided in the U.S. District Court in the Eastern District of Michigan, the court held that the Comptroller abused his discretionary power by approving a relocation of a branch of a national bank with its home office in Detroit. The facts in this case were that the defendant national bank applied to the defendant Comptroller for permission to relocate one of its Dearborn branches to a site 1.7 miles away from its present location, but still within the city limits of Dearborn. The defendant bank concurrently applied for a new branch to be relocated, but outside of the city limits of Dearborn. The plaintiff bank alleged that the approval of the new branch was designed to service the customers presently doing business with the defendant national bank's branch at the site in ques-

tion, and that the relocation of the existing bank would be, in fact, a new branch in a new area serving an entirely new market. The new area, 1.7 miles away, was not being served by the defendant national bank and there was no way in which it could serve such an area by establishing a new branch. Therefore, the plaintiffs alleged that the moving of the branch facilities by the defendant bank was part of a total plan or subterfuge to evade the language and spirit of section 36 of title 12 of the United States Code, as it incorporates the provisions of section 34 of the Financial Institutions Act of Michigan. Implicit in this charge was the allegation that the relocated branch would be, in fact, a *de novo* branch that would violate section 34 of the Michigan Financial Institutions Act. The court held in its oral opinion that 12 U.S.C. 36(c) incorporated the provisions of State law such as section 34 of the Michigan Financial Institutions Act which provided in part "that no such branch shall be established in a city or village in which a state or national bank or branch thereof is then in operation." The court agreed with the plaintiff that the proposed relocation of one office within Dearborn and the simultaneous establishment of a new office near the city limits outside Dearborn, did not constitute a bonafide relocation, but instead constituted an unlawful attempt to establish a new branch within the city of Dearborn. *Bank of Dearborn v. James J. Saxon et al.* Civil Action No. 23, 628 (U.S.D.C.E.D. Mich., sec. div. F).

In two Utah cases, it was alleged that the Comptroller's authorization of a branch in the same city in which the principal office of the bank is located would be in violation of the Utah Statute which provides, in part, that "... no branch bank shall be established in any city or town in which is located a bank or banks ...". In one case the district court in Utah held that the Comptroller violated neither Federal nor Utah law when he authorized a *de novo* branch in Logan, Utah of the defendant bank in 1963. The court held that since Utah law expressly provided for the acquisition of in-city branches of state banks by merger, and that since the Comptroller, under section 36(c)(1), may approve in-city branches of national banks where there is corresponding provision for such branches of State banks, he may therefore approve in-city branches *de novo*. Since the plaintiff Utah State banks could branch by merger in their home office city, the Comptroller was acting properly when authorizing a *de novo* branch in the home office city. The plaintiff State bank appealed this ruling, and hearings before the United States Circuit Court of Appeals for the Tenth Circuit in Denver have been tentatively set.

Walker Bank & Trust Company v. James J. Saxon et al., Civil Action No. 137-63 (D.C.D. Utah 1963). In the second Utah case, pending in the District Court for the District of Columbia and essentially based on facts similar to those above, the district court reached a decision contrary to that reached in the Utah Court. The court held that the plaintiff State bank had standing to sue in this case, that the defendant Comptroller's decisions were reviewable, and that the sole issue in question was whether the Comptroller had the statutory authority to grant a certificate to the defendant national bank for the establishment of a *de novo* branch in the city of Ogden, Utah. The Washington court held that in order to maintain the competitive balance sought by Congress in enacting the McFadden Act of 1927 (part of which is contained in 12 U.S.C. 36(c)), national banks in Utah can open *de novo* in-city branches by merger only. *Commercial Security Bank v. James J. Saxon, and First Security Bank of Utah, N.A., Intervenor*, Civil Action No. 1815-63 (D.C.D.C. 1964).

In an Indiana action concerning the Comptroller's authority to authorize branch banks, a State bank is seeking (1) a declaratory judgment that the issuance by the Comptroller of a certificate authorizing the establishment and operation by a national bank of a branch bank is in violation of the applicable branching laws, and (2) to enjoin the defendant bank from operating the branch in question. This action also involves an interpretation of 12 U.S.C. 36(c)(1) concerning branching by a national bank "inside" the city of its home office in States where a State bank can have "inside" branches. Here the Comptroller argued in this case that certain restrictions of state law did not apply to national banks. The Comptroller specifically alleged that even if 12 U.S.C. 36(c)(2) (which deals with "outside" branches and incorporates location restrictions of state law), were applicable to "inside" branches, the Indiana requirement that a new branch must not "jeopardize" an existing banking office is not the kind of location requirement that would be incorporated, or that would raise questions subject to judicial review. The case is presently pending before the Indiana District Court. *North Madison Bank v. National Bank of Madison, Indiana, and James J. Saxon, Comptroller of the Currency* Civil Action No. N.A. 63-C-76, (D.C.S.D. Indiana 1963).

In another Michigan case, plaintiff bank sought (1) a declaratory judgment that approval of the proposed branch would be in violation of 12 U.S.C. 36 and section 34 of the Michigan Financial Institutions Act, and (2) to enjoin the issuance of the branch certificate

and the defendant bank's establishment of the proposed branch. Plaintiff claimed that the Comptroller's approval of the proposed branch would be unlawful because: (1) the proposed location was not within an incorporated village; (2) the head office and branch protection provision of the Michigan Statute was ignored; (3) the Comptroller failed to make a showing of necessity; and (4) approval of the application without allowing plaintiff or formal hearing was in contravention of the Administrative Procedure Act. The Comptroller's answer stated that the proposed location had the indicia of a village and that no other branches were located in the same village. With regard to the formal hearing demand, the Office position—as set forth in the *Smithfield* case—was repeated. (In two recent cases, the United States District Court in Michigan took the position that no formal record is necessary for judicial review of Comptroller cases.) *The Southern Michigan National Bank of Coldwater v. James J. Saxon and First National Bank of Quincy*, Civil Action No. 4948 (D.C.W.D. Mich., Southern Division).

After granting a partial summary judgment on motion by the defendant Comptroller of the Currency—that the defendant is not required to hold a hearing prior to granting approval for the establishment of a branch of a national bank, and that the defendant is not bound by State statutory requirements to the necessity or prospect for a successful operation of a branch bank—the U.S. District Court for the Eastern District of Michigan, Southern Division, held that the Comptroller of the Currency had acted arbitrarily under applicable law in approving the branch in question. The basis for the court's decision was a detailed analysis of the factual situation as it existed in the unincorporated area in which the branch was located, considering aspects of population, housing, business, and geographical distribution, as well as other factors encompassing the indicia of a community. In reaching its conclusion, the court felt that the Comptroller's decision to approve the establishment of the disputed branch bank was not supported by competent, substantial evidence, that it must have been based upon misplaced confidence in information supplied by the defendant bank, and that the decision was therefore arbitrary, capricious, and an abuse of discretion under the applicable law since it disregarded the factual situation. *Peoples Bank—Trenton, et al. v. James J. Saxon and Manufacturers National Bank of Detroit*, Civil Action Nos. 26166, 26167, (U.S.D.C.E.D., Michigan, 1965).

In a recent case involving the Fort Knox National Bank at Fort Knox, Ky., the major issue in question

was whether a military reservation is considered to be a part of the State of Kentucky for the purposes of 12 U.S.C. 36(c). Fort Knox itself was ceded to the United States by the State of Kentucky and became a Federal enclave. After the Fort Knox National Bank was chartered, it did business until recently only within the U.S. military reservation. An application for a branch of Fort Knox National Bank to be located in Hardin County, Ky., in the town of Radcliff, was approved by this Office. This approval immediately met opposition from competing banks in the State. The principal argument against the proposed branch was that since Fort Knox National Bank was not subject to that State's jurisdiction, it was not legally within the State and could not therefore legally branch into the state. The position of this Office is that the main office of the Fort Knox National Bank is geographically located within the boundary lines of Hardin County, Ky., and that the bank can, therefore, branch anywhere within the county, limited only by 12 U.S.C. 36 and applicable state law as it is therein incorporated. The Comptroller has moved to intervene in this case because of the unusual and important issue involved. *First Hardin National Bank and The Farmers Bank of Vino Grove, Kentucky v. Fort Knox National Bank* (U.S.D.C., W.D. Kentucky, C.A. No. 5046.)

In a recent case involving a branch office of a national bank in New Jersey, the plaintiff State bank sought to have the authorization certificate of the branch in question declared to have been issued in contravention of law, and thus null and void. It alleged that the Comptroller "erroneously" authorized a national bank to open a new branch, since at that time an application by a State bank was pending before the New Jersey Commissioner of Banking and Insurance for permission to establish a branch banking office in the same area applied for by the national bank in question. The State bank alleged that the Comptroller, in granting the national bank the authority to open a new branch, violated 12 U.S.C. 36(c). Plaintiff further alleged that the *ex parte* contacts made with the Comptroller's Office by the national bank in question constituted a denial of basic administrative fairness to the plaintiff, in violation of the due process clause of the U.S. Constitution and sections 5, 8, and 10 of the Administrative Procedure Act, 5 U.S.C., sections 1004, 1007, and 1009. The plaintiff further alleged that the Comptroller's regulations, contained in 12 CFR section 4 relevant to the processing of a branch application, are invalid under section 3 of the Administrative Procedure Act (5 U.S.C. sec. 1002). Plaintiff also claimed that defendant's actions in allow-

ing the defendant national bank to establish a branch bank in the area in question not only denied the plaintiff the right to establish a branch there, but also subjected the plaintiff to unlawful competition. The position of this Office in relation to the plaintiff bank's arguments concerning the Administrative Procedure Act are set out in the summary in the Smithfield Branch case, *supra*. *The Bank of Sussex County v. James J. Saxon* (U.S.D.C., D.N.J. C.A. No. 568-65.)

The First National Bank of Valdosta, Valdosta, Ga., received permission from the Comptroller of the Currency to construct a drive-in facility 281 feet from its main banking office. After careful consideration, the Comptroller determined that the facility would not constitute a branch under 12 U.S.C. 36(c), but would be a complementary part of the main banking house, not requiring the issuance of a branch certificate. On March 11, 1964, W. M. Jackson, superintendent of banks, State of Georgia, filed a removal petition in the State court and the case was removed to U.S. District Court for the Middle District of Georgia. Prior to reaching a decision as to whether the facility was a separate branch or an extension of existing facilities, the court removed the restraining order against operation of the facility on the grounds that the superintendent did not have standing to bring the suit. This decision is now on appeal before the Fifth Circuit Court of Appeals. The Independent Bankers Association has filed a brief in this case as *amicus curiae*. *W. M. Jackson, Superintendent of Banks of the State of Georgia v. First National Bank of Valdosta* (U.S.D.C. M.D. Ga., Civil Action No. 647).

In a similar case in the State of Washington, a corporation formed by State banks sought a preliminary injunction against a national bank from opening a facility some 100 feet away from its branch office in accordance with the approval of the Comptroller of the Currency. The injunction was granted, pending hearing on the case's merits; the State supervisor of banking later intervened under the permissive intervention rule. The issue in question is whether the facility is or is not a branch. *State Chartered Banks et al. v. Peoples National Bank et al.*

B. Conversion Litigation

In an action pending in the U.S. District Court for the District of New Hampshire, three national banks located in Manchester, New Hampshire, filed a suit challenging the legality of the conversion of the Manchester Morris Plan Bank into a national bank. The plaintiffs seek (1) a declaratory judgment that the Comptroller's approval of the conversion was

illegal, and (2) an injunction prohibiting the issuance of a conversion certificate. In support of their position, plaintiffs argued that (1) the Manchester Morris Plan Bank is not a "bank" within the meaning of the laws of the State of New Hampshire, or within the meaning of national laws; (2) The Manchester Morris Plan Bank is an affiliate of the Indianhead National Bank of Nashua or New Hampshire Bank Shares, Inc., and thus would be a branch bank or an affiliate of Indianhead National Bank of Nashua or New Hampshire Bank Shares, Inc., a relationship prohibited by State law. The Comptroller maintains that the New Hampshire statute which permits State banks to be converted to national banks applies to a bank incorporated under State law, or pursuant to an act of the State legislature, as is the case of the Manchester Morris Plan Bank. He further argues that the nature of the Manchester Morris Plan Bank is shown by the fact that it accepts deposits, makes loans, and has other indicia of a bank. He also maintains that neither the Indianhead National Bank of Nashua nor New Hampshire Bank Shares, Inc., own any shares of Manchester Morris Plan Bank. Finally, if the Manchester Morris Plan Bank is converted into a national bank, the Comptroller argues that it will be a unit bank and not a branch of the Indianhead National or New Hampshire Bank Shares, Inc. Whether the Manchester Morris Plan Bank is a bank subject to conversion under New Hampshire law is being determined by a State proceeding in a companion case. This determination will be dispositive of one of the main issues in the Federal case. *Amoskeag National Bank et al.* (U.S.D.C.N.H.) C.A. No. 2495.

C. New Bank Charter Litigation

One of the principals in a recently organized State bank in Nebraska filed an action against the Comptroller, the Omaha National Bank, and a proposed new national bank called the Indian Hills National Bank, challenging the legality of the chartering of the proposed bank. Plaintiff sought a declaratory judgment that the Comptroller's approval of the application to charter the proposed bank would be, in actuality, a branch of the Omaha National Bank, and therefore a violation of 12 U.S.C. 36. Plaintiff pointed to the ownership of the proposed bank by shareholders of the Omaha National Bank, contending that the proposed bank would not be a separate banking entity as purported, but would be in fact a branch of the Omaha National Bank, and as such, prohibited by Nebraska banking law. The plaintiff also alleged that the Administrative Procedure Act was violated because of the

Comptroller's failure to grant a full adversary hearing. The permission to charter the bank (which the plaintiff held would in effect authorize a branch of the Omaha National Bank) would be an additional violation of the Administrative Procedure Act (5 U.S.C. 1009), because it would be arbitrary, capricious, and an abuse of discretion on the part of the Comptroller. The U.S. District Court for the District of Nebraska, in denying the plaintiff's motion for a preliminary injunction to prevent the Comptroller from issuing the new charter, did not subscribe to the theory that the Administrative Procedure Act required the Comptroller of the Currency to have a formal hearing before approving a national bank charter. The court held that the Administrative Procedure Act (5 U.S.C., section 1004), provides for a hearing "in every case of adjudication required by statute to be determined on the record after opportunity for an agency hearing," but that, since there is no provision in the National Bank Act, 12 U.S.C. 1 et seq. for such a hearing, none is required. The court went further, in finding that 12 U.S.C., section 27, provides that a certificate for a new bank charter shall be issued in the following manner:

If, upon careful examination of the facts so reported, and of any other facts which may come to the knowledge of the Comptroller, whether by means of a special commission appointed by him for the purpose of inquiring into the condition of such association, or otherwise, it appears that such association is lawfully entitled . . .

The court stated that not only does the quoted statute not require a hearing, but also that it negates the necessity for a hearing by providing other possibilities for reaching a decision.

However, the court held that if the proposed bank would in reality be a branch of the Omaha National Bank, the State bank would thereby suffer a legal wrong because of the Comptroller's action. Section 5 U.S.C. 1009(a) provides that "any person suffering legal wrong because of any agency action, or adversely affected or aggrieved by such action within the meaning of any relevant statute, shall be entitled to judicial review thereof." Therefore, the court held that the Administrative Procedure Act provides for a judicial review of the action taken by the Comptroller. It felt that once the plaintiff has alleged a legal wrong, it was the court's duty to review the decision upon petition of the plaintiff, and to "hold unlawful and set aside, any agency action, findings, and conclusions found to be (1) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." The case has not yet been heard on its merits. 5 U.S.C. 1009(E)

(B) (1). *William R. Farris v. Indian Hills National Bank et al. and James J. Saxon* (D.C. Neb.) Civil Action No. 02146, 1964.

In a new-bank-charter case in Missouri in which the charter had already been issued, the plaintiff banks challenged the legality, under the Administrative Procedure Act and the fifth amendment to the Constitution of the United States, of a charter granted to the defendant bank. The issue is whether the Comptroller is required to hold a formal hearing under the Administrative Procedure Act and the due process provision of the U.S. Constitution in a case where a competitor bank opposes the approval of a new national bank. A complete discussion of the position of this Office on the hearing issue is presented in the comments on the *Smithfield branch case. Citizens National Bank of Maplewood et al. v. James J. Saxon and West Side National Bank* (U.S.D.C.E.D. Mo. Civil Action No. 65 C 32 CD).

D. Merger Litigation

In a recent case brought by the Justice Department to enjoin the merger of the Mercantile Trust Co. National Association, St. Louis, Mo., and the Security Trust Co., St. Louis, Mo. (which merger was approved by the Comptroller pursuant to the provisions of the Bank Merger Act of 1960 [12 U.S.C. 1828(c)]), the Department of Justice alleged a violation of section 1 of the Sherman Act (15 U.S.C. 1) and section 7 of the Clayton Act (15 U.S.C. 18).

In its complaint, filed on July 7, 1965, the Justice Department sought (1) preliminary and permanent injunctions preventing the banks from carrying out the agreement of merger, and (2) in the event that the merger does take place, relief under section 1 of the Sherman Act and section 7 of the Clayton Act, which would require the resulting bank to divest itself of all stock, assets, and other properties of the bank to be merged, i.e., Security Trust Co.

The Comptroller, to present his views on the merger relative to the alleged violation of the antitrust laws, moved to intervene as a party defendant in opposition to the Department of Justice. Acting on his own behalf, the Comptroller sought, and was granted, leave to intervene because of his continuing interest in maintaining the efficacy of the National Banking System in general and the merged Mercantile Trust Co. National Association in particular, and also because it was felt that the interest of the National Banking System and the public at large would be more adequately protected by the Comptroller's expertise in the area of bank mergers.

For the purpose of deciding the motion for preliminary injunction, the court assumed, without deciding, that it had jurisdiction. Addressing itself to the major factual question at issue—the relevant geographic market to be considered—the court found that area to be not the city of St. Louis, as contended by the Department of Justice, but the entire metropolitan area of St. Louis. Therefore, in the relevant market area as determined by the court for the purposes of the motion, the resulting bank would have slightly over 20 percent of the deposits and loans of all the banks therein. These percentages are substantially less than the percentages considered in *United States v. Philadelphia National Bank*, 374 U.S. 321 (1963) and *United States v. First National Bank and Trust Co. of Lexington*, 376 U.S. 665 (1964). The court therefore held that, after considering all of the facts and circumstances in evidence, the plaintiff had failed to sustain its burden of proof that there was a probable violation of the Sherman or Clayton Antitrust Acts. After the injunction was denied, the banks merged and the parties stipulated that a trial date would be set at a future time. *United States v. Mercantile Trust Company National Association and Security Trust Company and Comptroller of the Currency, James J. Saxon*, [U.S.D.C. E.D. Mo.] Civil Action No. 65 C-241 (1).

In another action involving a merger approved by the Comptroller of the Currency, the *United States v. Crocker-Anglo National Bank, Citizens National Bank and Transamerica Corporation*, Civil Action No. 41808 (D.C.N.D. Cal. 1963), the Justice Department contended that the merger violated both the Sherman and Clayton Antitrust Acts by lessening competition and tending toward monopoly. After a finding denying the Government's motion for a preliminary injunction, the case was brought to trial. The court is presently considering the evidence adduced at trial, and briefs will be submitted in the near future. This case is described in detail at page 48 of the 1963 Annual Report of the Comptroller.

In still another merger case in which the Justice Department alleged a possible violation of section 1 of the Sherman Act and section 7 of the Clayton Act, the U.S. District Court for the Middle District of Tennessee denied a motion to enjoin the merger. At that time, the court stated that it had—

been presented with no facts to indicate any bad faith on the part of the parties concerned with the merger and no facts from which to conclude that they had entered into an unlawful combination or agreement. On the contrary, the natural and reasonable inference is that a merger pre-

sented itself as a logical alternative to the expenditure of large sums of money to improve the facilities and services of the [State bank] Trust Co. and to place it in a position to compete successfully in a market which the evidence shows to be one of the most fiercely competitive in the United States.

The case is now in the stage of discovery proceedings, and trial date has not yet been set. *United States v. Third National Bank of Nashville et al.*, Civil Action No. 3849 (D.C.M.D. Tenn. 1964).

The only other merger case still pending that involves final approval by the Comptroller is one approved by Comptroller Ray M. Gidney, *United States v. Continental Illinois National Bank and Trust Company of Chicago et al.*, Civil Action No. 61 C1441 (D.C.N.D., Ill. 1964). The merger has been consummated with the case presently awaiting trial, the court having denied the Government's motion for a preliminary injunction. There has been no change in the status of this case since the publication of the 1962 Annual Report.

E. Conservatorship Litigation

A lawsuit presently before the U.S. District Court in the Northern District of Oklahoma was brought after a national bank in Oklahoma was placed in conservatorship in 1963 by the Comptroller. Following the termination of the conservatorship and the transfer of the old bank's assets and liabilities to a new national bank, a complaint was filed by an organizer, director, and stockholder of the old national bank. The relief sought includes a rescission of all the documents evidencing the sale of assets to and the assumption of liabilities by the new bank, the payment of damages by the defendant conservator and the new national bank, and the appointment of a receiver to take charge of the operations in the new bank for the preservation of the assets of the old bank. The plaintiff's motion for a summary judgment has been recently denied and the case is now awaiting trial. *S. Paul Hazen v. Southern Hills National Bank of Tulsa and William H. Greenfield, Conservator of Southern Hills National Bank*, Civil Action No. 5842 (D.C.N.D., Okla. 1963). A detailed discussion of this case appears in the 1963 Annual Report of the Comptroller of the Currency.

Another case arising from the placing of a national bank in conservatorship in 1962 was discussed on pages 16, 18, and 19 of the 1962 Annual Report of the Comptroller of the Currency, and page 54 of the 1963 Annual Report. The Third Circuit Court of Appeals has reversed and remanded the case to the District

Court of the Middle District of Pennsylvania on the ground that the action of the Comptroller in terminating the conservatorship and waiving the shareholder meeting (required by 12 U.S.C. 181) was reviewable. The Comptroller acted under section 181 of 12 U.S.C., which provides that any liquidation of a national banking association that "is to be effected in whole or in part through the sale of any of its assets to and the assumption of its deposit liabilities by another bank, the purchase and sale agreement must also be approved by its shareholders owning two-thirds of its stock unless an emergency exists and the Comptroller of the Currency specifically waives such requirement

for shareholder approval." The court held that to construe the statute as entrusting to the Comptroller a nonreviewable discretion in this area would have the effect of decreasing the safeguards available to shareholders under preexisting law, which in this case would be approval by vote of two-thirds of the outstanding stock. The only issue where the District Court's decision was reversed concerned the reviewability of the Comptroller's action under 12 U.S.C. 181, while all the other issues, such as the decision of the board of directors to sell the assets, were resolved in favor of the Comptroller's position. *Minichello et al. v. Saxon et al.*, 337 F. 2d 75 (1964).

VI. *Fiduciary Activities of National Banks*

During 1964, the major efforts of the Comptroller's Office relating to the fiduciary activities of national banks were directed to the improvement of the examination process, and to the adaptation of regulation 9 to evolving developments in the corporate fiduciary industry.

In February, a conference was held in Washington for all representatives in trusts from the 14 national bank regions. This conference had three objectives: To resolve specific examination difficulties; to improve procedures generally; and to standardize examination techniques in all regions. Significant progress was made in all of these areas. Another meeting of examiners was held in November at the occasion of the Mid-Continent Trust Conference of the American Bankers Association in Chicago. Special attention was given at that time to the effectiveness of examination procedures, with emphasis upon possible modifications which might be necessitated by automation. Study is still being given to these matters. In September, the second school for trust examiners was held in Washington, D.C.

In February, a favorable tax ruling was obtained

from the Internal Revenue Service concerning the collective investment of moneys of certain managing agency accounts. Minor corresponding changes were made in regulation 9 at that time. During the course of the year, a number of rulings were issued pertaining to the exercise of fiduciary powers by national banks. These included rulings concerning proper expenses chargeable to collective investment funds, successor fiduciary accounts, organization of trust departments, verification of trust department assets, real estate mortgage investments in collective investment funds, and investments of fiduciary funds in variable amount notes.

The June 1965 issue of the National Banking Review contained an article entitled "Bank Trust Investments in 1964." This article was based upon annual reports of trust departments of national banks, which for the first time reflected market value figures of fiduciary assets, and material gleaned from annual reports of collective investment funds filed with the Office pursuant to regulation 9. Tables B-21 and B-22 contain data on bank trust assets and income, and common trust funds.

VII. *International Banking and Finance*

National banks expanded the scope and volume of their international activities at an impressive rate during 1964. The overseas branches, foreign financing and banking affiliates, and international banking de-

partments of national banks contributed significantly to the financing of the increased volume of U.S. foreign trade, and to the economic development of the developing nations.

During the year, the number of national bank foreign branches increased from 123 to 139, and their total resources increased from \$2.6 billion as of December 20, 1963, to \$3.3 billion on December 31, 1964. This 27-percent increase in foreign branch assets of national banks exceeded considerably the growth rate of commercial banks generally in the United States.

London accounted for over 50 percent of the 1964 growth in overseas branch resources. At the end of 1964, the London branches held in excess of 30 percent of the total foreign branch assets of national banks. Tables B-29, B-30, and B-31 show the location and consolidated statement of assets and liabilities of foreign branches.

The foreign banking and financing affiliates of national banks also increased their activities during 1964. At the end of the year, 13 national banks had direct investments in 18 subsidiaries engaged in international banking and finance. The combined assets of these corporations exceeded \$750 million, and their capital funds exceeded \$100 million.

Four national banks operate subsidiary banks in New York City. These subsidiary banks specialize in international or foreign banking. Another national bank has a subsidiary banking corporation that maintains a branch in Hong Kong.

The foreign banking and financing affiliates of national banks have made equity investments in excess of \$35 million in industrial and financial institutions operating throughout the free world. Commercial banking or trust company affiliates of national banks operate in the following countries: Argentina, Bahamas, Cameroon, Canada, Central African Republic, Chad, Congo Republic, Dahomey, France, Gabon, Iran, Islamic Republic of Mauritania, Italy, Ivory Coast, Liberia, Libya, Mali, Netherlands, Niger, Nigeria, Senegal, South Africa, Spain, Togo, Turkey, and Upper Volta.

In addition, development banks and other financial affiliates of national banks operate in Argentina, Australia, Bahamas, Colombia, England, France, Germany, Greece, India, Luxembourg, Malaysia, Nigeria, Pakistan, Philippines, South Africa, Spain, and Switzerland.

The increased importance, both to the banks and the public, of the international activities of national banks called for improved supervision. An International Operations Division, headed by the Deputy Comptroller of the Currency for International Banking and Finance, was established in 1964 to supervise more efficiently the international activities of national banks. The Department of Banking and Economic

Research is also increasing its research activities in the international sphere.

National Bank Examiners in the International Operations Division are receiving specialized training in foreign languages as well as in international banking and finance. Pilot examinations of selected branches were conducted in Latin America early in 1965. Based on the procedures and techniques developed in the pilot examinations, regular overseas examinations will be conducted in the future.

The International Operations Regulation (12 CFR 20) became effective September 7, 1964, and has proven to be an additional and effective tool in the supervision of the international activities of national banks. That regulation requires prior notification of the intention: to establish foreign branches; to acquire a controlling interest in an Edge Act corporation, an agreement corporation, or a foreign bank; to establish branches of controlled banks or corporations and to acquire indirect control of foreign banks or corporations. National banks also report within 30 days of the consummation of other transactions such as the acquisition of less-than-control of a foreign bank.

The transfer from the Federal Reserve Board to the Comptroller of the Currency of the authority to charter foreign branches would increase the efficiency of the supervision of the international activities of national banks. Although the Comptroller of the Currency has the responsibility for the supervision of all activities—domestic and foreign—of national banks, the chartering power for foreign (but not domestic) branches of national banks is exercised by the Federal Reserve Board. Appropriate legislation transferring this chartering authority to the Comptroller is under consideration by the 89th Congress.

During the past year, and for the first time in the history of the Office, the Comptroller traveled extensively to assess and survey American and foreign banking overseas. In September 1964, the Comptroller was a special adviser to the Secretary of the Treasury at the International Monetary Fund and International Bank for Reconstruction & Development meetings in Tokyo. Following the completion of these meetings, he visited with American branches and local banks in Japan, Hong Kong, and the Philippines. In November, the Comptroller traveled to France, Spain, Italy, Turkey, Greece, Egypt, England, Sweden, Denmark, Germany, and The Netherlands to confer with local government officials and the heads of local and American banks operating in those countries.

To further the exchange of banking information and supervisory techniques and experiences, the Comptrol-

ler provides orientation and training programs for foreign bankers and bank supervisors. These programs range in duration from a day to more than a month. During the past year, teams from France, India, Indonesia, Iraq, Japan, Korea, Philippines, Turkey, and Yugoslavia visited and trained at the Washington and field offices. Other foreign bankers and officials have also expressed considerable interest in the progress of the National Banking System and its supervision. These officials have received copies of our manuals and publications.

In 1964, the Comptroller of the Currency was requested by the National Bank of Vietnam and the Agency for International Development, Department of State, to furnish training assistance for the National

Bank of Vietnam. The Director of the International Operations Division and a national bank examiner participated in this program in Saigon. They trained Vietnamese bank examiners and served as advisers to the Central Bank in the implementation of Vietnam's recently enacted banking legislation.

As requested by the President in his 1965 Balance of Payments message, the Comptroller of the Currency is participating in the supervision of the voluntary foreign credit restraint program. National bank examiners, in connection with the regular examinations of the international activities of national banks, are appraising and reporting on the effectiveness of the program. However, since the program is voluntary, the examiners do not enforce the credit restraint guidelines.

VIII. *Management Improvement*

Increased Washington-Region communication at the highest levels has succeeded in establishing a common concern for efficiency. Regional visits by high-echelon members of the Washington staff, including Deputy Comptrollers, economists, and attorneys, as well as Regional Comptrollers' Conferences, have been successful in bringing about this desired objective.

The following are examples of important management improvements effected during the year:

The training and planning stages of the installation of automatic data processing have borne fruit in the completion of the payment-of-travel-vouchers phase. In addition, this Office has nearly completed the assumption of its own checkwriting function. The ADP equipment is already programmed to produce several expense reports, and completion of this phase is approaching rapidly. The ADP system has already allowed substantial annual savings.

A continuing policy of decentralization of duties, where economy or effectiveness warrants, has found expression in several actions through the last year. The 14 Regional Comptrollers have been given additional discretionary functions formerly reserved to the Washington Office. Attorneys have been assigned to several Regional headquarters, allowing more frequent and more immediate transmission of Office opinion to bankers and other interested parties. The Regional Offices have also assumed the responsibility for examining travel vouchers and for reviewing certain aspects of bank examination reports. These two activities were removed from Washington at a great saving in time

and dollars. Further, the performance of these functions was greatly improved by their allocation to points closer to the traveling force and to bankers. New travel regulations were promulgated to provide more equitable reimbursement to the force. This policy of decentralization has also yielded considerable savings.

The Office conducted a 1-week program where Regional personnel were instructed in the performance of their new duties. An illuminating side effect of this school was the discussion of common problems by Washington and Regional personnel. Intra-Office communication was greatly advanced.

The new Report of Examination, which was introduced in the latter part of 1964, provides a more efficient device for obtaining data for supervisory and statistical purposes.

Several instances of continuing management improvements were instituted during 1965, for example: The development of new comprehensive records retention and disposition schedules and of a new filing categories system is substantially complete. Substantial savings are expected from this program through the elimination of duplication and accumulated records materials.

A new division of personnel planning and development was inaugurated to enable management to identify at an early stage men of exceptional talent capable of advancement to higher positions in the Office. The program consists of manpower inventory and projection of manpower needs. One substantial improve-

ment already realized is a new merit promotion plan. Through regular, objective evaluations of each employee, the Office seeks to establish avenues of employee growth. Every qualified employee is assured of substantial incentives and rewards for notable performance.

Regional schools for examiners designed to give instruction in the techniques of examining bank-oper-

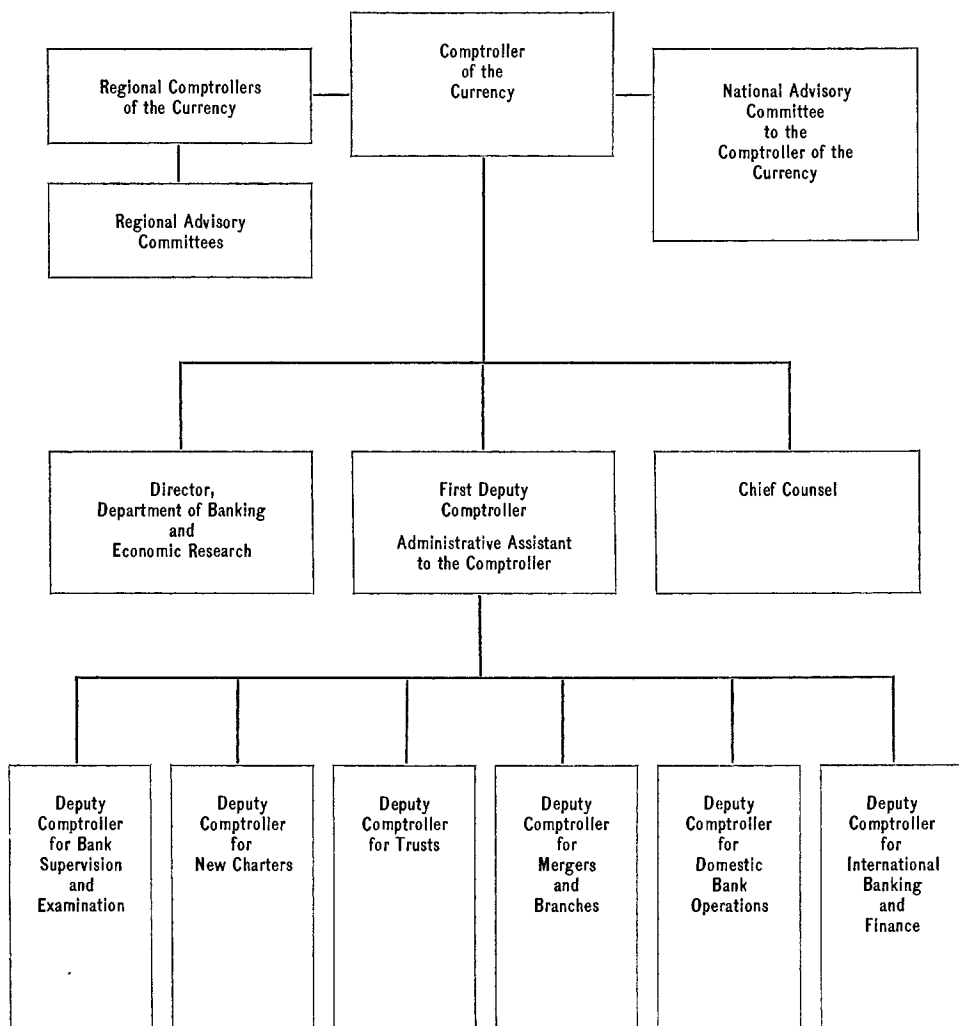
ated automatic data processing were started in 1964, and are held on a continuing basis as part of the Office's training program. These schools were formerly held in Washington, but have been decentralized to the regions. This decentralization has resulted in smaller classes, with a concomitant increase in student participation and benefit together with a significant per capita cost reduction.

REGIONAL ORGANIZATION

<i>Region</i>	<i>Regional comptroller</i>	<i>Headquarters</i>	<i>States</i>
1	Elmer J. Peterman	Boston, Mass.	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
2	Charles M. Van Horn	New York, N.Y.	New Jersey, New York.
3	Marshall Abrahamson	Philadelphia, Pa.	Pennsylvania.
4	Frank H. Ellis	Cleveland, Ohio	Indiana, Kentucky, Ohio.
5	Paul E. Lackland	Richmond, Va.	Delaware, District of Columbia, Maryland, North Carolina, Virginia, West Virginia.
6	Donald B. Smith	Atlanta, Ga.	Florida, Georgia, South Carolina.
7	Joseph G. Lutz	Chicago, Ill.	Illinois, Michigan.
8	William A. Robson	Memphis, Tenn.	Alabama, Arkansas, Louisiana, Mississippi, Tennessee.
9	Douglas T. Bushman	Minneapolis, Minn.	Minnesota, North Dakota, South Dakota, Wisconsin.
10	Paul L. Ross	Kansas City, Mo.	Iowa, Kansas, Missouri, Nebraska.
11	Norman R. Dunn	Dallas, Tex.	Oklahoma, Texas.
12	John R. Thomas	Denver, Colo.	Arizona, Colorado, New Mexico, Utah, Wyoming.
13	Kenneth W. Leaf	Portland, Oreg.	Alaska, Idaho, Montana, Oregon, Washington.
14	Arnold E. Larsen	San Francisco, Calif.	California, Hawaii, Nevada.

COMPTROLLER OF THE CURRENCY

Chart of Organization



COMPTROLLER OF THE CURRENCY JAMES J. SAXON

First Deputy Comptroller William B. Camp

Administrative Assistant to the Comptroller Anthony G. Chase

Deputy Comptroller for Bank Supervision and Examination Justin T. Watson

Deputy Comptroller for New Charters Thomas G. DeShazo

Deputy Comptroller for Trusts Dean E. Miller

Deputy Comptroller for Mergers and Branches Richard J. Blanchard

Deputy Comptroller of Domestic Bank Operations R. Coleman Egerton

Deputy Comptroller for International Banking and Finance E. Radcliffe Park

Director, International Operations Wallace R. Anker

Director, Department of Banking and Economic Research Victor Abramson

Chief Counsel Robert Bloom

Associate Chief Counsel Roman J. Gerber

Associate Chief Counsel Charles E. McEnerney

Associate Chief Counsel Ernest Ginsberg

Assistant to the Director of the FDIC (Comptroller of the Currency) Albert J. Faulstich

Director, Bank Organization Division T. M. Brezinski

Chief Representative in Trusts P. P. Kellogg

Assistant Chief Representative in Trusts R. P. St. Pierre

Special Assistant to the Comptroller (Public Affairs) W. Robert Grubb

Special Assistant to the Comptroller E. E. Cox

Special Assistant to the Comptroller John D. Gwin

IX. *Income and Expenses of the Office of the Comptroller of the Currency*

This report covers my third full year as Comptroller of the Currency and the third consecutive year in which income of this Office has exceeded our expenses. This is in sharp contrast with the unfavorable 1957-61 trend of substantial equity erosion.

In 1963, the accounting system of this Office was modernized. A modified accrual system, in conformity with generally accepted accounting principles, was established. The move from a cash basis to our present accrual method required that we adjust the pre-1963 financial statements for comparison purposes.

A. *Income for 1964*

Total income for 1964 was up \$1,056,041 over 1963, an increase of 6.3 percent. The major portion of this increase is attributable to Assessment and Trust Examination income.

Assessment income rose \$955,138, or 6.7 percent, during 1964, reflecting an increase in the number of national banks and substantial growth of assets in those banks previously in the national system. Trust departments under the supervision of this Office similarly experienced an appreciable expansion. This growth, coupled with the considerably increased number of trust departments examined in 1964, resulted in additional revenue from this source of \$119,556, or 11.1 percent. Funds derived from application and investigation fees reflected only a moderate gain.

Income from investments for 1964 was up 21.9 percent to a new high of \$430,567. This increase was due principally to a full realization of prior improvements made in the management of our investment portfolio. Average cash balances were substantially reduced at that time and maturities scheduled in such a manner as to maximize the amount of our return.

B. *Expenses for 1964*

Total expenditures for 1964 show only a moderate rise of \$364,799, 2.3 percent over 1963. This modest increase vividly illustrates the policy of this Office to incur additional expenses only when the value to be derived therefrom is clearly in the interest of a better National Banking System.

Salaries and related expenses comprise the major category of increase in expenses over last year. This growth represents chiefly the implementation of that

part of the congressional pay raise granted in 1962 which became effective early in 1964 and the additional pay raise granted by Congress during this past year.

The total number of employees in this Office declined from 1,538 to 1,531 despite additions to the Law Department, the Banking and Economic Research Department, and the increased number of lawyers hired for our trust examination staff. In this era of increasingly complex banking practices, this Office is successfully continuing to implement a personnel policy aimed at reducing the number of employees while acquiring staff members more sophisticated in their ability to deal with the areas of our concern.

Figures for 1964 indicate an extensive reduction in per diem allowances with a concomitant increase, of moderate amount, in travel expenses. This seeming paradox is a reflection of two important factors. First, several of our subregional field offices were relocated to correspond with population trends. This strategic placement of offices was then complemented by a revision in the travel regulations of this Office. The result was a decrease in both travel and per diem charges on the part of our examining staff. Second, increased emphasis was placed on direct communication with bankers both by Washington Office personnel and by Regional Comptrollers. This emphasis on the freer exchange of ideas and objectives has necessitated increased travel and communication expense despite the substantially reduced per diem charges.

Publications expense has remained relatively constant in relation to 1963 figures, despite the substantial decrease in income from this source. This fact is primarily attributable, once again, to our policy of improving communication with the banking community. Efforts have been intensified to establish a free flow of information not only to national banks, but to State bank supervisors and foreign bankers. Today's complex banking structure requires an extensive communication network. This Office is rising to meet its obligation to the world financial community as a source of such vital information.

It is estimated that total income for 1965 will reach \$19,538,500, an increase of \$1,611,574. While this is necessarily an estimate, we believe it to be reasonable.

C. Comptroller's Equity

Continuing deterioration of the Comptroller's equity due to deficit spending in the 5-year period ending December 31, 1961, was effectively terminated in 1962. Since December of 1961, almost \$4 million has been added to the then marginal equity position of this Office. The total in our equity account is not approaching the goal established in December of 1961, as a minimum requirement to meet the needs of this Office in the event it should ever become necessary to

operate for a reasonable period of time without our normal means of income.

D. Independent Audit

The Audit Staff of the Bureau of Accounts in the Treasury Department conducted an independent audit of the financial statements and supporting records of the Office of the Comptroller of the Currency for calendar year 1963. The audit was made in accordance with generally accepted auditing standards. A similar audit for calendar year 1964 is now in progress.

TABLE 13.—Comparative statement of assessment and other operating income, and expenses of the Office of the Comptroller of the Currency, by calendar years 1958 through 1964

Item	1964	1963	1962	1961	1960	1959	1958
INCOME							
Assessments	\$15,200,556	\$14,245,418	\$13,289,291	\$10,686,750	\$10,213,494	\$9,247,563	\$8,224,237
Trust examinations	1,196,574	1,077,018	953,889	511,121	540,772	477,364	422,046
Trust investigations	13,454	16,090	0	0	0	0	0
Branch investigations	190,933	166,962	156,116	100,230	98,183	86,153	63,162
Charter investigations	250,712	243,899	108,063	37,732	31,800	25,469	32,038
Merger and consolidation fees	46,000	47,500	49,000	4,000	0	0	0
Affiliate examinations	4,759	4,362	3,324	2,326	2,354	3,606	2,038
Extra examinations	2,498	2,850	7,987	5,537	2,375	9,416	8,124
Reporting services	496,330	466,120	238,750	86,768	84,480	93,110	89,642
Manuals and publications	54,760	212,683	0	0	0	0	0
Currency issue management	34,125	32,282	0	0	0	0	0
Other	5,658	2,588	4,222	2,303	966	3,011	732
Subtotal	17,496,359	16,517,772	14,810,642	11,436,767	10,974,424	9,945,692	8,842,019
Investment income	430,567	353,113	172,106	169,865	216,414	155,651	173,675
Total	17,926,926	16,870,885	14,982,748	11,606,632	11,190,838	10,101,343	9,015,694
EXPENSES							
Salaries	11,658,110	10,900,824	9,490,714	8,527,136	8,192,979	7,511,943	7,493,358
Employer's retirement, insurance and F.I.C.A. Contribution	874,263	818,243	712,535	645,641	581,450	509,768	505,994
Per diem	1,945,213	2,402,914	2,174,488	1,841,168	1,684,544	1,590,753	1,597,819
Travel	916,573	866,591	708,776	654,657	577,362	557,062	522,031
Rent	186,462	190,477	180,069	162,837	157,496	153,333	142,057
Supplies	65,284	76,869	71,806	30,544	27,268	27,539	22,236
Printing, books, and periodicals	311,129	303,506	111,272	84,418	85,562	75,908	65,368
Furniture and fixtures			205,930	31,324	42,733	26,864	28,741
Depreciation	48,567	31,617					
Remodeling	19,663	69,094					
Office machines, rentals, and repairs	26,868	13,492					
Communications	128,558	118,658	118,304	74,449	74,284	72,820	59,499
Shipping expenses	35,097	53,106	55,559	19,346	24,814	21,379	20,446
Other	64,336	69,933	80,662	38,904	49,411	37,681	21,907
Total	16,280,123	15,915,324	13,910,115	12,110,424	11,497,903	10,585,050	10,479,456
Net Income (+) or Loss (—)	+1,646,803	+955,561	+1,072,633	—503,792	—307,065	—483,707	—1,463,762

TABLE 14.—*Comparative statement of financial operations of the Office of the Comptroller of the Currency, by calendar years 1958 through 1964*

Item	1964	1963	1962	1961	1960	1959	1958
ASSETS							
Current assets:							
Cash on hand and on deposit...	\$603,988	\$350,295	\$1,225,955	\$812,139	\$957,281	\$1,125,864	\$747,272
Accounts receivable.....	11,885	125,454	89,912	47,148	45,715	57,826	47,151
Investments.....	8,571,481	7,139,008	5,542,450	4,748,866	5,098,809	5,035,126	5,951,940
Accrued interest receivable.....	88,715	83,018	30,479	24,543	56,047	75,106	44,968
Prepaid expenses.....	10,646	4,716	527	2,404	4,441	0	0
Total current assets.....	9,286,715	7,702,491	6,889,323	5,635,100	6,162,293	6,293,922	6,791,331
Fixed assets:							
Furniture, fixtures, and equipment.....	524,621	426,475	0	0	0	0	0
Less: accumulated depreciation.....	90,481	41,914	0	0	0	0	0
Total fixed assets.....	434,140	384,561	0	0	0	0	0
Total assets.....	9,720,855	8,087,052	6,889,323	5,635,100	6,162,293	6,293,922	6,791,331
LIABILITIES							
Current liabilities:							
Accounts payable.....	390	117,961	119,209	49,000	41,760	43,157	32,000
Accrued payroll.....	435,059	314,611	260,959	179,732	175,690	123,008	94,000
Payroll deductions for bonds and taxes, etc.....	43,937	38,554	38,161	31,557	44,473	45,317	36,828
Accrued travel expenses.....	209,000	209,527	190,268	215,000	191,636	165,000	176,000
Deferred income.....	10,202	6,154	0	0	0	0	0
Total current liabilities.....	699,038	686,807	608,597	475,289	453,559	376,482	338,828
Other liabilities:							
Closed receivership trust funds.....	2,697,942	2,702,902	2,687,754	2,692,094	2,695,165	2,648,206	2,657,362
Employees accumulated annual leave.....	1,050,564	1,070,836	1,117,659	1,062,940	1,105,000	1,054,000	1,095,000
Total other liabilities.....	3,748,506	3,773,738	3,805,413	3,755,034	3,800,165	3,702,206	3,752,362
Total liabilities.....	4,447,544	4,460,545	4,414,010	4,230,323	4,253,724	4,078,688	4,091,190
Equity:							
Comptroller's equity.....	5,273,311	3,626,507	2,475,313	1,404,777	1,908,569	2,215,234	2,700,141
Total liabilities and equity.....	9,720,855	8,087,052	6,889,323	5,635,100	6,162,293	6,293,922	6,791,331

X. Issue and Redemption of Currency

During the year ending December 31, 1964, the Comptroller made 1,726 shipments of new Federal Reserve notes (1,457,848,000 notes with an aggregate value of \$8,223,148,000) to Federal Reserve agents. Delivery of 42,424,000 notes with an aggregate value of \$301,000,000 was made to the Treasurer of the United States. There were 4,670 shipments of unfit Federal Reserve notes and Federal Reserve Bank notes (560,805,402 notes with an aggregate value of \$6,635,091,243) received for verification and certifica-

tion for destruction; 325,390 badly damaged Federal Reserve notes and Federal Reserve Bank notes with an aggregate value of \$6,429,865 were presented by the Treasurer of the United States for identification approval.

The Comptroller also received shipments of National Bank notes (1,767,386 notes with an aggregate value of \$14,146,970) for verification and destruction. On December 31, 1964, the value of National Bank notes outstanding was \$22,597,493.

APPENDIX A

Merger Decisions, 1964

779-563--05—5

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THE CITY NATIONAL BANK & TRUST CO. OF COLUMBUS, COLUMBUS, OHIO, AND THE CITIZENS BANK, WESTERVILLE, OHIO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens Bank, Westerville, Ohio, with	\$9, 134, 215	2	.....
and the City National Bank & Trust Co. of Columbus, Columbus, Ohio (7621), which had	217, 261, 957	10	.....
merged Jan. 2, 1964, under the charter and title of the latter bank (7621) The merged bank at the date of merger had	224, 995, 629	.....	12

COMPTROLLER'S DECISION

On October 8, 1963, the City National Bank & Trust Co. of Columbus, Columbus, Ohio, and the Citizens Bank, Westerville, Ohio, applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Columbus, the third largest city in Ohio, is situated in the center of the State. The 470,000 residents are supported by a highly industrialized economy consisting of 800 diversified manufacturing plants, 6,500 retail outlets and 950 wholesale businesses. Additional support is provided by Ohio State University, by a U.S. Army depot and by the nearby Lockbourne Air Force Base. Both the economy and the population have been expanding considerably during the past decade. Six commercial banks do business within the framework of the expanding Columbus economy. These 6 banks operate 56 offices in the metropolitan area. Three of them—Ohio National Bank, the Ohio State Bank, and Worthington Savings Bank—are subsidiaries of Banc Ohio Corp., a registered bank holding company. The Huntington National Bank and the Brunson Bank & Trust Co. complete the banking structure. The financial needs of the area are also served by 56 offices of 21 building and loan associations which range in size from \$2 million to \$80 million, by 115 credit unions, 73 sales finance companies and numerous other lending institutions.

Westerville is situated in the north of Franklin County about 12 miles from downtown Columbus. It comprises a part of the northern Columbus metropolitan area and it has experienced an increase in population from 4,100 to 7,000 during the last census period. The primary force in the economy of Westerville is

Otterbein College which has an enrollment of 1,200 students. Although the Citizens Bank is the only bank with its headquarters in Westerville, it receives formidable competition from five offices of Banc Ohio Corp. subsidiaries and from a branch of the Huntington National Bank, all of which are within 4 miles of Citizens Bank. The nearest office of City National is its Worthington branch which is about 7 miles southwest. Its other eight branches range from approximately 8 to 19 miles south, southeast, and southwest of Westerville.

Approval of this merger will enable the resulting bank to compete more effectively with the much larger area banks. The expected increase in competition in the banking community will be of substantial benefit to the residents of Westerville.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and it is therefore approved.

DECEMBER 6, 1963.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The area of Franklin County, Ohio, which encompasses greater Columbus is characterized by an extremely high degree of concentration in commercial banking. Three banking institutions, one of which is the acquiring bank, control over 97 percent of all deposits and loans in the Franklin County area, the remaining share is divided among five small banks among which Citizens Bank is one of the largest. Citizens Bank has not shown that it is unable to continue to serve the banking needs of Westerville and Gahanna.

For the above reasons, it is believed that the effect of the proposed merger on competition will be adverse.

* * *

TRADERS BANK & TRUST CO., HAZLETON, PA., AND NORTHEASTERN PENNSYLVANIA NATIONAL BANK & TRUST CO., SCRANTON, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Traders Bank & Trust Co., Hazleton, Pa., with.....	\$14, 827, 694	1	.....
and Northeastern Pennsylvania National Bank & Trust Co., Scranton, Pa. (77), which had.....	178, 100, 427	8	.....
merged Jan. 3, 1964, under charter of the latter bank (77) and under title of "Northeastern Pennsylvania National Bank & Trust Co." The merged bank at the date of merger had.....	192, 928, 121	.....	9

COMPTROLLER'S DECISION

On October 8, 1963, the \$172 million Northeastern Pennsylvania National Bank & Trust Co., Scranton, Pa., and the \$14 million Traders Bank & Trust Co., Hazleton, Pa., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title "Northeastern Pennsylvania National Bank & Trust Co."

Scranton, the seat of Lackawanna County, is the head office city of Northeastern Pennsylvania National. Its current population of 111,000 is down from 126,000 in 1950. Lackawanna County, whose declining population is now 234,531, is situated in the northeastern section of the State in what was at one time the major anthracite coal mining area in this country. Coal mining has, however, declined in importance over the past 30 years. Between 1950 and 1961, employment in anthracite mining in Lackawanna and Luzerne Counties declined 83 percent while the total population of this area declined about 10 percent. Unemployment has been averaging about 12 percent and the entire region has been classified as a distressed area. The population of the three major centers in this region, Hazleton, Scranton, and Wilkes-Barre, declined between 1950 and 1960.

Hazleton, the home office city of the single office Traders Bank, is located about 45 miles south of Scranton. With a population of 32,000, it is the second largest city in Luzerne County. The economy of this area, like that of Scranton, has suffered from the declining importance of mining and processing of anthracite coal. However, considerable effort has been made in recent years to attract new industries to the region. At present, plants producing textiles, clothing, furniture, electrical components, heating and air-conditioning equipment, food stuffs, and fabricated metal products are operating in this region. Nevertheless, it is still classified as a distressed area.

Besides its main office, Northeastern operates seven branches in Lackawanna, Luzerne, and Monroe Counties. This area is also served by 72 other banking offices whose total deposits and loans aggregate \$564.5 million and \$344.4 million, respectively. In addition, 25 savings and loan associations with aggregate resources in excess of \$160 million compete vigorously for thrift funds and mortgage loans. Further, the major banks from New York and Philadelphia vigorously compete for deposit and loan business in Northeastern's trade area. Northeastern presently holds but 19 percent of the area's bank deposits and 21 percent of the loans. After the merger Northeastern will increase its share of deposits and loans by 2 percent.

At present there appears to be no discernible competition existing between Northeastern and Traders except in Hazleton where the Traders bank has its sole banking office and Northeastern has two branches. In Hazleton, however, there are three other banks ranging in deposits from the \$30 million Hazleton National to the \$15.9 million Peoples Savings Bank, thus the elimination of existing competition there should not be significantly adverse. With this exception, none of the other Northeastern banking offices are nearer than 29 miles to Traders whose service area includes 13 other banks operating 19 offices.

Northeastern's Hazleton branches have felt the lack of local stockholder support which has been a major factor preventing them from attaining projected growth. Traders, whose present officers are advanced in age, has been unable to provide successor management. The problems of these banks should be eliminated by this merger as Traders has many local stockholders and Northeastern has management depth coupled with an aggressive Trust Department so necessary in commercial banking today.

On balance, in the light of the statutory criteria, we find this proposal to be in the public interest and the application is therefore approved.

DECEMBER 23, 1963.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Applicant Bank, with headquarters in the city of Scranton, has merged four times in the last 8 years and presently operates eight banking offices in a three-county service area. With total assets of \$172,804,000, total deposits of \$150,346,000 and net loans and discounts of \$92,282,000, this bank is, with 19 percent of the "IPC" deposits and 21.12 percent of the total loans, the largest bank by far in its tricity service area. The Applicant Bank also has banking offices in the city of Hazleton, wherein the Merging Bank is situated. The latter has total assets of \$13,542,000,

total deposits of \$12,344,000 and net loans and discounts of \$8,407,000.

The instant merger, although not significantly adversely affecting competition in the Applicant Bank's other service areas, would have significant unfavorable competitive consequences in the city of Hazleton. It would add to the competitive difficulties of the remaining local institutions and eliminate the substantial competition presently existing between the Hazleton banking offices of the participating banks. Thus, it is the view of the Department of Justice that the instant merger would have significant adverse competitive effects in the city of Hazleton.

* * *

THE FIRST NATIONAL BANK OF WILKES-BARRE, WILKES-BARRE, PA., AND WHITE HAVEN SAVINGS BANK, WHITE HAVEN, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
White Haven Savings Bank, White Haven, Pa., with	\$2, 920, 000	1	.....
was purchased Jan. 3, 1964, by the First National Bank of Wilkes-Barre, Wilkes-Barre, Pa. (30), which had	81, 722, 000	6	.....
After the purchase was effected, the receiving bank had	84, 225, 500	.....	7

COMPTROLLER'S DECISION

On October 16, 1963, the \$81.7 million First National Bank of Wilkes-Barre, Wilkes-Barre, Pa., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$2.9 million White Haven Savings Bank, White Haven, Pa.

Wilkes-Barre is a city of 64,000 located approximately 120 miles northwest of Philadelphia and about 18 miles southwest of Scranton, in Luzerne County. With the decline in recent years of anthracite mining, once the principal industry in the area, the population of Wilkes-Barre diminished steadily while at the same time the unemployment rolls continued to increase. By means of an heroic community effort, the unemployment trend has been slowed, if not halted, and the economic outlook for the area is more favorable than at anytime within the past 20 years.

White Haven, population 1,778, lies approximately 18 miles southeast of Wilkes-Barre. Its economy is dependent mainly upon small manufacturing plants which tend to stabilize employment. It is also the southern gateway to the Pocono Mountains where residential and resort areas are developing rapidly.

The completion of U.S. Highway 80, now under construction, which will have a major interchange at White Haven to connect with Pocono Highway 940 and the Northeast Extension of the Pennsylvania Turnpike, will undoubtedly be a stimulus to the economy. The \$12 million School for the Mentally Retarded, to be located in White Haven, is expected to accommodate 1,280 patients and have a staff of 500 to 600. Thus, White Haven's prospects for population and economic growth are decidedly promising.

First National operates six offices in Luzerne County and ranks second among the five banks headquartered in Wilkes-Barre. It assumes third place when consideration is given to the total resources of Northeastern Pennsylvania National, which has a branch in Wilkes-Barre. The 15.1 percent of loans and 14.9 percent of deposits presently held by the purchasing bank will be increased by the purchase to 15.8 percent and 15.5 percent, respectively. First National will still occupy second place among Wilkes-Barre banks.

The selling bank operates no branches, does not exercise trust powers, and is the only bank in White Haven, which it will continue to serve as a branch of First

National. There has been virtually no competition between the applicants and it would appear that no competing banks will be adversely affected by this proposal. Approval of the purchase will give residents of White Haven access to a well-staffed trust department. They will also benefit from automated banking and other services not presently available. Consummation of the transaction will solve a management succession problem and serve as an instrument of expansion in an area giving every sign of great economic growth potential.

Applying the applicable statutory criteria, we conclude that the proposal is in the public interest and the application is therefore approved.

DECEMBER 19, 1963.

* * *

THE NATIONAL BANK OF COMMERCE OF HOUSTON, HOUSTON, TEX., AND TEXAS NATIONAL BANK OF HOUSTON, HOUSTON, TEX.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Texas National Bank of Houston, Houston, Tex. (10152), with.....	\$322, 646, 899	1	.....
and the National Bank of Commerce of Houston, Houston, Tex. (10225), which had.....	503, 743, 098	1	.....
consolidated Jan. 17, 1964, under charter of the latter bank (10225) and under title "Texas National Bank of Commerce of Houston." The consolidated bank at the date of consolidation had.....	826, 389, 997	.....	1

COMPTROLLER'S DECISION

On September 9, 1963, the \$519.9 million National Bank of Commerce of Houston, Houston, Tex., and the \$340.7 million Texas National Bank of Houston, Houston, Tex., applied to the Comptroller of the Currency for permission to consolidate under the charter of the former and with the title "Texas National Bank of Commerce of Houston."

Houston, whose 1963 estimated population of over 1 million represents increases of 70.3 percent over 1950 and 57.4 percent over 1960, is the sixth largest city in the United States and is the largest in the southwestern States of Texas, Oklahoma, New Mexico, and Arizona. Its standard metropolitan area is defined as Harris County, an area of 1,730 square miles with a population of 1.3 million. Houston is the center of what is known as the Upper Texas Gulf Coast area, which consists of 11 counties whose 1960 population was almost 2 million. This trade area runs approximately 21 miles north, 57 miles south, 100 miles east, and 86 miles west of Houston.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed acquisition would not appear to eliminate any significant direct competition between the participating banks. The service area of First National has been characterized by mergers in recent years and the three leading banks together control over 60 percent of deposits and loans. This proposal would continue that trend toward concentration and would add to the position of dominance possessed by First National. The proposal would also tend to create an imbalance among the remaining banks in the service area of White Haven by virtue of the entry of First National by acquisition. To this extent the probable impact of the proposal would be adverse but not significantly so.

Since 1950, the Upper Texas Gulf Coast area has nearly doubled its population, and has undergone a significant change in its economy which 10 years ago was primarily agricultural. Today, this region boasts the largest concentration of oil, gas and petrochemical refining, processing and manufacturing plants in the world, and is one of the fastest growing industrial areas of the Nation. It is served by six deep water ports which are connected by the Inter-Coastal Waterways. The largest of the six is the port of Houston, connected to the Gulf by a 50-mile ship channel. In 1950 the Port of Houston moved 41.9 million net tons; in 1962 that figure reached 57.8 million, thus making the Port the third largest in the country in terms of tonnage moved.

Three hundred national firms have offices or outlets in downtown Houston, and within the city's corporate limits are 115 firms which employ more than 300 people each. Twenty-five of them employ more than 1,000 persons. Along with its population boom, retail sales in the city have increased by 50 percent to

a total of \$1.5 billion in 1962. Adding to the already booming economy is the 2-year-old National Aeronautics and Space Administration's Manned Spacecraft Center, located 22 miles from Houston. Ten colleges in the area have a student enrollment of 23,669, the largest being the University of Houston, with 13,665 students.

The banking needs of this burgeoning economy are presently served by 136 commercial banks, 14 of which are in downtown Houston, 46 in other sections of the city, 21 in Harris County and the remainder scattered throughout the trade area. These banks hold a total of \$3 billion in deposits and \$2 billion in loans. Of all the banks in the Upper Gulf Coast area the largest is the \$881.3 million First City National Bank. The charter bank is second in size and the \$498.3 million Bank of the Southwest, National Association is third. In fourth place is the consolidating bank. All the other banks in the trade area are much smaller.

Approval of this application will not change the relative positions of the local banks, except that the consolidating bank, in fourth place, will disappear. The resulting bank will be an \$850 million institution and will have 19 percent of the deposits and 21 percent of the loans in the area. It will thus remain behind the First City National Bank, with the exception of total loans held. In that area, the resulting bank will be first.

During the past 10 years the banking structure of the area has undergone profound changes. Because of the stringent prohibitions against branch banking by commercial banks contained in the Texas statutes, the developing needs of area residents for adequate banking service has been met by an increase in newly chartered banks from 82 to 136. This 65.9 percent increase of banks currently accounts for 13 percent of total area deposits.

Other nonbanking financial institutions compete with the Houston commercial banks to a considerable degree. Forty savings and loan associations have assets of \$762 million, withdrawable shares of \$642 million and loans of \$652 million. These associations also operate 24 branches, an activity unfortunately and inequitably prohibited to commercial banks in Texas. Credit unions number 295 and have \$129.7 million in assets. Also competing in the area are 198 life insurance companies and 122 sales finance companies.

The large and increasing number of national firms in Houston require large amounts of capital which the consolidating banks are individually unable to supply because of their relatively low capacity and

lending limits. The result has been undue reliance on larger banks in New York, Chicago, and other cities for larger credits. At present, the charter bank has a lending limit of \$3.2 million while the consolidating bank has a lending limit of \$2.4 million. The resulting bank will have a lending limit of \$6 million, which includes a proposed increase in capital of the charter bank.

A minimal degree of competition between the consolidating banks will be eliminated by this proposal. On accounts of more than \$10,000, mutual customers had 104 checking accounts, 117 savings accounts, 14 time deposit accounts, and 40 loan accounts.

It is preeminently clear that banks in every area must be allowed to expand by whatever routes the law permits—even the less efficient routes—if they are to fulfill their responsibility adequately to serve the public's interests and needs.

If banking facilities in Houston and indeed in the other major metropolitan cities in Texas are to be adequate in meeting the growing financial needs of these communities and of the State, bank expansion is necessary. The Texas legislature has seen fit to proscribe one essential method of expansion for commercial banks, namely, branch banking, and thus only the merger route remains.

The resulting bank will offer more effective competition to the larger First City National Bank. The effect on the smaller banks in the area will clearly not be adverse.

Having weighed this proposal in light of the statutory criteria, it is found to be in the public interest and the application is approved.

JANUARY 13, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

National Bank of Commerce is the second largest commercial bank in Houston and fourth largest in the State of Texas, with assets of \$519,967,000, deposits of \$476,417,000, loans of \$200,776,000 and a substantial trust business. Texas National Bank is fourth largest in Houston and eighth in Texas, with assets of \$340,739,000, deposits of \$288,925,000, loans of \$166,710,000, and substantial trust accounts. Each has its main and only office in Houston (under local law commercial banks are not permitted to establish branch offices) and each operates in the metropolitan Houston area, which is roughly coterminous with Harris County and is the largest single metropolitan area in the State.

National Bank of Commerce accounts for 14.2 percent of the deposits of individuals, partnerships, and

corporations in the area and 14 percent of loans. Texas National has 9.6 percent of deposits and 11.7 percent of total loans. After the consolidation the resulting bank, with 23.9 percent of deposits and 25.7 percent of loans, would be about the size of the largest bank in Houston, First City National Bank, 1.7 times the size of the third largest institution, Bank of the Southwest, N.A., and about 10 times the size of what would then be the fourth largest bank. Concentration of banking resources in the city's three largest banks would be increased from 53.2 percent of deposits and

52 percent of loans to 62.8 percent and 63.7 percent, respectively, and the number of the more substantial banks in the area would be reduced from four to three.

We conclude that the proposed consolidation would eliminate a substantial volume of direct competition between the participating banks and result in a very significant increase in concentration of resources in a small number of the largest banks in the area. Accordingly, it is our opinion that the consolidation would have a serious adverse effect upon competition.

* * *

THE BANK OF WORCESTER, WORCESTER, N.Y., AND THE NATIONAL COMMERCIAL BANK & TRUST CO., ALBANY, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Worcester, Worcester, N.Y. with	\$2, 928, 713	1	.....
and National Commercial Bank & Trust Co., Albany, N.Y. (1301), which had	460, 275, 112	36	.....
merged Jan. 31, 1964, under the charter and title of the latter bank (1301).			
The merged bank at the date of merger had	463, 049, 981		37

COMPTROLLER'S DECISION

On October 24, 1963, the \$436 million National Commercial Bank & Trust Co., Albany, N.Y., and the \$2.9 million Bank of Worcester, Worcester, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Albany, the State capital, has a population of 130,000 and serves a trade area of over 750,000 located within a radius of 50 miles. Many diversified industries provide employment and there has been increased employment in Federal and State Government service, education and research, and development functions.

Worcester, N.Y., population approximately 1,100, is situated 60 miles southwest of Albany. The local economy is primarily agricultural with dairy farming playing the major role. It has shown little growth in recent years.

The National Commercial Bank & Trust Co. was organized in 1825. It presently operates 35 branches throughout a large part of northeastern New York. It is the fifth largest commercial bank in New York State outside metropolitan New York City and the second largest in the service area. Its management is capable and well experienced and is supported by a large and competent staff. Over the years National Commercial has developed an agricultural department

staffed by specialists. They have been helpful to farmers both in a technical advisory capacity and in the development and analysis of their financial needs.

The single office Bank of Worcester was organized under a State charter in 1884, and has participated in no mergers or consolidations. It is a small country bank which has enjoyed limited growth due to its geographic location and lack of aggressiveness. While the condition of the bank is good, it now faces a management problem stemming from the recent death of its vice president and cashier and from its inability to attract young new officers and directors to the bank.

Active competition in the Albany service area is provided by seven commercial banks, one of which is the State Bank of Albany with total resources of \$516 million. Very active competition for deposits and mortgages is also provided by seven mutual savings banks and seven savings and loan associations in the Albany area. The addition of the relatively minor amount of deposits from the merging bank to the figures of the charter bank will raise National Commercial's share of the commercial bank deposits in the Albany service area by only 0.3 percent.

Principal competition in the Worcester area is between the merging bank and the \$24.9 million Wilber National Bank, Oneonta, N.Y., through its branch located in Schenectady, N.Y., 5½ miles from Worcester.

Because of the nature of the intervening topography, the relatively small size of the Worcester community, and the distances between offices, no significant competition between the participants exists. The nearest branches of the charter bank to the merging bank are Cobleskill, N.Y., 16 miles northeast and Cooperstown, N.Y., 16 miles northwest.

There is no overlap in the trade area of Albany and Worcester and no competition will be eliminated by this merger. The merged bank will be in a position to offer broader services to the Worcester service area, among which will be a trust department and farm advisory services. Consummation of the proposal will solve the existing management problems of the merging bank. The overall effect on the banking structure in that area will be beneficial.

In balancing the factors of this case in light of the statutory criteria, the application is found to be in the public interest and is hereby approved.

JANUARY 17, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

National Commercial Bank, with 36 offices, \$436,346,000 in total assets and \$380,168,000 in total de-

posits, proposes to acquire the Bank of Worcester, which has one office, located about 50 miles west of Albany, total assets of \$2,910,000 and deposits of \$2,576,000. The charter bank presently has three branches adjacent to the service area of the merging bank and within 18 miles of Worcester. National Commercial and its branches have \$115,614 in deposits and \$133,919 in loans from the Worcester area; the merging bank draws no business from the service areas of the charter bank's adjacent branches. The competition eliminated by the acquisition would therefore not be substantial. But the acquisition would eliminate the only existing independent competitor in the Worcester area and would serve to enhance the charter bank's present dominant position in the region generally.

The proposed acquisition is one more of a series proposed or consummated in recent years in this region by large Albany banks, and indicates a pattern of activity which appears to threaten the existence of local banks in the region and to this extent may be adverse competitively.

* * *

FARMERS & MERCHANTS NATIONAL BANK OF WILLIAMSBURG, WILLIAMSBURG, PA., AND THE FIRST NATIONAL BANK OF CLAYSBURG, CLAYSBURG, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Farmers & Merchants National Bank of Williamsburg, Williamsburg, Pa. (9392), with	\$2, 003, 046	1	.....
and the First National Bank of Claysburg, Claysburg, Pa. (10232), which had	9, 229, 370	2	.....
merged Jan. 31, 1964, under charter of the latter bank (10232) and under title of "The Central Pennsylvania National Bank of Claysburg." The merged bank at the date of merger had	11, 232, 417	.....	3

COMPTROLLER'S DECISION

On November 19, 1963, the \$9.2 million First National Bank of Claysburg, Claysburg, Pa., and the \$2 million Farmers & Merchants National Bank of Williamsburg, Pa., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title "The Central Pennsylvania National Bank of Claysburg."

The applicant banks are located in Blair County in central Pennsylvania. The only arable land in this rugged, hilly area lies in the southern portion of the county. Both Claysburg and Duncansville, where the charter bank has a branch, have populations of about

1,400. Their combined trade area population totals about 15,000. While the area is now depressed, its economic development program has met with some success in the Duncansville area where industrial plants provide the chief source of employment. In addition, many residents of these communities work in Altoona, the principal city in the county.

Williamsburg, partially isolated from the rest of the county by the rough terrain, is located about 15 miles east of Duncansville and 24 miles northeast of Claysburg. Basically a residential community with one small retail business district, its principal industries are a paper mill and an electric generating plant. The

surrounding area adds 2,500 more people to the town's trading area.

In the general area served by the charter bank and its branch are four offices of three other competing banks: the \$10.5 million Holidaysburg Trust Co., the \$31 million First National Bank of Altoona, and the \$43.5 million Altoona Trust Co. The merging bank, the smallest in the county, has no branches. Its only direct competitor is a branch of the Holidaysburg Trust Co. in Williamsburg. Due to its location, the merging bank does not compete with the charter bank.

Approval of the proposed merger will be of substantial benefit to the two banks and to the communities they serve. Considering the banks with which the charter and merging banks compete, the applicants rank next to last and last in both total loans and deposits. Although the resulting bank will still be the smallest of the four in the area, it will be in a better position to compete effectively with the other three larger banks, both through an increased legal lending limit and through the opportunity to offer trust facilities and other specialized services, to provide more efficient bank management, and to automate some of its operations. Approval of the application will in no way affect the competitive situation between the Claysburg and Duncansville communities and the Wil-

liamsburg community since deposits and loans originating in each other's communities are negligible.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

JANUARY 20, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

There does not appear to be any significant amount of competition between these banks that would be eliminated by the proposed merger. It would, however, eliminate the last independent bank in the Resulting Bank's service area, an area characterized by a high degree of concentration and several recent mergers and acquisitions by the three leading banks therein.

On the other hand, neither the charter nor merging bank has participated in any mergers or acquisitions. In addition, the merging bank faces the competition of a much larger bank in its service area. Furthermore, the charter bank is the smallest bank in its service area and its position therein would not be materially enhanced by this merger. It would thus appear that the effect of this merger on competition will not be substantially adverse.

* * *

THE FIRST NATIONAL BANK OF LACONA, LACONA, N.Y., AND THE MERCHANTS NATIONAL BANK & TRUST CO. OF SYRACUSE, SYRACUSE, N.Y.

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The First National Bank of Lacona, Lacona, N.Y. (10175), with.....	\$3, 407, 107	1	.....
and the Merchants National Bank & Trust Co. of Syracuse, Syracuse, N.Y. (1342), which had.....	129, 903, 495	14	.....
merged Jan. 31, 1964, under the charter and title of the latter bank (1342). The merged bank at the date of merger had.....	133, 304, 140	.....	15

COMPTROLLER'S DECISION

On November 26, 1963, the \$127.7 million Merchants National Bank & Trust Co. of Syracuse, Syracuse, N.Y., and the \$3.4 million First National Bank of Lacona, Lacona, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Syracuse, population 215,000, is the fourth largest city in New York and the seat of Onondaga County. Serving a trade area of about 1 million persons, the city is a major distribution point for central New York

and a commercial center with about 400 diversified companies.

Lacona, population 446, is located approximately 45 miles north of Syracuse. An adjoining village, Sandy Creek, has a population of about 7,000. The economy of the area is devoted principally to dairy farming and, to some extent, poultry farming. Local industry is limited to a lumber company employing about 50 persons, but many residents of Lacona and the surrounding area are employed in Syracuse and two other nearby cities.

The charter bank, with 13 branches, is the fourth largest commercial bank in the Syracuse area. It has 16.94 percent and 18.57 percent, respectively, of deposits and loans in its service area. A large staff and aggressive management have developed an active commercial loan portfolio, large mortgage and consumer credit departments, and a large volume of trust business.

The merging bank is the only bank in Lacona and maintains no branches. It has a relatively small volume of consumer loans and the balance of its loan portfolio consists of commercial loans. The bank's business is almost entirely derived from Lacona and a surrounding area of about 10 miles, which has a population of about 8,500. Although management has been aggressive within the limits of the bank's capabilities, the only fully experienced executive personnel—the chief executive and his principal assistant—plan to retire in the near future and a management succession problem is imminent.

The proposed merger will have no adverse effect on competition. The two banks serve areas which do not overlap, as the nearest office of the charter bank is 37 miles from the office of the merging bank. The charter bank's competitive position in the Syracuse area will not be appreciably enhanced due to its small size. There will be no adverse competitive effects in the Lacona area because there is no indication that the three branches of other large banks located in the area and the main office of a small bank located 16 miles from Lacona will be unable to compete effectively with the resulting bank. On the contrary, the merger

portends healthy competition in the merging bank's trade area by introducing the services of another large and aggressive institution, able and willing to supply all banking functions.

By providing broader banking services to the Lacona service area, the merger will serve the needs and convenience of the banking public. The charter bank's management is experienced in all phases of branch operations and will especially serve the Lacona public by its familiarity with agricultural financing.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is therefore approved.

JANUARY 24, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Merchants National is the smallest of four banks located in Syracuse, N.Y., and would remain so following the proposed merger. It would then possess 17.75 percent of the deposits and 19.44 percent of the loans held by all such banks.

The head offices of the merging banks are located approximately 45 miles apart and it would appear that little, if any, direct competition would be eliminated by their merger.

The only other bank competing in First National's service area is a branch of a Syracuse bank which is larger than the two merging banks combined and would not appear to be adversely affected by the merger.

It is our conclusion that the proposed merger would not adversely affect banking competition in any of the service areas involved.

* * *

WESTERN PENNSYLVANIA NATIONAL BANK, MCKEESPORT, PA., AND BEAVER COUNTY TRUST CO., NEW BRIGHTON, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Beaver County Trust Co., New Brighton, Pa., with.....	\$8, 205, 160	1	.....
and the Western Pennsylvania National Bank, McKeesport, Pa. (2222), which had.....	542, 121, 391	43	.....
consolidated Feb. 7, 1964, under charter and title of the latter bank (2222). The consolidated bank at the date of consolidation had.....	548, 912, 688	.....	44

COMPTROLLER'S DECISION

On November 26, 1963, the \$556.7 million Western Pennsylvania National Bank, McKeesport, Pa., and the \$8.6 million Beaver County Trust Co., New Brighton,

Pa., applied to the Comptroller of the Currency for permission to consolidate under the charter and title of the former.

McKeesport, a city of 46,000, is situated 11 miles southeast of Pittsburgh in Allegheny County and is

considered part of the Pittsburgh standard metropolitan area, a highly industrialized region with the principal industries being iron, steel, and related lines.

New Brighton, a community of 8,397, is located 47 miles northwest of McKeesport and 30 miles west of Pittsburgh in Beaver County. It is in the heart of the industrial Beaver Valley whose economy is mainly dependent upon steel and related industries. Located in New Brighton and directly across the Allegheny River, in Beaver Falls, are 18 manufacturing corporations employing 5,600 workers.

The Western Pennsylvania National Bank, although headquartered in McKeesport, is considered a Pittsburgh bank as its service area includes all of Allegheny County, whose population is 1,665,000. It ranks third in size in the Pittsburgh metropolitan area, behind Mellon National and Pittsburgh National. The consolidation will have little competitive effect in Allegheny County where Western Pennsylvania's share of county deposits will be increased less than 1 percent.

Since Western Pennsylvania's nearest branch office is 12 miles from New Brighton and outside the merging bank's trade area, the consolidation will not eliminate any significant competition now existing between them.

As there are nine other banks in the New Brighton service area, including branch offices of the large Pittsburgh banks, competition will not be significantly affected by this consolidation. Both Mellon National and the Union National Bank of Pittsburgh operate branch offices within 1.5 miles of the Beaver County Trust Co.

The public interest will be served by a local banking unit of Western Pennsylvania which will be able to furnish the New Brighton banking public with aggressively competitive management. The resulting

local banking unit in New Brighton will have a greatly enlarged lending capacity, thereby increasing its utility to the business community. In addition, a serious management succession problem will be solved.

Considered in light of the statutory criteria, we find the application to be in the public interest and the consolidation is therefore approved.

JANUARY 24, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Commercial banking in the Pittsburgh (Allegheny County) area, the primary service area of the Western Pennsylvania National Bank, is highly concentrated, to a large extent as the result of past acquisitions and mergers by the leading banks therein. Western itself is the third largest bank serving the Pittsburgh area and has, since 1953, acquired 19 small- and medium-sized banks, most of them in Allegheny County. Approval of the instant consolidation would further an existing tendency toward monopoly and might adversely affect potential competition, even though it would not eliminate any substantial presently existing competition between Western and Beaver Trust.

As a result of this transaction, the small local banks operating in the service area of Beaver Trust will face the competition of another giant bank in addition to the branches of Pittsburgh's largest and fourth largest banks already there—Mellon National Bank & Trust Co. and the Union National Bank of Pittsburgh. This situation may impose on these small banks a handicap similar to that alleged in the application as being one of the reasons for Beaver Trust's interest in consolidating with Western.

In all respects, therefore, the effect of this proposed consolidation upon competition must be deemed to be adverse.

* * *

THE SEABOARD CITIZENS NATIONAL BANK OF NORFOLK, NORFOLK, VA., AND THE FARMERS BANK OF HOLLAND, INC., HOLLAND, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Farmers Bank of Holland, Inc., Holland, Va., with.....	\$2, 876, 157	1	.....
and Seaboard Citizens National Bank, Norfolk, Va. (10194), which had,...	103, 615, 510	9	.....
merged Feb. 12, 1964, under the charter and title of the latter bank (10194)...			
The merged bank at the date of merger had.....	106, 102, 722	.....	10

COMPTROLLER'S DECISION

On November 27, 1963, the \$90 million Seaboard Citizens National Bank of Norfolk, Norfolk, Va., and

the \$2.5 million Farmers Bank of Holland, Inc., Holland, Va., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Norfolk's major source of employment comes from the Navy which contributed more than \$430 million in payrolls during 1961. The area is also one of the State's leading industrial centers with more than 330 manufacturing establishments in the area. The value of products manufactured in 1960 was \$468 million with capital expenditures in excess of \$7 million. Retail sales amounted to \$563 million in 1960 from over 4,000 establishments.

Nansemond County, service area of the merging bank, is on the outer extremity of the Norfolk metropolitan area and has a combined economic base of industry and agriculture. In 1958, there were 34 manufacturing, 17 wholesale and 6,361 retail establishments in the county. The agricultural portion of the economy is predominantly devoted to the production of peanuts, while other farming operations include the raising of corn, soy beans, hogs, and beef cattle. Situated only 29 miles southwest of Norfolk, with many of its residents employed in industrial plants there, Holland shares in the general economic growth of the Norfolk area.

The Seaboard Citizens National Bank is the seventh largest in the State and the second largest in the Norfolk area. It is far smaller than the \$343 million Virginia National Bank which operates a branch in Suffolk only 11 miles from the merging bank. The merger of the Farmers Bank of Holland into Seaboard Citizens will not change the relevant standings of banks in the area, nor will it have any significant effect on the competitive climate. There will still be 10 banking offices within an 11-mile radius of Holland. There is no direct competition between the merging and merged banks and the addition of the Farmer's Bank assets will add only 0.3 percent to Seaboard's proportionate holdings of IPC deposits and loans.

The proposal will offer to citizens of the Holland area the full services of a commercial bank, something

which the merging bank was not able to do. It will offer increased lending limits to industry in the area, which up to now had to go outside of the community for their larger loans. It will also relieve a serious management deficiency problem by adding the depth and quality of the Seaboard management to the personnel now present in the Farmers Bank. In general, the merged bank will give to the citizens of Holland a sound, competitive, complete alternate banking facility.

Applying the statutory criteria to the proposed merger we conclude it is in the public interest, and the application is therefore approved.

JANUARY 24, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Seaboard Citizens National Bank of Norfolk had total assets of \$105,611,000 as of October 31, 1963. The Farmers Bank of Holland, Inc., is located in Holland, a town 29 miles southwest of Norfolk. As of October 13, 1963, it had total assets of \$2,532,000. Each of the eight banks operating in the service area of Farmers Bank were independent banks in December of 1962. Should this application be approved and the pending application of Virginia National Bank to merge Tidewater Bank & Trust Co. be approved, only three of these eight banks will remain independent, the other five having either been merged by a much larger bank or absorbed by a bank holding company. These three remaining independent banks, already operating at a competitive disadvantage with the existing larger banks in the service area, will be faced with competition from still another much larger bank.

It is our view that the effect of the proposed merger on competition, standing alone, would not have a significant adverse effect. However, it is part of a trend that threatens the existence of smaller banks in Virginia and in the Suffolk area in particular.

* * *

HARRISBURG NATIONAL BANK & TRUST CO., HARRISBURG, PA., AND THE FIRST NATIONAL BANK OF NEW BLOOMFIELD, NEW BLOOMFIELD, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of New Bloomfield, New Bloomfield, Pa. (5133), with . . .	\$4,847,238	1	.....
and the Harrisburg National Bank & Trust Co., Harrisburg, Pa. (580), which had . . .	117,908,599	9	.....
merged Feb. 14, 1964, under the charter and title of the latter (580). The merged bank at the date of merger had . . .	122,755,833	...	10

On December 2, 1963, the \$126 million Harrisburg National Bank & Trust Co., Harrisburg, Pa., and the \$4.6 million First National Bank of New Bloomfield, New Bloomfield, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Harrisburg, a city of 79,697, is located in south central Pennsylvania on the Susquehanna River. As the State capital, it provides employment for numerous State employees, and due to the presence of three army depots and other Federal Government installations, for more than 38,000 Federal workers as well. While the Harrisburg population has declined since the 1950 census, the population of Dauphin County, of which Harrisburg is the county seat, has increased 11 percent. The county, as the center of a trading area of about 360,000 people, has substantial industrial activity, primarily in the iron and steel fabricating field, and a thriving commercial life.

New Bloomfield, the county seat of Perry County, lies 29 miles northwest of Harrisburg and has a population of about 1,000. Although there is some light industrial activity, small- to medium-size dairy farming and related agricultural pursuits constitute the economic base of the area. As Perry County is within commuting distance of Harrisburg, many of the area's residents are employed there and in other surrounding communities. Because of the movement from Harrisburg to the suburbs, the county's population has increased slightly to 26,582.

Strong competitive factors are present in the region served by the charter bank. Numerous nonbank finance institutions, such as insurance companies, credit unions and finance companies, operate in the trade area. In Harrisburg three banks, two approximately equal in size to the charter bank and one smaller, offer effective competition. Although all of the banks serving the trade area outside Harrisburg are small, each offers strong competition to the various branches of the charter bank, and of the two other large banks, located in Dauphin and surrounding counties.

The merging bank, third largest of eight banks in Perry County, is a single-office bank. Little com-

petition exists between it and the other banks in the New Bloomfield area. Local nonbank financial institutions offer services usually available from banks but not readily available at Perry County banks.

The effect of the proposed merger on competition in the New Bloomfield area will be beneficial. The resulting bank will supply aggressive and enlightened banking by offering trust services, installment loans, wider mortgage financing and a greatly increased lending limit. While the resulting bank will be much larger than any of its competitors in Perry County, the history of the charter bank's operation indicates that its policies stimulate rather than suppress competition. The resulting bank, therefore, should emerge as the touchstone for intensified competition.

A serious management problem exists in the merging bank since the death of its former president. This merger will solve the problem.

Applying the statutory criteria to the proposed merger we conclude that it is in the public interest and it is, therefore, approved.

FEBRUARY 12, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Harrisburg National Bank & Trust Co., which had deposits of \$108,955,000 as of September 30, 1963, has merged eight banks since 1952. These eight banks had deposits of \$72,857,665 at the time they were merged, which deposits equal about 70 percent of the present deposits of Harrisburg National.

The First National Bank of New Bloomfield with deposits of \$4,135,000 presently competes with seven banks, two of which are about the same size as First National of New Bloomfield and the rest smaller. Should this proposed merger be approved, these banks will be at a competitive disadvantage with a branch of Harrisburg National with a lending limit of \$1 million, fiduciary powers and modern accounting equipment. These small banks will undoubtedly seek similar mergers to overcome their competitive handicap and thus foster the disappearance of additional independent banks.

It is our view that the effect of this proposed merger on competition will be adverse.

* * *

THE DANVERS NATIONAL BANK, DANVERS, MASS., AND THE SECURITY TRUST CO., LYNN, MASS.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Security Trust Co., Lynn, Mass., with.....	\$29,783,695	3	.....
and the Danvers National Bank, Danvers, Mass. (7452), which had.....	9,477,099	4	.....
consolidated Feb. 21, 1964, under charter of the latter bank (7452) and under title of "Security-Danvers National Bank." The consolidated bank at the date of consolidation had.....	39,260,794	.....	7

COMPTROLLER'S DECISION

On November 21, 1963, the \$9.9 million Danvers National Bank, Danvers, Mass., and the \$30.9 million Security Trust Co., Lynn, Mass., applied to the Comptroller of the Currency for permission to consolidate under the charter of the former and with the title, "The Security-Danvers National Bank."

The applicant banks are located in southern Essex County, an area north of Boston bordering the Atlantic Ocean. The economy and transportation facilities of the area are integrated with metropolitan Boston.

Danvers, a town of about 22,000, is located about 17 miles north of Boston and 6 miles north of Lynn. While basically residential, it has a great deal of industrial activity and has been rapidly expanding both in population and industrial activity over the past 10 years.

Lynn, with a population of about 94,000, is located 11 miles north of Boston. Once the leading shoe manufacturing center in the United States, it is now a diversified industrial center. In 1961 its 2,030 firms, predominantly manufacturing in nature, had an annual payroll of \$200.6 million and employed 38,465 persons. While there has been a substantial residential movement to the suburbs and a concurrent commercial and industry migration, the urban redevelopment plan and the efforts to attract new industry to Lynn forecast an upturn in the community's economy.

Strong competitive factors exist in the communities served by the charter and consolidating banks. Not only are 15 commercial banks located there, but also 10 savings banks, 5 cooperative banks, and a number of nonbanking finance offices have offices in the area. Other competition is offered by the large Boston banks which advertise extensively in the applicants' communities.

In the Danvers area the potential market for loans exceeds the availability of the loanable funds of the charter bank, and this limitation handicaps the bank's

efforts to serve its area fully. The charter bank also lacks trust powers. In Lynn, however, growth has slowed so as to compel the consolidating bank to find new outlets for its funds. At the same time, the bank's efforts to expand its facilities and services by branching outside of Lynn into areas where growth potential exists have been unsuccessful.

Consolidation will result in a broader based, better balanced institution that will more effectively serve the convenience and needs of the communities. Each bank can supply what the other lacks, the consolidating bank supplying the sorely needed additional funds and trust service, and the charter bank the area of growth potential. Since the consolidation will provide additional resources and lending capacity, the resulting bank will be in a position to compete more effectively in its area with the other banks located there, and particularly with the larger Boston banks. The negligible competition and the slight overlap of activities between the two banks insure that the competitive structure of southern Essex County will remain unchanged. The consolidation will neither eliminate existing competition nor deprive the communities of a banking alternative, but will instead maintain the local character of the resulting bank's facilities.

Applying the statutory criteria to the proposed consolidation, we conclude that it is in the public interest and the application is therefore approved.

JANUARY 24, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Danvers National Bank, Danvers, Mass., with assets of \$9,914,000, proposes to consolidate with Security Trust Co., Lynn, Mass., with assets of \$30,912,000.

Security's facilities have been confined to Lynn, and severe competition from Boston banks, 12 miles south, is presently being experienced in the area which is gradually becoming an integral part of the trade and population area of metropolitan Boston. On this account and from other facts given in support of the

application, we conclude that the competitive factors involved in the acquisition of Security by the charter bank, which is located in an area where population and

economic growth have been great and a substantial market for loans exists, would not be significantly adverse.

* * *

THE UNION NATIONAL BANK OF PITTSBURGH, PITTSBURGH, PA., AND COMMONWEALTH BANK & TRUST CO.,
PITTSBURGH, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Commonwealth Bank & Trust Co., Pittsburgh, Pa., with.....	\$164, 640, 486	12	.....
and the Union National Bank of Pittsburgh, Pittsburgh, Pa. (705), which had.....	222, 879, 859	18	.....
consolidated Feb. 28, 1964, under charter and title of the latter (705). The consolidated bank at the date of consolidation had.....	387, 520, 345	.....	29

COMPTROLLER'S DECISION

On December 27, 1963, the \$224.8 million Union National Bank of Pittsburgh, Pa., and the \$163.6 million Commonwealth Bank & Trust Co., Pittsburgh, Pa., applied to the Comptroller of the Currency for permission to consolidate under the charter and title of the former.

The applicant banks are headquartered in Pittsburgh, Allegheny County, and have offices in five adjoining counties. This industrial complex had a population of 2,600,000 in 1960, reflecting a relatively low growth of 9 percent since 1950. The Pittsburgh area has, for many years, been one of the most important centers of steel and heavy industry in the world and, in 1960, contributed over \$2.9 billion to value added in manufacture, as compared to \$2.7 billion in 1958. While the most important single industry in the six-county area is primary metals, or more specifically, iron and steel, fabricated metal products, non-electrical and electrical machinery are also significant factors in the economy, along with food processing and stone, clay and glass products.

Coal mining, too, has long been associated with the Pittsburgh area, which contains some of the world's richest coal deposits. Although total mining employment declined 60 percent between 1950 and 1960, the region, in 1961, mined 20 million tons of bituminous coal, amounting to one-third of the State's total production.

The Union National Bank of Pittsburgh, which was founded in 1857 as the Diamond Savings Institution, became a National Bank on January 12, 1865, in the early years of the National Banking System. It remained a single-office institution until 1958, when an

expansion program was initiated in order to better compete with the three larger area banks. Since 1958 Union National has acquired six banks: Allegheny Trust Co., Pittsburgh, a single-office bank with \$9.4 million deposits and \$5.6 million loans; First National Bank in Tarentum, \$10.1 million deposits, \$5.6 million loans and one branch; the Farmers National Bank of Beaver Falls, two branches, \$16.2 million deposits and \$7.6 million loans; the Coraopolis Trust Co. and its wholly owned subsidiary Coraopolis National Bank, \$17.1 million deposits, \$6 million loans and two main offices, one of which was discontinued; the Bridgeville National Bank, six branches, \$22.4 million deposits and \$13.7 loans; and the Imperial Bank, Imperial, with no branches, \$3.6 million deposits and \$1.3 million loans. The charter bank has thus acquired 15 branch offices, \$78.8 million in deposits and \$39.8 million in loans through various mergers and consolidations, all of which involved small banks with serious management succession problems. With the addition of 2 *de novo* branches, Union National presently has 17 branches, including 9 in Allegheny County, 3 in Beaver County, 4 in Washington County, and 1 in Westmoreland County. When its two approved but unopened branches are included, the charter bank will have 5 percent of the banking offices in the area. As of September 30, 1963, Union National had total deposits of \$192.8 million and loans of \$105.5 million, which are 3.96 and 4.88 percent, respectively, of the deposits and loans held by all commercial banks in the Pittsburgh six-county metropolitan area.

Commonwealth Bank & Trust Co., which was chartered by the Commonwealth of Pennsylvania on April 25, 1902, has acquired two banks during the past 10 years: South Hills Trust Co., Pittsburgh, a single-

office institution with deposits of \$4.3 million and loans of \$1.1 million; and the Butler Savings & Trust Co., Butler, with three branches, \$31.5 million in deposits and \$16.1 million in loans. The bank presently operates 11 branches, of which six are in Allegheny County, four in Butler County and one in Armstrong County. It operates 3 per cent of all area banking offices. Its September 30, 1963, deposits totaled \$150.3 million and its loans totaled \$60.4 million, which represent 3.09 and 2.8 percent, respectively, of total deposits and loan of all area commercial banks.

Both the charter bank, fourth largest in the area, and the consolidating bank, fifth largest, are offered strong competition by the three larger banking institutions. The \$2.7 billion Mellon National Bank & Trust Co., Pittsburgh, is by far the largest bank in the area, being more than twice the size of any other commercial bank in the region. Its \$2.3 billion deposits represent 48.11 percent of area deposits, and its \$932.4 million in loans are 43.16 percent of area loans. Mellon National also operates 75 branches and has 9 branches approved but unopened, for a total of 25 percent of the 6-county area banking offices.

The second ranking bank in the area is the \$1.1 billion Pittsburgh National Bank, Pittsburgh, whose 59 branches and 14 approved but unopened branches total 21 percent of the area's banking offices. Pittsburgh National has 21.15 percent of area deposits, with \$1 billion, and 21.6 percent of area loans, with \$466 million.

Western Pennsylvania National Bank, McKeesport, is the third largest bank in the area, with total resources of \$502.3 million. With \$464 million in deposits and \$225.7 million in loans, it holds 9.53 and 10.45 percent, respectively, of total deposits and loans in the Pittsburgh complex. Western Pennsylvania has 15 percent of area banking offices, with 42 branches and 7 approved but unopened branches.

There are 59 smaller commercial banks operating in the 6-county area which have a total of 51 operating and approved but unopened branches, for a total of 32 percent of area banking offices. Their aggregate deposits total \$689.8 million, or 14.16 percent of area deposits, and their loans, \$369.7 million, or 17.11 percent of area loans. Total resources of these 59 institutions is \$773 million.

Additional competition is offered by the \$239 million Dollar Savings Bank, a mutual financial institution which holds \$219 million in deposits and \$137 million in loans. The Pittsburgh financial market also lists 165 savings and loan associations with total assets of \$1.3 billion, and 372 credit unions with re-

sources of \$94 million. Further competition for loans is offered by the major insurance companies and the more than 50 sales finance and personal loan companies.

The resulting bank will be a \$380.3 million institution with 7 percent of area deposits and 7.68 percent of area loans. It will have 31 branches, representing 8 percent of total banking offices. Approval of the application will not change its ranking as the fourth largest bank in the Pittsburgh area but will make it closer in size to Western Pennsylvania National Bank. It will remain considerably smaller than Mellon National and Pittsburgh National.

The primary reason advanced in favor of approval of this consolidation is to enable the applicants to compete more effectively with the three much larger banks serving Pittsburgh and its environs. Retail banking services have assumed increased importance during recent years and a comprehensive branching system is necessary in order to adequately compete in this field. Mellon National, Pittsburgh National, and Western Pennsylvania, with 85, 74, and 50 approved offices, respectively, are considerably stronger than Union National's 20 approved offices or Commonwealth's 12. By consolidating, the resulting bank will have 32 offices, which will make it more competitive with the top three banks.

The growing borrowing requirements of existing customers offer another example of the need for this consolidation. With lending limits of \$1.75 million for Union National and \$1.2 million for Commonwealth, both banks are at a competitive disadvantage in serving the needs of large borrowers. The application cites several instances of actual cases where valuable business has been lost in whole or in part to a larger bank in the area due to the lower lending limits of the consolidating bank. Pittsburgh's industrial and commercial enterprises are heavy users of debt capital and are also courted by the New York, Chicago, Cleveland, and Philadelphia banks. The resulting bank's lending limit of \$3 million, while only one-tenth of Mellon National's \$30 million and one-third of Pittsburgh National's \$9 million, will at least bring it closer to the \$3.8 million lending limit of Western Pennsylvania.

Approval of the consolidation will also enable the resulting bank to install electronic data processing equipment to provide additional services to banking customers comparable with those already offered by the three larger area banks. And, although senior management at both banks is of high quality, the

consolidation will permit more depth and balance on the intermediate and junior levels.

Because of the location of the main offices of the consolidating banks in downtown Pittsburgh, a minimal amount of competition presently existing between them will be eliminated. A review of deposits and loans of \$5,000 or more revealed that the institution had but 157 common depositors and 7 common borrowers. It should also be pointed out that several of the common depositors are large corporations which carry primary accounts at one bank and small convenience accounts at the other.

Another question which must be considered in evaluating this proposal is whether it will have a tendency toward monopoly. It is true that the four largest area banks presently hold more than 80 percent of area deposits. However, the bulk of this is in the Mellon bank, which holds more than 48 percent of deposits, while the consolidating banks hold only 3.96 and 3.09 percent for a total of 7.05 percent. Nevertheless, even if the four largest banks are used as a basis for determining concentration of banking resources, approval of the proposal will result in an increase in concentration of only 3.75 percent in deposits and 3.5 percent in loans. The consolidation will therefore have no tendency toward monopoly nor would it result in any undue increase of the market share of the resulting bank.

The competitive effect of the proposal on the smaller commercial banks in the six-county area will be relatively unchanged. These banks, which are presently in competition with the applicants and the three larger area banks, will not be significantly affected. The competition of the resulting bank and its branches will not render the smaller banks any more or less competitive than they are at present.

Approval of the proposal will enable the resulting bank to compete more effectively with its larger competitors and will, at the same time, permit it to offer expanded services to the banking public. The proposal evidences no tendency toward monopoly and, while a nominal amount of competition between the consolidating banks will be eliminated, there will be no adverse competitive effect on the smaller area banks.

Having weighed the proposal in light of the statutory criteria, we find it to be in the public interest and it is therefore approved.

FEBRUARY 28, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Union National is the fourth largest commercial bank in Pittsburgh with assets of \$224,160,000, deposits of \$199,336,000, loans of \$111,714,000, and 18 offices. Commonwealth Trust is fifth largest in the city with assets of \$163,669,000, deposits of \$147,389,000, loans of \$61,122,000, and 12 banking offices. These 2 banks have acquired a total of 9 banks since 1954.

Union National accounts for about 4 percent of deposits and 5 percent of loans in Allegheny County and five contiguous counties in which a Pittsburgh bank may establish branch offices under Pennsylvania law. Commonwealth Trust holds 3 percent of total deposits and loans in this area.

Pittsburgh is one of the most highly concentrated major banking markets in the Nation. The top five banks account for 92 percent of deposits and 91 percent of loans in Allegheny County and for 86 percent of deposits and 83 percent of loans in the entire six-county area. The top two banks together, Mellon National Bank and Pittsburgh National Bank, account for from 65 to 75 percent of these totals. Much of this concentration is the result of a pronounced merger trend since 1950 which has seen the 6 largest banks absorb at least 65 banks, leaving but 64 banks in the 6-county area. The justification for the proposed merger stems in large part from the competitive handicap of competing with the three largest banks in the area which have been permitted to obtain their dominant position in substantial part from permission to merge and consolidate with other banks and the opening of numerous *de novo* offices in the area served by them. It is obvious that competition cannot be maintained in this area as long as the dominant institutions are permitted to acquire or merge with other banks and obtain numerous *de novo* branches in the area.

The proposed consolidation might strengthen the resulting bank's ability to compete with the three largest banks in the area. But it would at the same time eliminate a substantial amount of direct competition between the consolidating banks and add significantly to concentration in a market already highly concentrated, in part by a series of mergers in which the consolidating banks have participated. By the consolidation, one of just six banks in the area which could make loans in excess of \$400,000 would be eliminated.

We conclude that the proposed consolidation would have a serious adverse effect upon competition.

* * *

LINCOLN NATIONAL BANK & TRUST CO. OF CENTRAL NEW YORK, SYRACUSE, N.Y., AND FIRST NATIONAL BANK OF MINOA, MINOA, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Minoa, Minoa, N.Y. (13476), with.....	\$6, 273, 433	1	.....
and Lincoln National Bank & Trust Co. of Central New York, Syracuse, N.Y. (13393), which had.....	156, 033, 619	14	.....
merged Feb. 28, 1964, under charter and title of the latter bank (13393).	162, 211, 424	.....	15
The merged bank at the date of merger had.....			

COMPTROLLER'S DECISION

On December 6, 1963, the \$160 million Lincoln National Bank & Trust Co. of Central New York, Syracuse, N.Y., and the \$6.3 million First National Bank of Minoa, Minoa, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Syracuse, with a population of about 216,000, is the fourth largest city in New York and the focal point of a metropolitan area of about 423,000. Centrally located in the State, Syracuse is a distribution center served by three major airlines, two trunk line railroads, and two limited access superhighways which quadrisect the State. The economy of the Syracuse metropolitan area is widely diversified and holds promise for continued growth.

Minoa, with a population of 1,800, is a residential community about 9 miles east of downtown Syracuse. It is in the Syracuse trade area and many of its residents commute to Syracuse for employment.

The charter bank is a full-service institution, operating 7 branches in the Syracuse area and 6 in outlying communities. It is the third largest of 4 commercial banks in Syracuse. It also competes in this service area with 2 mutual savings banks, 4 savings and loan associations and 13 finance companies.

The merging bank is the only bank in Minoa. Its nearest competitors are in Syracuse. This limited service bank will soon be faced with a management succession problem due to the impending retirement of its president.

The inhabitants of Minoa will be the primary beneficiaries of the proposed merger. Not only will they

be afforded trust services locally, but the resulting bank will introduce installment lending to the area. Moreover, along with offering improved banking services locally, the merging bank will also find a solution to its management succession problem.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

FEBRUARY 17, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Lincoln National is third in size among four commercial banks with head offices in Syracuse. It has \$142 million in deposits or approximately 24 percent of the deposits held by banks competing within its service area. First National is a unit bank located in the Village of Minoa, 5 miles east of Syracuse. It has \$5.7 million in deposits, or about 1 percent of deposits of banks competing in its service area.

The service area of Lincoln National extends well beyond the city of Syracuse and includes almost all of the service area of First National. However, the amount of competition between the banks appears not to be significant due to the size and limited range of services of First National.

The proposed merger will not significantly alter the banking structure in the relevant area. Lincoln National will increase its market share by only 1 percent and will continue to be the third largest bank in Syracuse. It is unlikely that adverse effects will be felt by smaller independent banks, the closest of which is 13 miles from First National. We therefore conclude that the proposed merger will have no substantial adverse effects upon competition.

* * *

OLD NATIONAL BANK OF WASHINGTON, SPOKANE, WASH., AND THE FIRST NATIONAL BANK OF PULLMAN, PULLMAN, WASH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Pullman, Pullman, Wash. (4699), with	\$15, 342, 275	2	.....
and Old National Bank of Washington, Spokane, Wash. (4668), which had	176, 873, 976	27	.....
merged Feb. 28, 1964, under the charter and title of the latter bank (4668). The merged bank at the date of merger had	191, 719, 372	.....	29

COMPTROLLER'S DECISION

On December 11, 1963, the \$186.7 million Old National Bank of Washington, Spokane, Wash., and the \$14.5 million First National Bank of Pullman, Pullman, Wash., applied to the Comptroller of the Currency for permission to merge the charter and with the title of the former.

Spokane, with a population of about 182,000, supported by agriculture, mining, lumbering, light manufacturing and trade facilities, is the second largest city in the State and the principal city in the so-called Inland Empire which comprises eastern Washington, northern Idaho, and western Montana.

The Spokane area relies primarily on agricultural products and related industries for its economic support. The more important of these products are grains, sugar beets, hops, fruits, and row crops. The secondary economic factors of the area are lumbering, mining, and manufacturing, in that order but with the latter showing a much stronger percentage of increase in recent years.

Pullman, located 80 miles south of Spokane, has a population in excess of 13,000, including approximately 8,000 seasonal residents enrolled at Washington State University. The university is rapidly expanding and has supplanted agriculture as the primary economic support of Pullman.

Old National Bank, the seventh largest bank in Washington, is an affiliate of Old National Corp., a registered bank holding company. The bank maintains 28 branches throughout the eastern half of the State. Other statewide banks having branches in the trade area of the charter bank are the Seattle-First

National Bank, the largest in the State, with 101 branches and the National Bank of Commerce, the second largest with 67 branches.

Approval of the proposed merger will be primarily beneficial to the merging bank and the community which it serves, by providing trust services, larger lending capacity, and the services of the charter bank's agricultural agent. The proposed merger will not affect the competitive banking picture in eastern Washington to any extent, nor eliminate any substantial competition between the charter and the merging banks, since the two banks do not directly compete at the present time. Though an independent bank will be eliminated, it will be replaced by a stronger banking facility better able to compete with the branch of Seattle-First National Bank.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

FEBRUARY 12, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger of the First National Bank of Pullman, Pullman, Wash., into the Old National Bank of Washington, Spokane, Wash., will not have a significant adverse effect upon competition.

First Pullman has apparently not been successfully competing with a branch of Seattle-First National Bank located in Pullman, Wash. The proposed transaction will provide a stronger competitor in the area. Finally, no substantial direct competition between First Pullman and Old National Bank will be eliminated by the proposed merger and consolidation.

* * *

THE LIBERTY NATIONAL BANK & TRUST CO., BUFFALO, N.Y., AND THE PEOPLES BANK OF ERIE COUNTY, HAMBURG, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Peoples Bank of Erie County, Hamburg, N.Y., with.....	\$22, 313, 663	2	.....
and Liberty National Bank & Trust Co., Buffalo, N.Y. (15080), which had.....	297, 076, 017	30	.....
merged Mar. 5, 1964, under the charter and title of the latter bank (15080).			
The merged bank at the date of merger had.....	319, 308, 335	.....	32

COMPTROLLER'S DECISION

On January 7, 1964, the \$288 million Liberty National Bank & Trust Co., Buffalo, N.Y., and the \$22 million Peoples Bank of Erie County, Hamburg, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Buffalo, the county seat of Erie County and the second largest city in New York, with a population of 541,282, is the focal point of a service area which approaches 1 million inhabitants. Although the population of the city has declined slightly since 1950, the area has experienced the substantial population increase of 20 percent since that time, reflecting a movement to the suburbs. Buffalo and the surrounding area constitute the eighth largest manufacturing center in the Nation. Heavy industry dominates a diversified manufacturing structure composed of many national corporations as well as smaller local plants. With business indicators presently moving upward from a relatively high base level and unemployment at a lower rate than in any year since 1957, the outlook for the Buffalo area economy is favorable.

The village of Hamburg, whose population is 9,124, is located 12 miles south of Buffalo in the town of Hamburg, and is comprised principally of middle-income families who work in the industrial complexes of Buffalo and other nearby towns. The village, which has numerous commercial enterprises, has long been a trading center for the surrounding area. Although population growth of the village has been moderate, a more rapid increase in the future is expected because of its proximity to Buffalo, improved public facilities, and imminent construction of the Boston Expressway, a superhighway which will connect Buffalo with Hamburg and points south.

The charter bank, with 30 offices, is the third largest bank in Buffalo. It is appreciably surpassed in size by the \$1,042 million Marine Trust Co. of western New

York and the \$620 million Manufacturers & Traders Trust Co., both of which have headquarters in Buffalo and branch throughout western New York. Marine Trust Co. has 64 offices and Manufacturers & Traders Trust Co. has 46 offices. Five other banks in the Buffalo service area range in size from the \$9.2 million Lincoln National Bank, Buffalo, to the \$77 million Chautauqua National Bank of Jamestown, a member of the Marine Midland group.

The merging bank, which serves the village of Hamburg, has one branch in nearby North Collins, an agricultural community. A branch of the Marine Trust Co. is the only other bank in the village of Hamburg.

The charter bank is a full-service institution which, until recently, has concentrated on serving the city of Buffalo, while the population movement has been to the suburbs. In contrast, the two dominant banks in the area have established extensive branching systems and, consequently, have placed the charter bank in a difficult competitive position. The fact that the Marine Trust Co. controls 44.6 percent, and the Manufacturers & Traders Trust Co. 24.7 percent, of the commercial banking resources in the service area makes obvious the conclusion that the charter bank, which has 10.9 percent of the area's banking resources, is not a giant in the Buffalo area. The addition of the resources of the merging bank will make the charter bank a more competitive force in Buffalo by increasing its lending limit although the limit will still not approach that of the two largest banks. In addition, the broader market area will allow the charter bank to service business and individual customers who require a bank with facilities in a large service area.

Although the merger will improve the banking structure in Buffalo, and western New York, its main effect will clearly be felt in Hamburg. The market area of the merging bank is largely limited to the village of Hamburg, as 79.1 percent of the bank's deposits originate in the village and the remainder in surrounding

TOWNS. Only one-one hundredth of 1 percent of the charter bank's deposits come from the village of Hamburg, even though the charter bank has a branch 3 miles away.

The sole competition to the merging bank comes from the local branch of Marine Trust Co. The disparity in size and the limited services available from the merging bank make competition increasingly difficult. The small lending limit forces the merging bank to deal only with the very small customers and leaves Marine Trust Co. to serve the medium industrial accounts which are important in the area. Such services as business development and an experienced trust department are beyond the capacities of the merging bank. The fact that the Marine Trust Co. clears the merging bank's checks further indicates a less-than-perfect competitive structure in the village.

A serious problem of management succession presents a compelling consideration. It is an axiom of the banking industry that a bank is only as effective as its management. A depletion in the ranks of management and an inability to recruit new management personnel create a serious problem for any bank. This is precisely the situation in which the merging bank finds itself. Two presidents have died within 8 years and an executive officer resigned recently. There has been no long-range development of middle management, and efforts over the past 3 years to hire officers have been fruitless. Consequently, senior management is inadequate in the face of present demands, no successor management exists, and junior management is insufficient. The experienced and extensive management of the charter bank can adequately fill the gap and provide full-range banking services, such as

a progressive loan-deposit ratio, a real estate loan department, automation and extensive trust facilities, all of which are absent in the merging bank.

Applying the relevant statutory criteria to the proposal to merge, we conclude that it is in the public interest and the application is therefore approved.

MARCH 3, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Commercial banking in the Ninth Banking District, in which both of the merging banks are located, is highly concentrated, with the three largest banks accounting for 77 percent of the total assets and 64 percent of the offices of all such banks. Liberty National is the third largest bank in the District and accounts for 10.75 percent of the banking assets. Since 1945 the number of independent banks in the District has decreased from 91 to 40. Six independent banks have been lost through mergers with Liberty National since 1961.

As the number of independent banks declines, the importance of retaining the competitive activity of any given one of them increases proportionately. Peoples Bank, the 10th largest bank in the District, appears to have a good opportunity for continued growth. In our opinion, in view of the direct competition which would be eliminated and the stimulus which would be given to further mergers, the effect on competition of the proposed merger of Liberty National and Peoples Bank would be substantially adverse.

Our concern about further concentration of banking in the Ninth Banking District was previously voiced by the New York State Superintendent of Banks who in 1962 disapproved this proposed merger.

* * *

THE MICHIGAN NATIONAL BANK, LANSING, MICH., AND THE GRAND LEDGE STATE BANK, GRAND LEDGE, MICH., AND THE LOAN & DEPOSIT STATE BANK, GRAND LEDGE, MICH.

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Grand Ledge State Bank, Grand Ledge, Mich., with	\$6, 887, 000	1	.....
and Loan & Deposit State Bank, Grand Ledge, Mich., with	4, 562, 000	1	.....
were purchased Mar. 14, 1964, by Michigan National Bank, Lansing, Mich. (14032), which had	714, 648, 000	17	.....
After the purchase was effected, the receiving bank had	724, 811, 000	.....	19

COMPTROLLER'S DECISION

On August 13, 1963, the Michigan National Bank, Lansing, Mich., applied to the Comptroller of the Cur-

rency for permission to purchase the assets and assume the liabilities of the Grand Ledge State Bank, Grand Ledge, Mich., and the Loan & Deposit State Bank, Grand Ledge, Mich.

Lansing has a population of 108,000, and is both the capital of Michigan and one of the principal industrial cities in the State. The manufacture of autos and related items and the expanding activities of the State government provide important sources of employment. The city also serves as a trade center for the surrounding agricultural areas and is home to Michigan State University which has an enrollment of some 28,000. The prosperity generated by this diversified activity is reflected by the manner in which the population has grown during the last decade, so that the present population of the Lansing trade area is estimated to be 150,000.

The \$714 million Michigan National Bank of Lansing has 18 offices and competes primarily with 2 other banks in Lansing, the \$93.3 million American Bank & Trust Co. and the \$53.6 million Bank of Lansing. There are, in addition, seven smaller banks in the towns surrounding Lansing, ranging in size from the \$1.8 million Woodruff State Bank, DeWitt, Mich., to the \$19.6 million East Lansing State Bank, East Lansing, Mich.

Grand Ledge has a population of 5,165, and is located 10 miles west of Lansing. The two cities are connected by a new four-lane highway. The immediate area around Grand Ledge is largely agricultural, although there are some small industries in Grand Ledge which employ a total of 300 to 400 people. A recent Michigan State University survey indicated that 80 percent of the wage earners residing in Grand Ledge work in Lansing, making Grand Ledge virtually a residential suburb of Lansing.

The \$6.1 million Grand Ledge State Bank and the \$4 million Loan & Deposit State Bank are the sole banks in Grand Ledge. They compete with the larger Lansing banks as well as the five smaller banks in the

Lansing trade area. As is common among smaller agriculturally oriented institutions, they are experiencing difficulty in serving the needs of the expanding economy by reason of their limited resources and lending capacity and are faced by management succession problems, here made critical by the imminent retirement of their senior management personnel.

While consummation of this proposal will have no significant consequences in the city of Lansing, it will produce marked benefits for the public in the Grand Ledge area. The people of Grand Ledge will have more convenient access to the enlarged services of a modern and efficient bank and will derive the benefits which flow from the presence of a competitively aggressive institution.

Applying the statutory criteria of the proposed purchase of assets and the assumption of liabilities, we conclude that it will be in the public interest and the application is therefore approved.

MARCH 6, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Approval of the proposed acquisition of the assets and the assumption of the liabilities of the Grand Ledge State Bank and the Loan & Deposit State Bank, Grand Ledge, Mich., by the Michigan National Bank, Lansing, Mich., will result in the disappearance of two small independent banks and in the enhancement of the position of Michigan National, one of the largest banks in the United States, a position achieved in part through a series of mergers with other banks.

The mergers will also eliminate a significant amount of competition between the acquiring and the acquired merging banks. The effect of the acquisition on competition would therefore be substantially adverse.

* * *

AMERICAN NATIONAL BANK OF VINCENNES, VINCENNES, IND.; FIRST NATIONAL BANK OF BICKNELL, BICKNELL, IND.; BICKNELL TRUST & SAVINGS, BICKNELL, IND.; AND CITIZENS STATE BANK, BICKNELL, IND.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Bicknell, Bicknell, Ind. (7155), with.....	\$2, 398, 048	1	.....
Bicknell Trust & Savings Co., Bicknell, Ind., with.....	1, 697, 597	1	.....
The Citizens State Bank, Bicknell, Ind., with.....	1, 072, 072	1	.....
and the American National Bank of Vincennes, Vincennes, Ind. (3864), which had.....	21, 799, 040	1	.....
merged Mar. 21, 1964, under charter and title of the latter bank (3864). The merged bank at the date of merger had.....	26, 591, 805	.....	2

On November 12, 1963, the \$22.1 million American National Bank of Vincennes, Vincennes, Ind., and the \$2.5 million First National Bank of Bicknell, the \$1.7 million Bicknell Trust & Savings, and the \$1.1 million Citizens State Bank, all of Bicknell, Indiana, applied to the Comptroller of the Currency for permission to merge under the charter and title of "The American National Bank of Vincennes."

The applicant banks are located in Knox County in southwestern Indiana, on the Illinois border. Vincennes, with a population of 18,000, is both the county seat and the largest town in Knox County. As the center of a basically agricultural trade area embracing not only most of Knox County but also part of the surrounding territory in Illinois, Vincennes serves more than 40,000 people. In addition, manufacturing plays a large part in the community's economy since a number of major industrial plants are located there.

Competition for the charter bank in Vincennes comes from numerous sources. The only other bank in town, while somewhat smaller, competes strongly for loans and other commercial and trust business and, in addition, its three branches, located in another region of the county, give it access to an area difficult for the charter bank to serve. Nonbank competition comes not only from private sources such as savings and loan associations, credit unions, finance companies, loan companies, and insurance companies, but also from Federal government agencies that provide credit for farmers in their personal and agricultural activities.

Bicknell, with a present population under 4,000, was once a town of 9,000 supported by a nearby Pennsylvania Railroad yard and a million dollar a month coal mine payroll. These operations have been discontinued, however, and now only one factory remains. The town relies heavily on local agricultural activity for its economic support, but since agricultural units are increasing in size and mechanization, fewer trade and employment opportunities result. Although only the merging banks are located in Bicknell, the other Vincennes bank maintains two branches nearby that offer active competition. Limited competition for the merging banks comes from the nonbank financial sources operating in Vincennes.

Prospects for future earnings of the charter bank appear to be good. A diversified economy and the community's progressive nature indicate the presence of a background and atmosphere conducive to growth. In

Bicknell, however, future prospects would seem dim. The downtrend in population and economic activity suggests the serious problem of one or more of these banks ending operations. Moreover, officers of two of the merging banks are approaching retirement age. Merger with the charter bank will alleviate both problems and assure continuing banking facilities for Bicknell.

The Bicknell banks at present provide limited services to their community. By merging, services now offered can be expanded and more complete banking facilities, including a trust department, will be available to the community. In effect the merger will provide a broader based, better balanced institution that will more effectively serve the convenience and needs of the Bicknell community.

The proposed merger will have a negligible effect on competition in the Vincennes area. While the resulting bank's deposits will be greater than that of its local banking competitor, the total of loans will be approximately equal. Moreover, the resulting bank's branch in Bicknell will now be able to offer effective competition to the competing institution's nearby branches.

In Bicknell, while the total elimination of the town's banking institutions and replacement by branch offices could constitute a serious detriment to the community which would normally be dispositive of the application, under the circumstances as presented above such a decision would be in error because it would result in the lingering death of one or more of the merging banks through lack of business. Clearly this is the greater detriment to the community.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

MARCH 16, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The acquiring bank is the largest (in terms of deposits) in its service area, which covers Knox County, Ind., and part of Lawrence County, Ill. By this application it seeks to acquire all three commercial banks operating in Bicknell, Ind., a town some 15 miles distant from the acquiring bank's home office in Vincennes, Ind. If accomplished, the mergers would increase the acquiring bank's share of service area deposits from 31 to 39 percent, an increase in concentration of 79.5 percent. The next largest of 12 banks in the area would have 19 percent and the third largest only 8 percent. The mergers would also replace

three competing unit banks in the town of Bicknell with one branch of a large Vincennes Bank so that Bicknell area residents would be forced to go to nearby towns for alternative commercial banking. Moreover,

the nearest of these other banks are branches of Vincennes' other large banks.

The result of the proposed acquisition on competition would appear to be adverse.

* * *

THE FIRST NATIONAL BANK OF SOUTH CAROLINA OF COLUMBIA, COLUMBIA, S.C., AND THE DARLINGTON COUNTY BANK & TRUST CO., DARLINGTON, S.C.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Darlington County Bank & Trust Co., Darlington, S.C., with	\$6, 372, 795	1	.....
and the First National Bank of South Carolina of Columbia, Columbia, S.C. (13720), which had	105, 971, 091	23	.....
merged Mar. 31, 1964, under charter and title of the latter bank (13720). The merged bank at the date of merger had	111, 768, 296	.....	24

COMPTROLLER'S DECISION

On January 20, 1964, the \$106 million First National Bank of South Carolina of Columbia, Columbia, S.C., and the \$6.3 million Darlington County Bank & Trust Co., Darlington, S.C., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Although the charter bank, with 24 branch offices throughout the State, is the third largest bank in South Carolina, it is considerably smaller than the two larger statewide banking institutions, the \$325 million South Carolina National Bank of Charleston and the \$171.5 million Citizens & Southern National Bank of South Carolina.

Columbia, the headquarters of the charter bank, is the capital and largest city of South Carolina with a population of 97,500. It is located in the central part of the State with an economy principally supported by military installations, retail and wholesale trade, textile manufacturing, and State governmental activity.

The merging bank is located 85 miles northeast of Columbia in Darlington, a small rural community with a population of 6,700 in the "Great Pee Dee" tobacco area. This town is the county seat of Darlington County, population 53,000. The economy is largely dependent upon agriculture, mostly tobacco with some cotton and soybeans. Local industry includes an electronics manufacturing plant which employs 1,100, a paper container company which employs 700, and the Nation's largest automobile auction.

The effect of the merger in the seven major areas now served by First National will be slight. Any im-

pact will be felt principally in Darlington. Since the Darlington banks are already in competition with the two largest statewide banks' branches in Florence, which is 10 miles southeast of Darlington, the entry of First National into this area will tend to increase rather than diminish competition.

There will be no elimination of competition between the two merging banks, as the nearest branch of First National is located 28 miles northeast of Darlington in Bennettsville. There are no common borrowers or depositors, and neither bank derives business from the other's service area.

The public interest will be served by a local unit of First National which will be able to furnish the Darlington County banking public with more extensive trust services and aggressive competitive management. The resulting local banking unit will have a greatly enlarged lending capacity, thereby increasing its utility to the business community. In addition, a serious management succession problem will be solved.

Considered in light of the statutory criteria, we find the application to be in the public interest and the merger is therefore approved.

MARCH 26, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

First National is the third largest commercial bank in South Carolina with over 8 percent of the State's deposits and 25 offices. Since 1955 First National has acquired 7 other banks with deposits of \$38,846,000 and 11 offices. Darlington Trust is a single-office bank located in Darlington, S.C., 78 miles northwest of First National's main office in Columbia, S.C., and 28 miles

southwest of First National's nearest branch in Bennettsville, S.C. Both banks have shown excellent growth in deposits and earnings. There appears to be little direct competition between the applicants at present due to the distances between their respective offices.

South Carolina's banking resources are highly concentrated in four large statewide institutions (including First National) which together control 53 percent of the State's total deposits, partly as a result of prior mergers. These four banks have acquired 23 smaller banks in the past decade and at the same time have been opening numerous *de novo* branch offices. Such acquisitions by one of the four dominant banks have often led directly to a similar acquisition by one of the others, with the result that the only independent banks in a number of South Carolina communities have been eliminated from competition and remaining unit banks in nearby communities have been subjected to direct

competition with offices of much more powerful institutions.

The proposed merger conforms with the trend now well-established in the State. First National would increase its resources and extend its branch system into another community. As a result, the three other statewide systems would be motivated to keep up with First National by making similar acquisitions and those smaller banks in most direct competition with Darlington Trust would consider seriously such a proposal to insure their survival in competition with First National. In fact, following the filing of this application the second largest bank in the State has announced plans to acquire the only other bank in Darlington, Citizens Bank of Darlington.

In view of the bank merger history in South Carolina, the proposed merger threatens to have a seriously adverse effect upon competition and may aggravate the trend toward monopoly in that State.

* * *

THE VIRGINIA NATIONAL BANK, NORFOLK, VA., AND THE SOUTHERN BANK OF COMMERCE, DANVILLE, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Southern Bank of Commerce, Danville, Va., with	\$2, 912, 064	2	
and Virginia National Bank, Norfolk, Va. (9885), which had	391, 628, 739	41	
merged Apr. 3, 1964, under charter and title of the latter bank (9885). The			
merged bank at the date of merger had	394, 470, 103		43

COMPTROLLER'S DECISION

On January 23, 1964, the \$404 million Virginia National Bank, Norfolk, Va., and the \$2.8 million Southern Bank of Commerce, Danville, Va., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

The growth of the Norfolk economy has been noted in recent statements approving mergers to which Norfolk banks were parties. Norfolk's large military installations and port facilities, as well as increasing manufacturing industries, place the area, with a total population of 578,000, in a favorable economic position and create constantly new demands on its financial facilities.

The charter bank is presently the second largest bank in Virginia and operates a statewide system consisting of 43 offices located in 4 primary service areas. With 9 percent of the State's total banking resources, Virginia National is slightly smaller than the \$425 mil-

lion First & Merchants National Bank, Richmond, which has 9.9 percent of total state resources, and is larger than the \$283 million State-Planters Bank of Commerce & Trusts, Richmond, which has 6.3 percent of total state resources. Aggressive competition is furnished throughout applicant's service areas by 99 banking facilities with aggregate deposits of approximately \$836 million and aggregate loans of \$594 million. Further, Virginia National competes with four bank holding companies which have aggregate deposits of \$1.2 billion and loans of \$800 million. This merger will only slightly augment the applicant's present resources and Virginia National will still occupy second place among Virginia banks.

The Southern Bank of Commerce serves Henry County and the southern two-fifths of Pittsylvania County, which area includes the cities of Danville and Martinsville.

Danville, with a population of 46,577, is located in southern Virginia a short distance north of the North

Carolina State line. The city serves a trade area covering a 30-mile radius in which an estimated 300,000 persons reside. The main sources of income for the area are industry and agriculture. The largest single-unit textile mill in the country, located in Danville, provides employment for about 10,000 persons. The agriculture of the area depends principally upon the growing, processing and marketing of tobacco. Other farm income is derived from the raising of livestock and grains.

Martinsville, an independent city and the seat of Henry County, is some 30 miles west of Danville. Its population, according to the 1960 census, was 18,798, and an estimated 60,000 persons reside in its trade area. The region is predominantly industrial, with numerous plants in or near the city. Farm income, which plays a secondary role in the economy, is derived almost entirely from bright leaf tobacco, although there is some raising of beef cattle and dairy farming. Tobacco market sales reached a high during the 1962 season and business conditions in general have been very favorable in the Martinsville area with future prospects appearing to be good.

The merging bank is the smallest of seven banks serving Danville. It has struggled for existence ever since it received its state charter in 1952 and there has been some question recently as to whether this charter would be allowed to continue. The bank is now smaller than it was 10 years ago and is the only Danville bank that did not grow during this period. Its public image is not favorable.

Competition among the banks in Danville will not be affected appreciably by this merger. The merging bank never had sufficient resources to compete effectively with the six other banks led by the \$36 million First National Bank, and the \$26 million American National Bank & Trust Co. Indeed, merger of the weak Southern Bank of Commerce into the charter bank may well prevent development of a problem

which could easily upset the stability of the present banking situation in Danville.

Having reviewed the proposal in the light of the statutory factors, we find that it is in the public interest and it is therefore approved.

APRIL 1, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Virginia National is the second largest bank in Virginia and the dominant bank in its primary service area which includes Norfolk, the largest industrial area in the State. As of December 13, 1963, assets were \$404,815,000, loans were \$224,996,000, deposits were \$374,191,000 and capital accounts were \$32,747,000. Virginia National presently has 43 banking offices in 20 communities throughout the State of Virginia.

Southern Bank of Commerce is located in Danville, about 195 miles west of Norfolk. As of December 13, 1963, its total assets were \$2,760,000, loans were \$1,578,000, deposits were \$2,230,000 and capital accounts were \$321,000.

Taken by itself, the effect of this proposed merger on competition would not be significantly adverse. However, since 1956 Virginia National has participated in six mergers and consolidations, five of which were consummated in 1963. These mergers have given Virginia National, as of the dates of acquisition, more than \$173 million in deposits and 32 branch offices, or nearly 50 percent of its present deposits and more than 65 percent of its present offices. In addition, an application has recently been filed to merge the First National Bank of Buena Vista, Buena Vista, Va., a bank with resources of \$4,855,000.

It is the cumulative effect of the series of mergers engaged in by Virginia National that is of concern to this Department. It is our view that the overall effect of this series of mergers on competition is adverse since it contributes to the serious trend toward concentration of banking in the State of Virginia by the merger process.

* * *

THE FIRST NATIONAL BANK OF BUENA VISTA, VA., AND THE VIRGINIA NATIONAL BANK, NORFOLK, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Buena Vista, Buena Vista, Va. (9890), with.....	\$4,995,320	1	.....
and Virginia National Bank, Norfolk, Va. (9885), which had.....	394,470,103	43	.....
merged Apr. 3, 1964, under charter and title of the latter bank (9885). The merged bank at the date of merger had.....	399,206,974	.....	44

On January 28, 1964, the \$405 million Virginia National Bank of Norfolk, Norfolk, Va., and the \$4.9 million First National Bank of Buena Vista, Buena Vista, Va., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

The Norfolk-Portsmouth metropolitan area is one of the major service areas of the charter bank and is the state's top-ranking metropolitan area from the standpoint of population, income, and retail sales. With a population of 887,568, the Norfolk area enjoys personal annual income in excess of a billion dollars. Retail sales have increased from \$88 million in 1939 to a record \$563 million in 1958. It is a dynamic, expanding and an increasingly important center of the Eastern Seaboard's economy.

The Virginia National Bank is the second largest bank in Virginia and has 43 banking offices in 20 communities throughout the State. Its customers enjoy, as a necessary concomitant of a well-established, large, efficiently organized bank, all the benefits of a full-service commercial bank. It is able to offer complete commercial banking services and has available the skilled, experienced management to render these services. This has been no small factor in the tremendous growth which Norfolk has enjoyed in the past and can play an ever increasing role in the future economic expansion of the entire State of Virginia.

Buena Vista, location in central Virginia about 125 miles west of Richmond, has a population of 6,300 while surrounding Rockbridge County has 24,039. The major source of income for the area is derived from manufacturing activity. It is estimated that there are 3,650 people of a total work force of 10,370 employed in manufacturing, with the textile industry alone employing 2,850 persons. There were 18 construction, 14 manufacturing, 69 trade, and 27 service establishments in Rockbridge County at the close of the second quarter of 1961. The average per capita income in 1960 for Rockbridge County was \$1,345 while that of the State was \$1,868.

Peoples Bank of Buena Vista, Inc., is the only bank in that city aside from the merging bank. Although it is only a \$2.1 million institution, its affiliation with Financial General Corp., a holding company, makes its competitive ability much stronger than would appear from its total assets. Other competing banks are the \$3.7 million First National Bank of Lexington, Lexington, Va., located 6 miles from Buena Vista (also affiliated with Financial General); the \$7.5 million

Peoples National Bank of Lexington; and the \$7.2 million Rockbridge National Bank of Lexington.

Since Virginia National's closest offices to First National are its two branches in Staunton, 34 miles north of Buena Vista, this merger will not eliminate any cognizable amount of competition. The impact of the merger on other banks in the area will be insignificant as the other banks are either well established and adequately serving their respective communities or are associated with a bank holding company. The resulting bank will certainly offer increased competition to the many nonbanking financial institutions which now serve the area.

The First National Bank of Buena Vista is now operating at a competitive disadvantage since it neither offers a full range of banking services to its community nor possesses a management echelon capable of the leadership required to meet the competitive conditions of our present-day banking markets. The bank resulting from this merger will not only have resources adequate to the needs of the Buena Vista market but will also correct the management deficiencies now harassing the First National Bank. This merger should constitute a constructive contribution toward the solution of the problems of economic stagnation which now afflict the Appalachian region.

Having applied the statutory criteria to the facts of this case, we find that the proposed merger will be in the public interest. The application is therefore approved.

APRIL 2, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Virginia National is the second largest bank in Virginia and the dominant bank in its primary service area which includes Norfolk, the largest industrial area in the State. As of December 13, 1963, assets were \$404,815,000, loans were \$224,966,000, deposits were \$374,191,000 and capital accounts were \$32,747,000. Virginia National presently has 43 banking offices in 20 communities throughout the State of Virginia.

The First National Bank of Buena Vista is located 214 miles northwest of Norfolk and, as of December 13, 1963, had total assets of \$4,855,000, loans of \$2,813,000, deposits of \$4,233,000 and capital accounts of \$471,000.

Standing alone, the effect of this proposed merger on competition may not be significantly adverse. However, since 1956, Virginia National has participated in six mergers and consolidations, five of which were consummated in 1963. These mergers have given Vir-

ginia National, as of the dates of acquisition, more than \$173 million in deposits and 32 branch offices, or nearly 50 percent of its present deposits and more than 65 percent of its present offices. In addition, an application has recently been filed to merge the Southern Bank of Commerce, Danville, Va., a bank with resources of \$2,760,000.

It is the cumulative effect of the series of mergers engaged in by Virginia National that is of concern to this Department. It is our view that the overall effect of this series of mergers on competition is adverse since it contributes substantially to the serious trend toward concentration of banking which is taking place in the State of Virginia by virtue of the merger process.

* * *

THE ROCKINGHAM NATIONAL BANK OF EXETER, EXETER, N.H., AND THE NEW MARKET NATIONAL BANK, NEWMARKET, N.H.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The New Market National Bank, Newmarket, N.H. (1330), with.....	\$3, 640, 775	1	.....
and the Rockingham National Bank of Exeter, Exeter, N.H. (12889), which had.....	9, 570, 223	1	.....
merged Apr. 3, 1964, under charter and title of the latter bank (12889). The merged bank at the date of merger had.....	13, 210, 998	.....	2

COMPTROLLER'S DECISION

On January 1, 1964, the \$9.5 million Rockingham National Bank of Exeter, Exeter, N.H., and the \$3.6 million New Market National Bank, Newmarket, N.H., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

The applicant banks are located in Rockingham County in the southeastern corner of New Hampshire. Exeter, the county seat, has a population of 7,243 and an estimated service area population of 23,000. Situated 8 miles north of the Massachusetts border and 7 miles south of Newmarket, Exeter has a varied industrial economy with promise of greater economic development. It is also the site of Phillips Exeter Academy, one of the country's leading preparatory schools. The naval shipyard at Portsmouth and the Pease Air Force Base, both within 15 miles of Exeter and Newmarket, provide additional economic support for the area.

Newmarket has a population of 3,153 and serves an area of 12,450. Its main industries are shoe manufacturing, textiles and a mica products concern. Both Exeter and Newmarket expect to benefit by the expanded recreational facilities of the coastal towns which are but 10 miles distant.

The general area served by the charter bank encompasses five other banking institutions, the largest of which is the \$16.6 million Exeter Banking Co. The resulting bank, with total resources of \$13.1 million, will be the second largest in the area. Other compet-

ing institutions are the \$2 million Hampton National Bank, Hampton and three cooperative banks with no branches and approximately \$18.5 million in withdrawable assets.

In the Newmarket area, the merging bank has a minimal amount of competition from the \$2.8 million Durham Trust Co. located in Durham, 4 miles north of Newmarket.

The 41 percent growth in the southeastern New Hampshire area in the last decade indicates a demand for banking services that can be met only by vigorous, expanding institutions which will not be restricted by a confining lending limit. A higher lending limit resulting from the merger will enable Rockingham National to meet the area's future demands. The Newmarket area will benefit from the merger, as the merging bank for several years has been forced to lay off a substantial amount of loan paper due to lack of sufficient resources. The merger will remedy this situation, as well as a management succession problem.

There is no effective competition between the applying banks and there will be no adverse effect on banking competition in the area.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

MARCH 26, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Rockingham National Bank of Exeter, Exeter, N.H., as of December 31, 1963, had reported total

assets of \$9,527,000. In Exeter, Rockingham competes with a larger commercial bank and a cooperative bank which has no demand deposits. In Rockingham's claimed service area it competes with three other smaller banks, one of which is a cooperative.

The New Market National Bank at Newmarket, N.H., 7 miles north of Exeter, as of December 31, 1963, had reported total assets of \$3,645,000. It operates in a separate service area. The community of Newmarket has no other bank. The only direct competitor is another bank of comparable size in Durham, 4 miles distant. Competition between Rockingham and New Market apparently exists minimally only on the line dividing their respective service areas.

Rockingham and New Market are controlled by the same holding company, New Hampshire Bank Shares, and the contemplated merger, thus viewed, would not alter the picture substantially except to improve the lending power of the resulting bank. However, New Hampshire Bank Shares, the only bank holding company in the State, which controls seven banks holding 12.8 percent of total commercial bank deposits, will obtain branching advantages to add to its holding company position.

In the circumstances of this case, the combining of holding company and branching advantages in one organization may result in adverse effects upon competition.

* * *

THE DELTON STATE BANK, DELTON, MICH., AND THE FIRST NATIONAL BANK & TRUST CO. OF KALAMAZOO, KALAMAZOO, MICH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Delton State Bank, Delton, Mich., with.....	\$2, 039, 579	1	.....
was purchased Apr. 18, 1964, by the First National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich. (191), which had.....	109, 367, 693	17	.....
After the purchase was effected, the receiving bank had.....	111, 283, 890	.....	18

COMPTROLLER'S DECISION

On February 11, 1964, the \$107 million First National Bank & Trust Co., Kalamazoo, Mich., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$2 million Delton State Bank, Delton, Mich.

The purchasing bank presently operates 11 branches with 6 additional offices approved and under construction in the Kalamazoo area. Competition in the Kalamazoo area is provided by the \$80 million American National Bank & Trust Co., the \$39 million Industrial State Bank, and the \$11 million Home Savings Bank of Kalamazoo.

Kalamazoo, headquarters for the purchasing bank, is a city of 85,000, with a rapidly increasing trading area of 300,000 people. It is located in the southwestern section of Michigan's lower peninsula. Served by excellent transportation facilities, the city has an economy well diversified between industry and agriculture.

The \$2 million selling bank is located 20 miles northeast of Kalamazoo in Delton, a town of 380, in Barry County, Mich. It operates without local competition and provides only limited services. The economy of this area is predominantly agricultural,

although numerous lakes in the area provide resort and recreational activities.

The effect of the addition of \$2 million of assets to the \$107 million now held by the buying bank will be slight in the areas it now serves. Bank competition in Delton, where there are no other banks, comes from two small institutions in Hastings, 18 miles northeast. Consequently, the competitive effect in Delton would be de minimis.

There will be no elimination of competition between the two banks, as the nearest branch of First National is located 14 miles northeast of Delton at Parchment. The public interest will be best served by a local unit of First National which will furnish Delton and the Barry County banking public with extensive trust services, new aggressive management, and a greatly enlarged lending capacity. In addition, a management succession problem, occasioned by the imminent retirement of the president of the Delton bank, will be solved.

Considered in the light of the statutory criteria, we find the application to be in the public interest and the purchase of assets and assumption of liabilities is, therefore, approved.

APRIL 10, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed acquisition of assets and assumption of liabilities of Delton State Bank by the First National Bank & Trust Co. of Kalamazoo will have no competitive impact in the service area of the acquired bank where Delton Bank is now the only commercial bank. It will eliminate little direct competition now existing between the two banks since their service areas show only an insignificant overlap. The competitive posi-

tion of First National in its own service area will be somewhat strengthened, but it is not believed that the other commercial banks competing with First National will be at a significant disadvantage in the combined service area as a result of the proposed acquisition.

Thus, the effect of the proposed acquisition upon competition would not appear to be substantially adverse except that it would add to the position of dominance presently enjoyed by First National.

* * *

THE McDOWELL NATIONAL BANK OF SHARON, SHARON, PA., AND THE FIRST NATIONAL BANK, SHARPSVILLE, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Sharpsville, Sharpsville, Pa. (6829), with.....	\$6, 220, 301	1	.....
was purchased Apr. 18, 1964, by the McDowell National Bank of Sharon, Sharon, Pa. (8764), which had.....	38, 666, 122	3	.....
After the purchase was effected, the receiving bank had.....	43, 456, 637	.....	4

COMPTROLLER'S DECISION

On February 3, 1964, the McDowell National Bank of Sharon, Sharon, Pa., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the First National Bank, Sharpsville, Pa.

The city of Sharon, located in western Pennsylvania at the Ohio border, is in the southwest section of Mercer County. With a metropolitan population of 35,000, Sharon is the commercial center of the Shenango Valley industrial area. The economy in the area is industrial with steel production and fabrication predominating. All of the Shenango Valley is classified as an area of persistent and substantial unemployment. Present unemployment is estimated at 6.8 percent of the total work force.

The \$36 million McDowell National Bank of Sharon with three offices, and three more approved but not opened, is the largest bank with its main office located in the service area. Two larger banks both with main offices in Oil City, Pa., the \$75 million First Seneca Bank & Trust Co. with 12 offices and the \$70 million Northwest Pennsylvania Bank & Trust Co. with 12 offices, have branched into the service area. The First Seneca Bank & Trust Co. has four offices in the city of Sharon with a fifth office in nearby Mercer. In addition there are three other banks ranging from the \$3

million First National Bank of West Middlesex to the \$30 million First National Bank of Mercer County that compete in the purchasing bank's service area.

The Borough of Sharpsville, 4 miles northeast of Sharon, has a population of slightly over 6,000 and has substantially the same socioeconomic makeup as Sharon. Although the \$6 million First National Bank of Sharpsville is the only bank in Sharpsville, the First National Bank of Mercer County, Greenville, Pa., has received permission to establish a branch in Sharpsville. The selling bank is not competitive. For example, it has lost substantial deposits in the last 5 years because it pays only 1 percent interest on passbook accounts. The purchasing bank currently pays 3 percent on savings deposits. The increased competitive situation created by the presence of the above-mentioned branch will exert continued and increasing pressure on the deposits and activity of the First National Bank. The purchase will be of direct benefit to the depositors by increasing the interest rates on time deposits, and to the public, by the establishment of a vigorous competitive banking community in Sharpsville. A management succession problem in the selling bank will be solved, and full banking services, as well as efficient trust services will be available to the Sharpsville area.

In applying the statutory criteria to the proposed purchase of assets and assumption of liabilities, we con-

clude that it will be in the public interest. The application is therefore approved.

APRIL 10, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

In this transaction the bank which is the largest in terms of the banking business conducted in the southwest portion of Mercer County proposes to purchase this area's sixth largest bank. There is presently existing between these banks a fair degree of competition which would, of course, be eliminated by this transaction. It would also remove another apparently viable independent bank from an area that has already seen the disappearance of several independents.

After purchase of the Sharpsville bank by McDowell, the resulting bank would account for about 30 percent

of the banking business in southwest Mercer County and, together with the next two banks, would account for about 75 percent thereof. This appears to be a high degree of concentration. However, the third and fifth banks are much larger than McDowell in terms of overall business, while the smallest bank is allegedly owned in part by officers and directors of the second bank. There would, therefore, not appear to be unusual disparity in size among these banks. Three of the five existing independent banks in Mercer County which operate outside McDowell's service area would not appear to be directly affected by this transaction, although they may find it increasingly expedient to merge with other banks in the county.

It is our conclusion that the probable effect of this transaction on competition will be adverse.

* * *

THE FIRST NATIONAL EXCHANGE BANK OF VIRGINIA, ROANOKE, VA., AND THE FIRST NATIONAL BANK OF LEBANON, LEBANON, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Lebanon, Lebanon, Va. (6886), with	\$8, 513, 321	1	
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737),	205, 164, 466	19	
which had			
merged Apr. 24, 1964, under charter and title of the latter bank (2737).	213, 427, 071		20
The merged bank at the date of merger had			

COMPTROLLER'S DECISION

On March 9, 1964, the \$202 million First National Exchange Bank of Virginia, Roanoke, Va., and the \$9.1 million First National Bank of Lebanon, Lebanon, Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Roanoke, with a population of about 100,000 inhabitants, is the fourth largest city in the Commonwealth and the industrial and trade center of southwest Virginia. In addition to the charter bank, the banking needs of the city are also served by the \$53.5 million Colonial American National Bank and the \$40.8 million Mountain Trust Co. A branch of the \$184.2 million Bank of Virginia in Roanoke and banks in Salem, adjoining Roanoke, complete the competitive banking structure of the Roanoke city area.

Lebanon, seat of Russell County, is about 150 miles southwest of Roanoke in southwest Virginia. The town has a population of 2,000 in a trade area of 30,000 dependent on farming, i.e., tobacco and beef

cattle, for 75 percent of its income, and on coal mining for the other 25 percent. From 1950 to 1960, the population of Lebanon increased from 675 to 2,000 inhabitants due largely to the construction of a large coal generating plant of Appalachian Power Co. in the area. A local garment manufacturing plant employs about 350 women.

Until recently the First National Exchange Bank of Virginia operated solely in Roanoke. In recent years, however, the bank has grown from \$107 million in total resources to \$202 million principally through the acquisition of banks throughout Southwestern Virginia. As a result of the transition from a local to a regional bank, the First National Exchange Bank of Virginia now competes more effectively with other regional and statewide banking institutions such as First & Merchants National Bank, Virginia National Bank, United Virginia Bank Shares, a registered bank holding company system, the Wachovia Bank & Trust Co., the North Carolina National Bank, and the Bank of Virginia.

Although the First National Bank of Lebanon is the only bank in Lebanon, it competes with two other banks in Russell County, namely, the \$3.9 million First National Bank in Honaker, and the \$2.1 million Bank of Russell County, at Cleveland. It has no trust department, and has traditionally adhered to very conservative lending policies, referring larger loans to the Production Credit Association at Abingdon, a government lending agency.

The two applicant banks are not competitors since the nearest offices of the charter bank are its three branches in Bristol, about 35 miles southwest of Lebanon. The resulting bank will bring to the merging bank's area trust services, a higher lending limit, more liberal lending policies, and the benefits of the farm credit service department of the charter bank. The entry of a large, full-service, regional bank into Russell County will stimulate the local economy by providing a larger, more liberal source of funds for local development.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is, therefore, approved.

APRIL 23, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Exchange Bank, one of the largest banks in the State of Virginia, with assets of \$202 million, seeks to acquire First National Bank of Lebanon, a bank with assets of \$9 million, located in a small community in southwestern Virginia. In the span of a few short years, Exchange Bank has expanded its operations by acquiring six banks, four of which are located on a line running southwest from Roanoke to Bristol. These acquisitions have given Exchange Bank a substantial foothold into an area which traditionally enjoyed the competition of many small- and intermediate-size institutions. The proposed acquisition is but another in a series of bank acquisitions in southern Virginia. Such a merger movement can only add to the rapid trend toward concentration of banking assets in the State of Virginia. In turn, it can only decrease the competitive viability of smaller independent banks, to the detriment of long-range competition in the area. The proposed acquisition will have an adverse effect upon competition and the effect on competition of continuing acquisitions by the acquiring bank will be seriously adverse.

* * *

THE FIRST NATIONAL EXCHANGE BANK OF VIRGINIA, ROANOKE, VA., AND THE FIRST NATIONAL BANK OF RICHLANDS, RICHLANDS, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Richlands, Richlands, Va. (10850), with.....	\$14, 372, 920	1	.....
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had.....	191, 263, 269	18	.....
merged Apr. 24, 1964, under charter and title of the latter bank (2737). The merged bank at the date of merger had.....	205, 164, 466	.....	19

COMPTROLLER'S DECISION

On March 9, 1964, the \$202 million First National Exchange Bank of Virginia, Roanoke, Va., and the \$14.5 million First National Bank of Richlands, Richlands, Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Roanoke, with a population of about 100,000, is the fourth largest city in the Commonwealth and the industrial and trade center of southwest Virginia. In addition to the charter bank, the banking needs of the city are also served by the \$53.5 million Colonial American National Bank and the \$40.8 million Mountain

Trust Co. A branch of the \$184.2 million Bank of Virginia in Roanoke and the banks in Salem, adjoining Roanoke, complete the competitive banking structure of the Roanoke City area.

Richlands, a town of about 5,000 some 160 miles west of Roanoke, is located in Tazewell County on the West Virginia border. Located in the large geographic area known as Appalachia, it is experiencing acute depression brought about by mechanization and automation of the coal mining industry. Although Inland Creek Coal Co. and Republic Steel Co. are expanding deep mining facilities in the area, these operations will be automated, employing skilled persons with little absorption of the local unskilled labor supply.

Feeder cattle grazing and tobacco farming add little to the economy.

Until recently, First National Exchange Bank operated solely in Roanoke. Since 1960, however, the bank has grown from \$107 million in total resources to \$202 million principally through the acquisition of banks throughout southwest Virginia. As a result of the transition from a local to a regional bank, First National Exchange Bank now competes more effectively with other regional and statewide banking institutions such as First & Merchants National Bank, Virginia National Bank, United Virginia Bankshares, a registered bank holding company system, the Wachovia Bank & Trust Co., the North Carolina National Bank and the Bank of Virginia.

The First National Bank of Richlands has been active in its area in financing local businesses, consumer lending and mining equipment loans. This bank is one of six banks in Tazewell County and averages about 40 percent of loan volume and 31 percent of deposits in the area. Management, however, is concentrated in the hands of the president who will soon be 70 years old and there is no experienced successor to replace him. This lack of successor management has motivated the board of directors to consider the merger with the Roanoke bank in order to have access to its pool of young, trained executive personnel.

The two applicant banks are not competitors. Consummation of the proposed merger will neither reduce competition nor adversely affect the banking structure of the areas served by either bank. On the contrary, the resulting bank will dispose of the merging bank's

management succession problem and improve banking services and general economic conditions in Tazewell County by making available greater resources of credit capable of financing economic progress in the area.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is, therefore, approved.

APRIL 23, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Exchange Bank, with home offices in Roanoke, has 18 offices and \$202 million in assets. It now seeks to acquire an independent bank with assets of \$14,451,000 located in the city of Richlands, 162 miles west of Roanoke. In a companion application, Exchange Bank is seeking approval to acquire another small bank in Lebanon, 28 miles from Richlands.

Since 1960, Exchange Bank has acquired six banks, four of which are located on a line running southwest from Roanoke to Bristol. These acquisitions have given Exchange Bank a substantial foothold into an area which traditionally has enjoyed the competition of many small- and intermediate-size banks. The proposed acquisition is but another in a series of bank acquisitions in southern Virginia. Such a merger movement can only add to the rapid trend toward concentration of banking assets in the State of Virginia. In turn, it can only decrease the competitive viability of smaller independent banks, to the detriment of long-range competition in the area. We therefore conclude that the proposed acquisition will have an adverse effect upon competition.

* * *

THE WINCHESTER NATIONAL BANK, WINCHESTER, N.H., AND THE CHESHIRE NATIONAL BANK OF KEENE, KEENE, N.H.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Winchester National Bank, Winchester, N.H. (887), with	\$2, 268, 050	1	.....
was purchased Apr. 24, 1964, by the Cheshire National Bank of Keene, Keene, N.H. (559), which had	8, 650, 166	1	.....
After the purchase was effected, the receiving bank had	10, 644, 215	.....	2

COMPTROLLER'S DECISION

On January 29, 1964, the \$8.6 million Cheshire National Bank of Keene, Keene, N.H., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$2.2 million Winchester National Bank, Winchester, N.H.

Keene, the site of the acquiring bank and the county seat of Cheshire County, has a population of 17,562. The city is the primary retail sales center for the greater part of southwestern New Hampshire. The service area economy of the Cheshire National Bank is predominantly based on light industry, with farming and lumbering of somewhat lesser importance.

Winchester, in which the selling bank is located, is approximately 14 miles southwest of Keene in Cheshire County and less than 5 miles north of the Massachusetts State border.

Its economy is based upon retail sales and light industries of long standing in the area. The Winchester population of 2,411, together with the entire economic structure of the community, has shown little change over the past 20 years. This stagnation is due in no small part to the inadequate banking facilities at present available to residents and prospective industries.

Elimination of competition will be negligible, since the service areas of the present banks do not overlap. Competition will instead be strengthened throughout all of southwestern New Hampshire, as the resulting bank will be better able to compete effectively with other financial institutions in the area. In addition to three commercial banks in the area, one of which is larger than the resulting bank, there are at present two mutual savings banks, with withdrawal balances of \$26 and \$12 million respectively, a cooperative bank, an active savings and loan association, several credit unions, and six personal loan companies. These institutions are, for the most part, aggressive, well-managed, and better able to meet the economic needs of the communities.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is, therefore, approved.

MARCH 31, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Cheshire National Bank of Keene, Keene, N.H., with resources of \$8,650,165, proposes to purchase the assets and acquire the liabilities of the Winchester National Bank, Winchester, N.H., with resources of \$2,268,049.

Winchester National's very modest size, plus the static economic condition prevailing in its area, taken together with the fact that the acquisition would eliminate little direct competition between the participating banks, tend to minimize the anticompetitive effects of the proposed merger. On the other hand, the substantial increase in the percentage of deposits and loans held by Cheshire National, the advance of Cheshire from second to the position of the largest bank in the area, the resulting high level of concentration and the fact that the merger would leave the Winchester area without an independent bank lead to the conclusion that the effect of the proposal upon competition would be adverse.

* * *

PEOPLES NATIONAL BANK & TRUST CO. OF BAY CITY, BAY CITY, MICH., AND STATE BANK OF LINWOOD, LINWOOD, MICH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
State Bank of Linwood, Linwood, Mich., with.....	\$3, 542, 358	1	.....
and Peoples National Bank & Trust Co. of Bay City, Bay City, Mich. (14641), which had.....	99, 150, 775	7	.....
merged Apr. 25, 1964, under charter and title of the latter bank (14641). The merged bank at the date of merger had.....	102, 693, 133	.....	8

COMPTROLLER'S DECISION

On February 28, 1964, the \$101 million Peoples National Bank & Trust Co. of Bay City, Bay City, Mich., and the \$3.6 million State Bank of Linwood, Linwood, Mich., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Bay City, with a population of about 55,000 inhabitants, is the retail and wholesale center of a service area of about 88,000. It is located approximately 100 miles north of Detroit in the northeast portion of an

area known as the Saginaw-Bay City-Midland region, and is served by the port of Bay City, which, in terms of gross tonnage, is one of the principal ports on the Great Lakes. Industry in Bay City is diversified and includes the manufacturing of such products as cranes, naval vessels, freighters, power shovels, and automobile parts. The Chevrolet Division of General Motors is the largest employer in the area. Surrounding Bay City on the east, south, and southwest is a rich agricultural section producing large quantities of sugarbeets, potatoes, beans, and cantaloups.

Linwood, located in the same trade area as Bay City, is about 13 miles north of Bay City. The economy of the area is primarily agricultural, producing crops of sugarbeets, beans, wheat, and cucumbers. A large number of its inhabitants commute to Bay City, Midland, and Saginaw to work in the plants of Dow Chemical and General Motors.

The charter bank is a full-service institution, operating five branches in the Bay City area and one branch, Pinconning, about 22 miles north of the main office. It is the largest of the three commercial banks in the area. The other commercial bank in Bay City, the \$25 million Bay City Bank, has two branches.

The merging bank is the only bank in Linwood. It offers neither trust services nor consumer credit. Moreover, it suffers a management problem.

The proposed merger will be of primary benefit to the Linwood area public. Whereas the bank in Linwood is too small to serve the needs of the area, the resulting bank will bring modern banking services to the community and will act as a stimulant to the local economy. In addition to making trust services and expanded commercial and consumer credit available, the consummation of the proposed merger will solve the management succession problem facing the merging bank.

As there is very little competition between the charter and merging banks, the merger will not alter the competitive banking structure in the Bay City area to any significant degree. Bay City Bank, and a local savings and loan association with withdrawable accounts of \$40 million, will continue to offer competition.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is, therefore, approved.

APRIL 24, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger of State Bank of Linwood, Linwood, Mich., into Peoples National Bank & Trust Co. of Bay City, Bay City, Mich., would eliminate some competition presently existing between the two banks. More significantly, it would increase National Bank's share of total IPC deposits to 80 percent and of loans and discounts to 77 percent, thus seriously threatening the only other bank now competing with National Bank in the Bay City area.

Because of the cumulative effect of prior mergers in the Bay City area and the excessive concentration already existing there, the effect of the proposed merger between these two banks would appear to be seriously adverse to competition.

* * *

THE PENNSYLVANIA NATIONAL BANK & TRUST CO. OF POTTSVILLE, POTTSVILLE, PA., AND THE UNION NATIONAL BANK OF MAHANOHY CITY, MAHANOHY, PA.

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Union National Bank of Mahanohy City, Mahanohy City, Pa. (3997), with . . .	\$13,951,362	2	.....
and the Pennsylvania National Bank & Trust Co. of Pottsville, Pottsville, Pa. (1663), which had . . .	37,526,608	7	.....
merged May 8, 1964, under charter and title of the latter bank (1663). The merged bank at the date of merger had . . .	51,477,970	.....	9

COMPTROLLER'S DECISION

On February 24, 1964, the \$36 million Pennsylvania National Bank & Trust Co. of Pottsville, Pottsville, Pa., and the \$13 million Union National Bank of Mahanohy City, Mahanohy City, Pa., applied to the Comptroller of the Currency to merge under the charter with the title of the former.

The applicant banks are located in Schuylkill County, Pa., approximately 90 road miles northwest of Philadelphia. The economy of Schuylkill County

was long dominated by the mining of anthracite coal. When this industry began to suffer a decline some 30 years ago, the local economy suffered. Accordingly, the population of Schuylkill County has declined from 228,331 in 1940 to 173,027 at the present time. However, great efforts have resulted in the development of a diversified economy. Aluminum processing, the fabrication of steel products and cigar manufacturing are now major industries.

The Charter Bank's head office is located in Pottsville, the seat and largest city, population 21,659 of

Schuylkill County. It operates 5 in-county branches and 1 branch in Columbia County. At present, it competes aggressively with the 25 banks located within the trade area which closely approximates the boundaries of Schuylkill County.

The \$13 million Merging Bank has its head office in Mahanoy City some 13 miles from Pottsville. Broad Mountain is situated directly between these two cities and its barrier effect tends to sever them from each other. The result is that virtually no competition exists between the two banks.

Mahanoy City experienced a population decline to 8,536 from 10,934 in the past decade. It is estimated that 1,400 of its present inhabitants receive some form of public assistance. This picture is brightened by the employment of 1,000 men in the surrounding coal fields and 540 in a cigar plant.

The Charter Bank has actively participated in the strenuous efforts being made to develop new industry in the area. Twenty-five percent of its loan portfolio is in local industrial and commercial loans as against 3 percent for the Merging Bank. Because of its lending limit the Charter Bank has been forced to participate three recent loans.

The \$50 million Resulting Bank will continue to operate the Merging Bank's two offices as branches. The merger will also provide a stronger local bank to meet the intense competition which will be introduced by the merger of the small Schuylkill Trust Co. into the \$198 million Berks County Trust Co. whose home office is Reading, Pa. It will solve the acute management problem now facing the Merging Bank. Its three executive officers have all passed retirement age and now wish to retire.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is therefore approved.

MAY 1, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

This proposal would extend Pennsylvania National's service area to all of Schuylkill County, Pa., and would give it a countywide dominance. Moreover, the survival of the American Bank, Union's only competitor in Mahanoy City, as a vital competitive factor would be greatly jeopardized. The proposed merger would appear to have a significantly adverse effect upon competition.

* * *

LAFAYETTE NATIONAL BANK, LAFAYETTE, IND., AND THE BANK OF DAYTON, DAYTON, IND.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank of Dayton, Dayton, Ind., with.....	\$1,385,916	1	.....
was purchased May 9, 1964, by Lafayette National Bank, Lafayette, Ind. (14175), which had.....	46,905,000	4	.....
After the purchase was effected, the receiving bank had.....	48,429,000	.....	5

COMPTROLLER'S DECISION

On March 4, 1964, the \$46.9 million Lafayette National Bank, Lafayette, Ind., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$1.9 million Bank of Dayton, Dayton, Ind.

Lafayette, with a population in excess of 42,000 inhabitants, is the hub of the rich agricultural area of northern Indiana. Adjacent West Lafayette has a permanent population of over 12,000 inhabitants and a student population of 15,000 attending Purdue University. While the economy of Lafayette is based primarily on agriculture, some 15 industries contribute to

its viability. In addition to the purchasing bank, Lafayette is served by the \$49.7 million Purdue National Bank of Lafayette, the \$22.9 million Lafayette Loan & Trust Co., and the \$13.5 million Lafayette Savings Bank.

Dayton, located about 8 miles southeast of Lafayette, has a population of about 500 inhabitants who depend primarily on agriculture for their livelihood. Some residents of Dayton commute to and work in industrial plants in nearby Lafayette.

The Lafayette National Bank operates two branches in Lafayette, one branch in West Lafayette, and has an additional branch under construction in West Lafay-

ette. With adequate capital and strong management, it offers a full line of banking services.

The Bank of Dayton operates no branches and is the only bank in Dayton. Nearly all its customers are residents of Dayton and the surrounding agricultural area. The lack of successor management personnel qualified to operate the bank is one of the principal reasons prompting its board of directors to approve the sale.

As there is virtually no competition between Lafayette National Bank and the Bank of Dayton, the effect of the purchase and assumption on the area banking structure will not be noticed; the buying bank will remain the second largest bank in Lafayette. A significant change will, of course, take place in Dayton where the selling bank will be replaced by a well-run branch bank offering modern, low-cost, banking services and assistance in community promotion. Among the services which will be offered in Dayton for the first time will be consumer loans of all kinds, trust services, more efficient handling of items, and in-

creased credit supplied by the much greater capital structure of the purchasing bank.

Applying the statutory criteria to the proposed purchase and assumption, we conclude that it is in the public interest and the application is therefore approved.

May 1, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The acquiring bank, Lafayette National, with 25.8 percent of total IPC deposits and 24.2 percent of total loans, is the second largest bank in its service area which comprises Lafayette and West Lafayette Counties. The bank of Dayton is a unit bank located in a town of 503 population some 8 miles from Lafayette. The competition between the participating banks appears to be minimal and the proposed acquisition of the Bank of Dayton by Lafayette National will not significantly affect the latter's market position.

The effect of the proposed purchase of assets and assumption of liabilities on competition will not be significantly adverse.

* * *

FIRST NATIONAL BANK & TRUST CO. IN WAYNESBORO, WAYNESBORO, PA., AND THE FIRST NATIONAL BANK, BLUE RIDGE SUMMIT, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Blue Ridge Summit, Blue Ridge Summit, Pa. (12281), with	\$4, 432, 923	1	.....
and First National Bank & Trust Co. in Waynesboro, Waynesboro, Pa. (11866), which had	19, 757, 539	1	.....
merged May 9, 1964, under the charter and title of the latter bank (11866).	24, 190, 461	.....	2
The merged bank at the date of merger had			

COMPTROLLER'S DECISION

On March 4, 1964, the \$20.1 million First National Bank & Trust Co. in Waynesboro, Waynesboro, Pa., and the \$4.4 million First National Bank of Blue Ridge Summit, Blue Ridge Summit, Pa., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title, "First National Bank and Trust Company."

Waynesboro is a community of 10,600 which serves an estimated additional population of 10,000 within a 10-mile radius. It is an industrial and commercial trade center in an agricultural region in southern Pennsylvania.

Blue Ridge Summit is a small mountain community

located about 6 miles southeast of Waynesboro. It has a population of 500 permanent residents augmented during the summer months by tourists from Baltimore and Washington. The community is included in the general trade area of Waynesboro. Nearby Fort Ritchie maintains large numbers of military personnel and their families who contribute to the local economy.

The First National Bank & Trust Co. is a full-service bank and the larger of two commercial banks in Waynesboro. It also experiences competition in its trade area from larger banks in Chambersburg, Pa., and in Frederick and Hagerstown, Md. Other banks in Mont Alto, Pa., and Greencastle, Pa., offer additional competition.

The merging bank is the only bank in Blue Ridge Summit. With a lending limit of \$30,000, the bank has, in recent years, participated in a number of loans with the charter bank. It offers no trust services.

Although some competition between the two banks will be eliminated by the merger, there will be no tendency toward monopoly since the resulting institution will still face competition from banks in Waynesboro and in surrounding communities. Bank services in the merging bank's trade area will be improved through the introduction of trust services, consumer credit, and a higher lending limit. Moreover, operating efficiencies will be achieved by both banks through the joint use of equipment. The pooling of managerial personnel will meet a latent succession problem beginning to appear in both banks.

Applying the statutory criteria, we conclude that the merger is in the public interest and, therefore, the merger is approved.

May 1, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The First National Bank & Trust Co. in Waynesboro, the town's largest bank with assets of over \$20 million, deposits of over \$16 million and loans of over \$9 million, proposed to acquire the First National Bank of Blue Ridge Summit, the only bank in a town 6 miles distant from Waynesboro. The latter had, as of December 31, 1963, total assets of \$4,366,000, total deposits of \$4,008,000, and net loans and discounts of \$1,987,000. Both banks operate no branches, provide normal banking services on a relatively limited scale, except that the latter does not maintain a trust department.

The merger would eliminate competition between the merging banks and increase the dominant position of the Waynesboro bank in the immediate service area. However, a number of banks will remain as alternate sources of banking services in Waynesboro and surrounding areas. The effect of the merger on competition in the Waynesboro area would be adverse but in the larger areas not substantially adverse.

* * *

CHERRY HILL NATIONAL BANK, CHERRY HILL, N.J., AND FIRST CAMDEN NATIONAL BANK & TRUST CO., CAMDEN, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Cherry Hill National Bank, Cherry Hill, N.J. (14936), with.....	\$7, 424, 859	3	.....
and First Camden National Bank & Trust Co., Camden, N.J. (1209), which had.....	169, 477, 653	13	.....
merged May 15, 1964, under charter and title of the latter bank (1209). The merged bank at the date of merger had.....	176, 902, 512	.....	16

COMPTROLLER'S DECISION

On March 12, 1964, the \$175.8 million First Camden National Bank & Trust Co. of Camden, Camden, N.J., and the \$8.9 million Cherry Hill National Bank, of Cherry Hill, N.J., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Camden County, in which the applicants are situated, forms part of the metropolitan Philadelphia complex. The county has enjoyed a rapid industrial and residential expansion in the past decade. The city of Camden, population 117,000 while following the national urban pattern of decreasing population, is a highly diversified and important industrial center with excellent transportation, manufacturing, and maritime

facilities. Cherry Hill, a residential suburb of the city of Camden, has exhibited excellent growth over the past decade with its population increasing from 12,000 to 40,000. Cherry Hill Mall, a regional shopping center situated in Cherry Hill, has attracted national attention and has been instrumental in bringing both new business and new residents to the township. Prospects for further expansion in the area seem favorable.

The charter bank, a regional bank with 10 offices located in Camden County and 1 in Philadelphia, serves that half of the metropolitan Philadelphia area comprised of Philadelphia and 3 adjacent New Jersey counties. A highly competitive banking structure has evolved in that area with 53 commercial banks, ranging in size from the \$1.46 billion First Pennsylvania Banking & Trust Co. to the \$1.2 million Marian Bank

& Trust Co., and hundreds of nonbank financial institutions, such as savings and loan associations, insurance companies, and sales finance companies.

The merging bank, with its two branches, is the smallest unaffiliated bank serving Cherry Hill and adjacent communities. Until recently, the merging bank's excellent location in Cherry Hill Mall enabled it to withstand strong competitive pressures from the Camden Trust Co., the largest bank in southern New Jersey, which heretofore had only one branch situated on the periphery of Cherry Hill. Due to a pending acquisition, however, Camden Trust Co. will soon have two more branches operating in Cherry Hill, thus transforming the present competitive structure. The proposed merger should restore the competitive balance.

Competition between the applicants is minimal. The charter bank has retained or acquired the business of those primarily interested in the special services of a regional bank while the merging bank has acquired the business of those primarily interested in the convenience of a local bank. This latter category includes the residents and smaller commercial establishments in the Cherry Hill area.

While the merging bank has been an aggressive, competing element in the banking structure of its area, it has been unable to provide adequately for the pressing demands resulting from the extraordinary growth of its community. The bank has been unable to respond to numerous demands for loans in excess of its present lending limit of \$60,000. Its small resources have inhibited new, convenient financing and trust services, as well as expanded housing loans.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is, therefore, approved.

MAY 13, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

First Camden was established in 1812 and is the second largest of 10 banks in Camden County, being only slightly smaller than the Camden Trust Co. It has 10 offices in Camden County and 1 in Philadelphia and, as of December 31, 1963, had total assets of \$175,898,000, total deposits of \$156,376,000, net loans and discounts of \$100,082,000, and total capital accounts of \$10,415,000.

Cherry Hill National, chartered in 1961, has three banking offices, all of which are located in Cherry Hill. As of December 31, 1963, it had total assets of \$8,951,000, total deposits of \$7,822,000, net loans and discounts of \$4,541,000, and total capital accounts of \$784,000.

Commercial banking in Camden County is already highly concentrated, with First Camden and Camden Trust Co. holding 74.19 percent of the deposits and 80.98 percent of the loans held by all banks in the county. In addition, these two banks have 23 of the 42 banking offices presently located in the county.

In view of the direct competition which would be eliminated and the increase in the already high level of concentration in Camden County banking which would result, it is our opinion that the effect of the proposed merger on competition would be seriously adverse.

* * *

FIRST BANK & TRUST CO., NATIONAL ASSOCIATION, FORDS, N.J., AND WOODBRIDGE NATIONAL BANK, WOODBRIDGE, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Woodbridge National Bank, Woodbridge, N.J. (14378), with	\$24, 786, 119	3	
and First Bank & Trust Co., National Association, Fords, N.J. (15255), which	65, 568, 994	3	
had,			
merged May 15, 1964, under the charter and title of the latter bank (15255).	85, 733, 774		6
The merged bank at the date of merger had			

COMPTROLLER'S DECISION

On March 11, 1964, the \$59.8 million First Bank & Trust Co., National Association, Fords, N.J., and

the \$25.3 million Woodbridge National Bank, Woodbridge, N.J., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Fords, with a population in excess of 12,000, and Woodbridge Township, with an estimated population of 80,000, are located in the densely populated northern portion of Middlesex County, N.J., about 25 miles from New York City. Fast commuter train service and accessibility to the New Jersey Turnpike and the Garden State Parkway permit a large number of people in this area to work in New York, and contribute to the area's residential and industrial growth. Such national industries as metals, chemicals, electronics, and petroleum processing furnish employment to many local inhabitants.

First Bank & Trust Co., National Association, a full-service institution with a branch in Perth Amboy and another in the town of Avenel, is the largest of 20 commercial banks in Middlesex County. Competition in the county stems from 18 other banks with 37 offices, exclusive of those of the merging bank. The charter bank holds about 13.1 percent of county deposits, while its largest competitors the \$49.2 million First National Bank of Middlesex County, South River, and the \$50.6 million National Bank of New Jersey, New Brunswick, hold 11.3 and 10.9 percent of deposits, respectively.

Woodbridge National Bank, operating one branch at Avenel and another at Islin, maintains its home office in Woodbridge, about 2.4 miles from Fords. Approximately 99 percent of the merging bank's stock is owned by the bank's president, whose family has the controlling interest in the charter bank. The same man is also the president of the charter bank. Prior to the stock acquisition by the present owner, the merging bank had been reluctant to offer a full line of banking services, and although it had trust powers, it did not exercise them.

Since the participating banks are already on a co-operative basis due to their common ownership, consummation of the proposed merger will hardly reduce competition between them. No adverse effects of this proposal are foreseeable in view of the extensive competition from numerous other commercial banks in the same and adjoining counties. Moreover, 2 savings banks with deposits aggregating \$134.9 million and 14 savings and loan associations with share accounts of \$86 million afford substantial additional competition.

The resulting bank will realize significant savings through more efficient use of bank operations and man-

agement. Consequently, it will be in a better position to serve the expanding industrial and commercial needs of one of the fastest growing counties in New Jersey.

Applying the statutory criteria to the above facts, we conclude that the proposed merger is in the public interest, and, the application is therefore approved.

MAY 13, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

First Bank & Trust Co. is the largest bank in its service area. As of January 31, 1964, its assets were \$59,802,997, deposits \$53,695,800, and loans and discounts \$28,234,261.

Woodbridge National Bank is located 2.4 miles from First Bank & Trust Co. As of January 31, 1964, its assets were \$25,340,724, deposits \$22,988,450, and loans and discounts \$9,859,952.

The application states direct competition between the two banks is not substantial, based on the fact that the president of First Bank & Trust Co. purchased approximately 99 percent of the stock of Woodbridge National Bank in January of 1964. This Department cannot accept the premise that because of this stock purchase direct competition which may have existed prior to such stock purchase is no longer relevant.

The application contains no data relating to common depositors or borrowers, nor any data reflecting the deposits and loans each bank obtained from the service area of the other. It is obvious, however, that substantial competition would exist between the merging banks, except for common ownership. The effect of the merger would, of course, eliminate this competition for all time.

The application lists 20 banks (including the participating banks) in Middlesex County, which the application states is the major competitive area. First Bank & Trust Co. is presently the largest of these banks and after the proposed merger the resulting bank will be roughly double the size of the number two bank, measured by deposits and loans. Its present competitive advantage over each of these banks in Middlesex County will be sharply enhanced after the proposed merger.

It is our view that the effect of this proposed merger on competition will be substantially adverse.

* * *

THE CAROLINA BANK, GRANITEVILLE, S.C., AND THE CITIZENS & SOUTHERN NATIONAL BANK OF SOUTH CAROLINA, CHARLESTON, S.C.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Carolina Bank, Graniteville, S.C., with.....	\$2, 432, 227	2	.....
and the Citizens & Southern National Bank of South Carolina, Charleston, S.C. (14425), which had.....	167, 853, 862	26	.....
merged May 23, 1964, under the charter and title of the latter bank (14425). The merged bank at the date of merger had.....	170, 155, 052	.....	28

COMPTROLLER'S DECISION

On March 16, 1964, the \$164.8 million Citizens & Southern National Bank of South Carolina, Charleston, S.C., and the \$2.5 million Carolina Bank, Graniteville, S.C., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

The charter bank operates in three principal areas comprising 12 communities in South Carolina: The Charleston area, with a population of 230,000, is located in the southeastern section of the State; the Columbia area, with a population of 200,000, is located in the central section; and the Spartanburg area, with a population of 157,000, is located in the northwestern section. Since the charter bank operates offices throughout the greater portion of the State, its area of activity has a diversified economic base which has been changing from an agricultural to an industrial orientation. Federal Government activity is an important factor in the economy of the Charleston and Columbia areas, while in the Spartanburg-Florence area, the economy is based on agriculture and industry.

The merging bank is located in Graniteville, which is an unincorporated community near Augusta, Ga., in the western portion of South Carolina with a service area population of 7,500. Its economy is based primarily on the textile industry which employs more than 2,000 area residents.

The charter bank is the second largest bank in South Carolina, operating 7.3 percent of the State's commercial banking offices and holding 12.6 percent of the total deposits. It is approximately one-half the size of the State's largest bank and twice the size of the third largest bank. The charter bank's offices closest to the merging bank are 75 miles away in the Columbia area. There are no known common deposit or loan accounts and neither bank has shared nor placed any loans with the other during the preceding year.

Although the merging bank is the only bank in Graniteville, its small size puts it at a competitive disadvantage with larger banks located in Aiken, S.C., and Augusta, Ga., 6 and 11 miles distant, respectively. In addition, savings and loan associations, sales finance and personal loan companies, life insurance companies, credit unions and direct lending agencies of the Government presently offer competition in the service areas of the merging and charter bank. Considering the proximity of other banks as well as the presence of these institutions, alternative sources of credit are readily available to the residents.

Primary benefit to the residents of the Graniteville-North Augusta area will be the addition of an aggressive, efficiently run, full-service bank, operated by experienced and competent management. The modern, automated equipment and efficient operating procedures of Citizens should substantially lower service costs to the customers of the bank. The residents will also benefit from the trust department services of the charter bank since trust services are not presently being offered by the merging bank.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is, therefore, approved.

MAY 14, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Citizens & Southern is the second largest of 4 statewide commercial banks in South Carolina with about 14 percent of the State's deposits and 24 offices located in 7 different areas in the State. At the present time it has pending a separate application to merge with a unit bank in northeast South Carolina. Carolina Bank has two offices located in Graniteville and North Augusta, S.C., respectively, about 60 miles southwest of Citizens & Southern's nearest offices in Columbia, S.C. Its total deposits are \$2,192,000, less

than 1 percent of the total deposits of all banks in the State.

There appears to be no actual competition between the merging banks due to the distance which separates their respective offices. Carolina Bank is the only bank in Graniteville, but its branch in North Augusta faces competition from North Augusta Banking Co., which operates the only other bank office in that community. The merger, therefore, would subject North Augusta Banking Co., with deposits of only \$4,338,000,

to direct competition with a branch of the much larger Citizen & Southern system. At the same time it would constitute one more step in a series of acquisitions by the four largest South Carolina banks which threatens to transform the State's banking industry into a small number of giant, statewide institutions.

We conclude that the proposed merger, standing alone, would not have a significant adverse effect upon competition but as part of a trend toward further concentration is adverse.

* * *

THE CITIZENS & SOUTHERN NATIONAL BANK OF SOUTH CAROLINA, CHARLESTON, S.C., AND CITIZENS BANK OF DARLINGTON, DARLINGTON, S.C.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens Bank of Darlington, Darlington, S.C., with	\$5, 611, 686	2	.....
and the Citizens & Southern National Bank of South Carolina, Charleston, S.C. (14425), which had	170, 155, 052	28	.....
merged May 23, 1964, under charter and title of the latter bank (14425).	175, 735, 790	.....	30
The merged bank at the date of merger had			

COMPTROLLER'S DECISION

On March 19, 1964, the \$166.5 million Citizens & Southern National Bank of South Carolina, Charleston, S.C., and the \$5.7 million Citizens Bank of Darlington, Darlington, S.C., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Charleston, with a population of 66,000, located in Charleston County with a population in excess of 216,000, is an important South Atlantic port and military center. Its excellent harbor facilities attract considerable international trade and provide a repair station for both commercial and naval ships. Large quantities of the State's agricultural products and seafoods are marketed in Charleston. The pace of industrial activity is reflected in the doubling of the value of manufactured products during the past 10 years.

Darlington, seat of Darlington County, is located in the northeastern part of the State. Its population is in excess of 6,700 and the county population is over 53,000. Industry in Darlington consists of an electronics manufacturing plant, employing about 1,100 people, a paper-cup plant, a veneer plant, and a small manufacturer of women's apparel. The surrounding rural area is devoted principally to cotton, tobacco, and soybean cultivation.

Citizens & Southern National Bank is the second largest of four statewide commercial banks in South Carolina. It maintains its principal office in Charleston and has 23 branches located in 7 different areas in the State, including 2 branch offices in Florence, 10 miles southeast of Darlington. Its two largest competitors are the \$335.8 million South Carolina National Bank of Charleston and the \$115 million First National Bank of South Carolina in Columbia.

The bank's only competitor in Darlington was recently acquired as a branch by the First National Bank of South Carolina. Other competition is offered by four branches of South Carolina National Bank and by the Guaranty Bank & Trust Co. with its main office and two branches in nearby Florence.

Since there is virtually no competition between the applicant banks, consummation of the proposed merger will not reduce competition nor serve to promote monopoly. Moreover, the people of Darlington will have available the modern banking services of another statewide institution, further stimulating competition in the area. Availability of the charter bank's personnel will insure continued good management.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

MAY 15, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Citizens & Southern is the second largest of 4 statewide commercial banks in South Carolina with about 14 percent of the State's deposits and 24 offices located in 7 different areas in the State. At the present time it also has pending a separate application to merge with a small bank in southwest South Carolina. Citizens has two offices located in Darlington, S.C., about 10 miles northwest of Citizens & Southern's nearest two offices in Florence, S.C. Its total deposits are \$5,124,000, about 0.4 percent of the total deposits of all banks in the State. There is some direct competition between the merging banks due to the proximity of their respective offices in the Darlington-Florence area.

South Carolina's banking resources are highly concentrated in the four large statewide institutions, which together control 54 percent of the State's total deposits, partly as a result of prior mergers. These 4 banks have acquired 24 smaller banks in the past decade and at the same time have been opening numerous *de novo* branch offices. Such acquisitions by one of the four dominant banks have often led directly to a similar acquisition by one of the others, with the result that the only independent banks in a number of South Carolina communities have been eliminated from competi-

tion and remaining unit banks in nearby communities have been subjected to direct competition with offices of much more powerful institutions.

The proposed merger is the most recent in this process, which, if unchecked, threatens to concentrate South Carolina's banking resources in a small number of large branch systems. This application was made shortly after, and appears to be a direct result of, an application by one of Citizens & Southern's closest competitors to acquire the other Darlington bank. Together with the latter acquisition, the proposed merger would tend to motivate the other statewide systems to respond with similar acquisitions, and those smaller banks now in most direct competition with Citizens might consider such a proposal to insure their survival in competition with Citizens & Southern. At the same time the merger would eliminate some direct competition between the applicants in the Darlington-Florence area, where Citizens has about 13 percent, and Citizens & Southern about 9 percent, of the area's deposits. If the merger is approved, in less than 3 years that area will have lost three of its four local, independent banks through mergers with statewide systems.

In view of the bank merger history in South Carolina, the proposed merger threatens to have a serious adverse effect upon competition and may aggravate the trend toward oligopoly and monopoly in that State.

* * *

THE BANK OF ROWLAND, ROWLAND, N.C., AND SOUTHERN NATIONAL BANK OF NORTH CAROLINA, LUMBERTON, N.C.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Rowland, Rowland, N.C., with.....	\$3, 858, 503	1	.....
and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had.....	32, 695, 056	14	.....
merged May 23, 1964, under charter and title of the latter bank (10610). The merged bank at the date of merger had.....	35, 908, 303	.....	15

COMPTROLLER'S DECISION

On March 17, 1964, the \$32.1 million Southern National Bank of North Carolina, Lumberton, N.C., and the \$3.8 million Bank of Rowland, Rowland, N.C., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

The applicant banks are located in Robeson County in south central North Carolina. Rowland, site of the

only office of the Bank of Rowland, has a population of 1,500 and is 3 miles north of the South Carolina border. Lumberton, county seat of Robeson County and site of the main office of the charter bank, has a population of 15,300 and is 16 miles northeast of Rowland. Southern National operates 13 offices in 6 south central counties of North Carolina. No Southern National branch is closer to the Bank of Rowland than the Fairmont branch, which is 13 miles east of Rowland.

The area served by the applicant banks derives its primary economic support from agriculture, principally tobacco and cotton crops, and from an expanding textile industry. The area has definite prospects for development, as several of the Nation's largest textile manufacturers have been expanding in an area slightly north of Lumberton and Rowland. Fort Bragg, the largest military installation in the county in land area, is within Southern National's service area.

Southern National Bank has grown 250 percent over the past 5 years which is indicative of dynamic and aggressive management. As a result of this merger, the increased size of Southern National Bank will allow it to compete even more effectively over a wider area with the \$381 million First Union National Bank of North Carolina and the \$43 million Waccamaw Bank & Trust Co., both with area offices in Lumberton, N.C. The presence of a third banking unit of substantial size in the area, especially one which has exhibited great internal growth in the recent past, will provide this expanding community with another choice which will stimulate competition.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest

and the application is, therefore, approved.

MAY 18, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Southern National Bank of Lumberton, N.C., proposes to acquire by merger Bank of Rowland, Rowland, N.C.

Southern National was organized in 1897 and has never been involved in a merger. It operates eight offices and has total resources of \$32 million. Bank of Rowland was organized in 1903 and has never been involved in a merger. It has one office and is the only bank in Rowland and it has total resources of \$3,800,000.

While the proposed merger of these two banks does not appear to have a significant effect on competition, the continuing trend toward concentration in commercial banking in North Carolina, which has seen the three largest banks in the State account for 85 percent of the resources acquired by merger in a 3-year period, is a matter of serious concern and may lead to the substantial lessening of competition and tendency toward monopoly condemned by the Celler-Kefauver Act.

* * *

SALMON FALLS BANK, ROLLINSFORD, N.H., AND THE FIRST NATIONAL BANK OF SOMERSWORTH, SOMERSWORTH, N.H.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Salmon Falls Bank, Rollinsford, N.H., with.....	\$719, 560	1	.....
and the First National Bank of Somersworth, Somersworth, N.H. (1180), which had.....	1, 331, 195	1	.....
merged May 29, 1964, under the charter of the latter bank (1180) and under the title "First Somersworth-Rollinsford National Bank." The merged bank at the date of merger had.....	2, 050, 756	.....	2

COMPTROLLER'S DECISION

On March 9, 1964, the \$700,000 Salmon Falls Bank, Rollinsford, N.H., and the \$1.4 million First National Bank of Somersworth, Somersworth, N.H., applied to the Comptroller of the Currency to merge under the charter of the latter and with the title "The First Somersworth-Rollinsford National Bank."

The applicant banks are located in Rollinsford, population 1,935, and Somersworth, population 8,529. The two towns are 4 miles apart and are situated in the southeastern area of the State. Somersworth is

an industrial town where a division of the General Electric Co. provides employment for 1,500 people. Rollinsford, also an industrial town, has 2 shoe factories that employ 550 people.

The merging and charter banks, along with five others banks led by the \$6.5 million First National Bank of Rochester and the \$3.8 million Strafford National Bank of Dover, serve the same area. Of these seven banks, the applicants are the smallest.

The resulting bank will be able to procure a banking house with an adequate vault and sufficient space for improved customer service and bank operations, all of

which are now lacking in the present quarters of both applicants.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and it is therefore approved.

MAY 11, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Salmon Falls Bank, with \$497,000 in deposits and \$294,000 in loans, has 1.8 and 2 percent, respectively, of the total deposits and loans of all seven commercial banks which compete in its service area. The

First National Bank of Somersworth, with \$1,023,000 in deposits and \$729,000 in loans, has 3.8 and 5 percent of the total deposits and loans. Each of the merging banks is smaller than the other five banks and the resulting bank, with 5.6 percent of deposits and 7 percent of loans, would be the smallest commercial bank in the service area.

The merger's elimination of the Salmon Falls Bank as an independent bank does not appear significant in the context of the available banking resources in the relevant market. We conclude, therefore, that the proposed merger will have no substantial adverse effects upon competition.

* * *

MICHIGAN NATIONAL BANK, LANSING, MICH., AND CITIZENS INDUSTRIAL BANK, GRAND RAPIDS, MICH.

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Citizens Industrial Bank, Grand Rapids, Mich., with	\$2, 193, 000	1	.....
was purchased June 15, 1964, by the Michigan National Bank, Lansing, Mich. (14032), which had	737, 442, 000	19	.....
After the purchase was effected, the receiving bank had	739, 131, 079	.....	19

COMPTROLLER'S DECISION

On April 1, 1964, the \$737 million Michigan National Bank, Lansing, Mich., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$2.4 million Citizens Industrial Bank, Grand Rapids, Mich.

The purchasing bank, with headquarters in Lansing, has a total of 18 offices in the State, including 1 in Grand Rapids. Grand Rapids, a city of 202,000, was formerly known as the furniture capital of the world. While the importance of that industry has declined in recent years, diversified manufacturing, especially the fabrication of automobile parts, has assumed greater importance.

Banking competition in Grand Rapids is active. In addition to the charter bank, which is located 65 miles from Grand Rapids and is thus prohibited from establishing another branch in Grand Rapids by Michigan law limiting establishment of new branches to a 25-mile radius of the home office, there are four other banks: the \$323 million Old Kent Bank & Trust Co., with 29 branches; the \$118 million Union Bank & Trust Co., with 19 branches; the \$22.6 million Central Bank with 6 branches; and the \$2.4 million selling bank. The selling bank operates no branches and, following con-

summation of this transaction, its existing office will be closed.

The selling bank has made no progress in the last decade and the avowed purpose of this sale is to permit it to terminate its operations with minimum inconvenience to its depositors and borrowers. Since the bank holds only one-quarter of 1 percent of the deposits in Grand Rapids and more than 50 banking offices will still serve the city after the transaction, this sale will have no adverse effect on competition. The transaction is therefore approved.

JUNE 1, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Excluding Detroit banks, Michigan National is the largest bank in Michigan (reported total assets of \$737,442,000 as of December 20, 1963). It is twice as large as its nearest rival in Grand Rapids, Old Kent Bank & Trust Co. Its growth from a one-city operation to a statewide institution is marked in large part by acquisitions of other banks, no less than 9 in a span of 18 years.

The application, sparse in economic information, furnishes no statistics from which to judge Michigan National's exact position competitionwise in the Grand

Rapids service area. On the basis of size alone, however, it is dominant.

The acquisition must be examined against the backdrop of Michigan National's growth through acquisition of other banks and the workings of its employees trust fund. Michigan National's full status as a bank-

ing power, then, is not immediately discernible. A definite trend toward monopolization is indicated, and in the circumstances any acquisition, even the most innocuous, becomes suspect.

The proposed acquisition is viewed as having probable adverse competitive effects.

* * *

THE NATIONAL BANK OF COMMERCE OF SEATTLE, SEATTLE, WASH., AND THE BANK OF ENDICOTT, ENDICOTT, WASH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Endicott, Endicott, Wash., with	\$2, 049, 435	1	.....
was purchased June 19, 1964, by the National Bank of Commerce of Seattle,	707, 866, 000	75	.....
Seattle, Wash. (4375), which had	709, 885, 000	.....	76
After the purchase was effected, the receiving bank had			

COMPTROLLER'S DECISION

On March 6, 1964, the \$707.7 million National Bank of Commerce of Seattle, Seattle, Wash., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$2.4 million Bank of Endicott, Endicott, Wash.

Seattle, with a population of 563,000, is the largest city in the Pacific Northwest and a trade center for an economy dependent on lumbering, manufacturing, fishing, and shipping. The largest single employer is the Boeing Co. and the local economy largely fluctuates with the fortunes of Boeing.

Endicott, located at the eastern end of the State 65 miles south of Spokane and 250 miles east of Seattle, has a population of 392. The local economy is heavily dependent on agriculture, predominantly wheat and barley production. The population and the local economy have not experienced any growth in recent years.

The purchasing bank, with 74 branches and 19 percent of commercial deposits in Washington, is the second largest bank in the State. There are 3 other statewide banks competing with the purchasing bank, the largest of which is the \$1,242 million Seattle-First National Bank with 101 branches and 35 percent of statewide deposits. The third largest bank in the State is the \$273.7 million Peoples National Bank with 33 branches and 7.8 percent of deposits.

The selling bank has no branches and its share of statewide deposits is less than one-tenth of 1 percent. In the past few years, the selling bank has lost business due to inflexible and unpopular management decisions.

Moreover, the president and principal stockholder is 77 years of age and wishes to retire. Adequate successor management is not available from within or through recruitment.

Consummation of the proposed purchase and assumption will not alter the relative competitive positions of the major banking institutions. On the contrary, it will give the applicant bank a branch in the eastern part of the State and will stimulate competition with the Colfax branches of the Seattle-First National Bank and the \$175.7 million Old National Bank, which now serve the area.

By introducing modern banking services into Endicott, some improvement in the local economy may be expected. Moreover, the availability of experienced personnel from the purchasing bank will eliminate the selling bank's management succession problem.

Applying the statutory criteria to the proposed purchase and assumption, we conclude that it is in the public interest, and, therefore, the application is approved.

JUNE 9, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

In this application, the second largest commercial bank in the State of Washington, much of whose recent growth has been achieved by the acquisition of other banks, seeks to acquire a small independent bank. The acquisition would continue a merger trend in which the State's largest banks have been principal participants. It would add to the already high concentration of the State's banking resources in the hands

of a few dominant banks. Finally, this acquisition would upset the relative competitive equality which now prevails among the Selling Bank and the two independent banks which offer a degree of competition to such bank.

It is our opinion that this proposed acquisition, standing alone, would not have a significant adverse effect upon competition but is part of a trend toward greater and greater concentration of banking in the State of Washington.

* * *

THE BANK OF CALIFORNIA NATIONAL ASSOCIATION, SAN FRANCISCO, CALIF., AND THE AMERICAN NATIONAL BANK OF SAN BERNARDINO, SAN BERNARDINO, CALIF.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The American National Bank of San Bernardino, San Bernardino, Calif. (10031), with	\$64, 555, 815	8	.....
and the Bank of California, National Association, San Francisco, Calif. (9655), which had	1, 009, 630, 696	43	.....
merged June 26, 1964, under charter and title of the latter bank (9655).	1, 074, 572, 714	.....	51
The merged bank at the date of merger had			

COMPTROLLER'S DECISION

On March 4, 1964, the \$1,007 million Bank of California National Association, San Francisco, Calif., and the \$62.8 million American National Bank of San Bernardino, San Bernardino, Calif., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

San Francisco is considered to be the financial capital of the western United States. In addition to being the home office of the charter bank, the city contains the headquarters of three other large statewide banks, as well as other local and foreign banks. The importance of the San Francisco area as a major port, an industrial complex, a commercial center, and a cultural and educational base is attested by the rapidity of its population growth—1960 population increased 24.2 percent over 1950 to 2.7 million inhabitants—and the increase in its financial resources. With the assets of several San Francisco banks being in the billions of dollars, the addition of the merging bank's assets to those of the charter bank will clearly have a negligible effect on the banking structure in the San Francisco and northern California area.

The Bank of California, founded in San Francisco in 1864, is the 6th largest bank in California and the 38th largest in the United States. It is a full service domestic bank and has an active international finance business. Through several mergers and internal growth, the bank has had a remarkable 100-percent increase in deposits from 1954 to 1963, from \$441 million to \$886 million. It is a geographically broad-

based bank, with 34 offices in California, 2 offices in Washington, and 1 office in Oregon. Despite its multistate composition, the bank had limited its activities in California to the north-central part of the State until August 1963, at which time an office was established in the central business district of Los Angeles. The Los Angeles branch, while comparatively new, has met with general public approval.

The principal impact of the merger will be felt in San Bernardino, the head office of the merging bank and the governmental and economic center of San Bernardino County. Adjoining Los Angeles County at its western boundary and extending to the Nevada State line on the east, San Bernardino County covers 20,131 square miles and is the largest county in the world in area. It has a warm, semiarid climate and a greatly varied topography which ranges from the lofty San Bernardino mountains to vast stretches of the arid Mojave desert. As would be expected in this large and variegated county, the economy is highly diverse with agriculture, missile development, military installations, mineral deposits, steel production, and recreation providing the main support.

The population and economic activity in the county are concentrated in the city of San Bernardino and its environs, where the merging bank operates. Located in the southwestern section of San Bernardino County, the city had an estimated 1963 population of 96,400, a considerable increase in the 3-year period since the 1960 population of 92,000; projections are for similar growth in the foreseeable future. The population in the bank's service area, which includes the city and

certain satellite towns, jumped 63 percent from 164,350 in 1950 to 258,348 in 1960. Personal income, employment, assessed value of all property and other indicators of the area's economy show dramatic gains over the past 10 years, with forecasts of equally expansionary movement during the 1960's.

The American National Bank was founded in 1916 and maintained only one office in San Bernardino for several decades. In 1943 a facility was opened at Norton Air Force Base on the outskirts of the city and since that time, six more branches have been opened in the greater San Bernardino area. An office in nearby Redlands has been approved and is expected to be in operation late in 1964. Deposits of the bank have risen 80 percent in the most recent 10-year period to \$57.6 million on December 31, 1963, and loans have increased 230 percent to \$40.4 million in the same period.

The capable and vigorous management of the charter bank can supply the direction which the San Bernardino bank will need so badly in the coming years of expansion in the San Bernardino area.

This diverse and dynamic section of southern California will indeed require strong institutions to meet the convenience and needs of its economic expansion. Agriculture on a large scale, major commercial establishments and big manufacturing concerns are a few of the industries included within the San Bernardino banking community; their needs can only be met by an institution stronger than the local bank. Branches of major California banks have come into San Bernardino to serve the area's needs, making it more necessary than ever for the merging bank to become part of a major system in order to handle its share of the commercial business. Its legal loan limit of \$210,000 does not permit the bank to serve effectively some of the major industries in San Bernardino.

The present size of the merger bank severely restricts loan volume. One of the principal financial requirements in San Bernardino is capital for real estate loans stemming from the influx of people into this southern California region. The merging bank has not been able to meet the demands for these loans even though its loan portfolio is at a high 70 percent of deposits. With real estate loans increasing from \$2.7 million in 1954 to \$36.2 million in 1963, the bank has had to sell \$35 million originating in its service area to other investors because of its own financial limitations. The need for a larger capital and deposit structure is evident.

The facilities of a major bank will broaden the services which the merging bank can offer in the

San Bernardino area. The resulting bank, for example, can offer international and stock transfer departments which the merging bank does not now have, but which the area needs. On the other hand, the merging bank has particularly strong escrow and mortgage servicing departments which the charter bank can use to complement its other operations.

While the advantages of the merger to the San Bernardino community are very substantial, the competitive aspects must be examined. The merging bank is the only locally owned bank in San Bernardino. It is closely held, predominantly by San Bernardino residents. The merits of having a bank controlled by local residents is persuasive only when the bank can serve the community effectively. In the instant case, the bank now finds it difficult to recruit an effective management group and impossible to provide the capital and financial services which the San Bernardino area calls on it to supply. The purely local character of the merging bank has little value in this situation.

The resulting bank will be more competitive in the San Bernardino area than the present merging bank, while no competition will be eliminated. The service areas of the applicant banks do not overlap, as the nearest branch of the charter bank is 60 miles away in Los Angeles and has only been open less than 1 year. A comparison of commercial deposits in the two banks reveals only five common customers, and these are all large regional or national firms which keep funds in the locality where they do business. No accounts of either bank originate in the service area of the other.

In the State, the charter bank now has only 2.2 percent of total commercial banking deposits and its share, as a result of the merger, will increase to 2.4 percent, hardly a share of the California market which could be called concentrative.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

JUNE 15, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

American National is a successful local bank with assets of \$62,807,000, deposits of \$57,647,000, loans of \$39,590,000, and 213 trust accounts. Its eight offices are located in five communities in the southwestern portion of San Bernardino County about 60 miles east of Los Angeles Calif. All other bank offices in these communities are branches of large regional or statewide chain banking systems.

Bank of California is the sixth largest commercial bank in California and 38th in the Nation, with assets of \$1,006,951,000, deposits of \$886,003,000, loans of \$522,415,000, and 4,910 trust accounts. It has 34 banking offices in California and 1 each in Portland, Oreg., and in Seattle and Tacoma, Wash. Its only office in southern California is a large new headquarters office which it established in downtown Los Angeles in August 1963.

There appears to be little direct competition between American National and Bank of California because the latter's closest office is 60 miles from the communities served by American National. The merger would,

however, eliminate potential competition between the applicants. Absent the merger, Bank of California could be expected to expand from its headquarters office in Los Angeles by establishing *de novo* branches in the growing San Bernardino area, which is the next metropolitan area east of Los Angeles. The merger would also have the undesirable effect of eliminating the only local and independent bank in the area and making San Bernardino completely dependent on branches of banks whose headquarters and major interest are elsewhere (in San Francisco or Los Angeles).

We conclude that the proposed merger would have an adverse effect upon competition.

* * *

FIRST NATIONAL BANK IN CALICOON, CALICOON, N.Y., AND THE FIRST NATIONAL BANK OF NARROWSBURG, NARROWSBURG, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Narrowsburg, Narrowsburg, N.Y. (12496), with	\$4, 322, 809	1	.....
and the First National Bank in Callicoon, Callicoon, N.Y. (13590), which had consolidated June 30, 1964, under charter of the latter bank (13590), and under title of "United National Bank." The consolidated bank at the date of consolidation had	6, 122, 103	1	.....
	10, 444, 912	.....	2

COMPTROLLER'S DECISION

On March 13, 1964, the \$5.9 million First National Bank in Callicoon, Callicoon, N.Y., and the \$4.1 million First National Bank of Narrowsburg, Narrowsburg, N.Y., applied to the Comptroller of the Currency to consolidate under the charter of the former and with the title "United National Bank."

Callicoon, population 850, and Narrowsburg, population 600, are unincorporated municipalities situated 14 miles apart in the western part of Sullivan County, N.Y. Both are located close to the Delaware River which forms the New York-Pennsylvania boundary. The two villages are connected by State Highway 97 and the Erie-Lackawanna Railroad.

The general service area within which the two banks are located is largely coterminous with Sullivan County. However, it also includes part of adjacent Wayne County, Pa. This area is predominantly rural and agricultural with dairy products and eggs as the principal products. The resort business is also important as hotels, motels, and camps proliferate

throughout the Catskill Mountain area which includes Sullivan County.

There are 15 commercial banks serving this general trade area. The competitive structure is dominated by the two large banks in Liberty: the \$26 million Sullivan County National Bank and the \$23 million Community National Bank which has applied for permission to merge with the Marine Midland National Bank of Southeastern New York of Poughkeepsie. The two banks have 41 percent of the outstanding loan and 33 percent of the deposits held by banks in this area. Among these 15 banks, the Narrowsburg bank is the smallest. Even the resulting bank will have only 6.7 percent of the total loans and 7 percent of the deposits among the area banks.

There has been little competition between the applicant banks. Each has primarily served the village within which it is located and the rural area adjacent to it. Both banks do draw some business from that small area which is approximately equidistant from each. This consolidation will not disrupt the area's competitive structure.

The consolidation will create a bank which is far more responsive to the needs of the trade area it serves than is possible for the two applicants at present. Neither of the applicants is adequately capitalized to meet the credit requirements of its customers. Likewise, they are not large enough to provide the range of banking services demanded of them and which are regarded as commonplace in contemporary banking. This would include an active trust department, mortgage financing on standard terms, home improvement loans, as well as immediately available foreign drafts. Furthermore, a larger institution will be better able to attract and train the management personnel needed to successfully operate a bank. This need is particularly acute here since all of the Narrowsburg Bank executive officers have reached retirement age, while not a single qualified successor is available to replace any of them.

Considered in the light of the relevant statutory criteria, we find the application to be in the public interest, and it is therefore approved.

JUNE 22, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed consolidation would unite two banks located about 14 miles apart in the southern part of New York State. There are a number of banks in the surrounding areas but none impinges competitively on either of the applicant banks. The two applicant banks, however, have a significant degree of overlap in their service areas, and a number of common depositors and borrowers. Also each bank has a number of deposits and loans which originate in the service area of the other. The proposed consolidation would erase this banking competition. The applicants admit that there is a "growing tendency in nearby areas . . . toward the merger or consolidation of a number of banking institutions" with the result that it is becoming "more and more difficult for the smaller bank to compete effectively." This proposed consolidation would be another step in this anticompetitive trend to concentration. We therefore believe that this transaction would have an adverse competitive effect.

* * *

THE FIRST NATIONAL BANK OF ALLENTOWN, ALLENTOWN, PA., AND MACUNGIE BANK, MACUNGIE, PA.

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Macungie Bank, Macungie, Pa., with	\$4, 559, 586	1	.....
and the First National Bank of Allentown, Allentown, Pa. (373), which had	155, 725, 083	6	.....
merged June 30, 1964, under charter and title of the latter bank (373). The merged bank at the date of merger had	160, 284, 674	.....	7

COMPTROLLER'S DECISION

On April 16, 1964, the \$152 million First National Bank of Allentown, Allentown, Pa., and the \$4.6 million Macungie Bank, Macungie, Pa., applied to the Comptroller of the Currency to merge under the charter and with the title of the former.

The applicant banks are located in Lehigh County, which is part of the Allentown-Bethlehem-Easton Standard Metropolitan Statistical Area. Allentown, population 108,347, and Bethlehem, population 75,408, are adjacent to, and contiguous with, each other and are considered to be a single economic entity. Allentown has several large plants which manufacture trucks, electrical equipment, and cement, while Bethlehem is the home of the Bethlehem Steel Co. The borough of Macungie, population 1,266, is largely a

residential suburb adjacent to Allentown and also serves as a shopping center for its inhabitants.

Nine commercial banks operating a total of 35 offices serve the Allentown-Bethlehem area. In addition to the charter bank with its 7 offices and the single-unit merging bank, there are the \$104 million Merchants National Bank of Allentown, with 10 offices; the \$59 million Lehigh Valley Trust Co. of Allentown, with 5 offices; the \$94 million First National Bank & Trust Co. of Bethlehem, with 7 offices; and the \$77 million Union Bank & Trust Co., Bethlehem, with 5 offices. Also serving this general area are the \$23 million Cement National Bank of Northampton, the \$12 million Fogelsville National Bank, and the \$9.6 million National Bank of Topton.

Eight savings and loan associations and building and loan associations provide intense competition to

commercial banks in the Allentown area. These associations hold share account balances in excess of \$155 million and loans of \$151 million. Insurance companies, credit unions, and financial institutions in nearby Philadelphia and New York City are other important sources of competition to the commercial banks.

There has been little, if any, competition between the charter and merging banks. The Macungie Bank serves almost exclusively the residents of the community in which it is situated. The bank is located in a row-type house which is totally inadequate for a modern banking business, as it has no safe deposit boxes, no drive-in window and no parking area. Seventy-one percent of its portfolio is in residential real estate loans. With this limited operation, it is evident that effective competition is not offered to the charter bank by the merging bank.

This merger will cause no significant change in the banking structure of the area nor will it adversely affect any other bank. Substitution of an office of the charter bank for the merging bank in Macungie will not place the charter bank nearer to any other competing bank than it is at the present time. It will increase the charter bank's share of deposits in the area by only 1 percent.

The borough of Macungie will be greatly benefited by the consummation of this transaction. The resulting bank will build a modern banking house equipped with safe deposit facilities, greatly increased floor and

office space, a drive-in window, and parking facilities in the immediate vicinity of the present bank office. Furthermore, the resulting bank will offer a full range of modern banking services, including a trust department, more responsive to the needs of the area. In addition, the merging bank's acute management succession problem caused by the loss of its only full-time executive officer will be provided for by the appointment of a capable bank officer to manage the Macungie branch.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is therefore approved.

JUNE 26, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger involves the uniting of a neighboring, small town bank with the largest bank in Allentown, Pa. First National Bank of Allentown already enjoys about 50 percent of the market of banks headquartered in Allentown. Two of its branch offices are among the four closest banking offices to Macungie Bank which is located 8 miles southwest of Allentown, and which is the only bank in Macungie. Both First National Bank and Macungie Bank have shown good growth trends in recent years. The proposed merger would result in adding to the already dominant position of First National Bank in Allentown and the area surrounding Allentown with probable adverse competitive effects.

* * *

THE PEOPLES NATIONAL BANK OF WEST ALEXANDER, WEST ALEXANDER, PA., AND THE FIRST NATIONAL BANK OF FREDERICKTOWN, FREDERICKTOWN, PA.

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Peoples National Bank of West Alexander, West Alexander, Pa. (8954),			
with.....	\$1, 842, 728	1	.....
and the First National Bank of Fredericktown, Fredericktown, Pa. (5920),			
which had.....	13, 724, 384	4	.....
merged June 30, 1964, under the charter and title of the latter bank (5920).			
The merged bank at the date of merger had.....	15, 567, 112	.....	5

COMPTROLLER'S DECISION

On April 1, 1964, the \$1.8 million Peoples National Bank of West Alexander, West Alexander, Pa., and the \$12.9 million First National Bank of Fredericktown, Fredericktown, Pa., applied to the Comptroller of the Currency for permission to merge under the

charter and title of the latter.

Fredericktown, a mining village with a population of 1,270, is situated on the upper Monongahela River in southwestern Pennsylvania. It serves a trade area economically dependent upon coal mining, which employs 2,500 workers out of an estimated 10,000 persons in the area.

West Alexander, a farming community located approximately 27 miles west of Fredericktown on the West Virginia-Pennsylvania border, in the heart of Appalachia, has a population of 750 and serves a rural trade area of 1,500. The area's economy, which has shown only minimal improvement in the past 15 years, is based primarily on agriculture and on employment of residents in industries situated in Wheeling, W. Va., and Washington, Pa.

There are no competing banks in either of the applicants' communities and competition from nonbank financial institutions is minimal. Because of the distance between the applicant banks, they do not compete with each other. Both banks are under unified control, with four common directors owning more than two-thirds of the shares of each bank. The net effect of the proposed merger, due to the increase in the total resources of the resulting bank, will be more effective competition for those larger banks on the fringes of the applicants' trade areas.

The proposed merger will substantially benefit the convenience and needs of the West Alexander com-

munity. The merger will also provide a financial framework more suited to attracting industry to a community which, at present has an unfavorable economic outlook.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

JUNE 23, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

This application is a proposal to merge two banks, both of relatively small size, in southwestern Pennsylvania. The merging banks do not appear to offer each other any appreciable competition because they are located about 35 miles apart. Each bank faces competition from several other banks, many of which are far larger institutions. This merger will not materially alter the prevailing banking structure in the areas in which each of the merging banks now competes.

For these reasons, it is our opinion that the proposed merger will not have a substantial adverse effect on competition.

* * *

OLD NATIONAL BANK OF WASHINGTON, SPOKANE, WASH., AND TRI-CITIES NATIONAL BANK, PASCO, WASH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Tri-Cities National Bank, Pasco, Wash. (1919), with	\$4, 321, 160	2	.....
was purchased June 30, 1964, by Old National Bank of Washington, Spokane,	203, 317, 906	30	.....
Wash. (4668), which had	207, 639, 065	.....	32
After the purchase was effected, the receiving bank had			

COMPTROLLER'S DECISION

On April 20, 1964, the \$203.3 million Old National Bank of Washington, Spokane, Wash., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$4.3 million Tri-Cities National Bank, Pasco, Wash., under the charter and with the title of the former.

Spokane, with a population of over 181,000, is the second largest city in the state and the trading center of a tristate area known as the "Island Empire." The region, although semiarid, has a large agricultural production. Lumbering and mining contribute to the region's economy, and in recent years, there has been a steady increase in manufacturing.

Pasco, located about 146 miles southwest of Spokane, has a population of about 15,000 and serves as

the distribution center for farm products grown in the southeastern part of the State. The Lower Columbia Basin Irrigation projects permit diversification in alfalfa, sugar beets, potatoes, corn, and other row crops.

Old National Bank of Washington, operating 29 branches in eastern Washington, ranks sixth among commercial banks and holds 5.5 percent of commercial bank deposits in the State. It is the only one of the larger statewide banking systems with home offices in the eastern part of the State. Competition is furnished by branches of the \$1,213 million Seattle-First National Bank, the \$686 million National Bank of Commerce, the \$278 million Peoples National Bank of Seattle, and the \$222 million National Bank of Washington.

Tri-Cities National Bank, a satellite of the purchasing bank, opened in 1961 to provide the purchasing

bank with access to the Pasco area. It is heavily loaned and pursues an aggressive policy in soliciting credits, the excess of which are sold to the purchasing bank. Banking competition in Pasco is offered by branches of Seattle-First National Bank and Peoples National Bank of Seattle. Additional competition in nearby communities is provided by branches of the National Bank of Commerce of Seattle in Kennewick, 2 miles south, as well as by the newly chartered Bank of Richland and branches of the Seattle-First National Bank and the National Bank of Commerce in Richland, 7 miles southwest.

Due to the interlocking relationship between the purchasing and selling banks, consummation of the purchase and assumption would not have the effect of eliminating significant competition. The residents of Pasco, however, would have another branch of a full service bank. The greater availability of credit, of trust services, and of the purchasing bank's agricultural agent will benefit the community. Unity of operations will result in lower operating costs and more efficient service to the public.

Applying the statutory criteria to the proposed purchase and assumption, we conclude that it is in the public interest and the application is, therefore, approved.

JUNE 4, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

In this application, the fifth largest commercial bank in the State of Washington seeks to purchase a small independent bank. The size of the Purchasing Bank will not be increased materially by this acquisition, nor will any significant competition between the Selling Bank and the Purchasing Bank be eliminated. The position of the Selling Bank's competitors should not be adversely affected to a substantial degree, because they are branches of large statewide banks.

It is our opinion that this proposed acquisition, standing alone, would not have a significant adverse effect upon competition but is part of a trend toward greater concentration of the banking resources of the State of Washington in the hands of a few large institutions with resulting probable anticompetitive effects.

* * *

THE FIRST NATIONAL BANK OF HAGERMAN, HAGERMAN, N. MEX., AND THE FIRST NATIONAL BANK OF ROSWELL, ROSWELL, N. MEX.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Hagerman, Hagerman, N. Mex. (7503), with.....	\$2, 875, 601	1	.....
was purchased July 17, 1964, by the First National Bank of Roswell, Roswell, N. Mex. (5220), which had.....	38, 039, 674	1	.....
After the purchase was effected, the receiving bank had.....	40, 352, 775	.....	2

On May 5, 1964, the \$38 million First National Bank of Roswell, Roswell, N. Mex., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$2.8 million First National Bank of Hagerman, Hagerman, N. Mex.

Roswell, home of the purchasing bank, has a population of 47,500, and serves the southeastern part of New Mexico. Within a radius of 100 miles, there are approximately 300,000 persons. Although Roswell is rapidly becoming a commercial, industrial, and financial center for this area, the surrounding country is still devoted mainly to large-scale ranching and agriculture.

The selling bank is located in Hagerman, a community of 1,200 situated 23 miles south of Roswell. Both Hagerman and the area surrounding it are almost entirely agriculturally oriented. The local busi-

nesses are either connected directly with agriculture or service the farmers. The selling bank has its sole branch in Dexter, an agricultural community 6 miles north of Hagerman.

Consummation of the proposed transaction will increase the resulting bank's size only minimally and will have little, if any, adverse effect on the structure of banking in the area. The two banks are not truly competitive, since all but a nominal amount of the capital stock of the selling bank has been held by trustees for the benefit of the purchasing bank's board of directors since 1941.

Approval of the proposed acquisition will permit the resulting bank to better serve the convenience and needs of the Hagerman area. Although the purchasing bank has controlled the policies and operations of the selling bank for more than two decades, the latter's

small deposit base has limited its ability to provide many of the types of loans that are presently provided by the purchasing bank and demanded by the community. Among these are intermediate-term farm equipment loans, real estate loans, and home improvement loans. Furthermore, the larger resources of the purchasing bank will permit the offering of other services, including a trust department. Consummation of the proposal will eliminate the operational handicap of limited personnel that is preventing effective management of the selling bank. Presently an officer of the purchasing bank is managing one office of the selling bank, but only the consummation of this transaction can provide a permanent solution.

Applying the statutory criteria to the proposed purchase of assets and assumption of liabilities, we conclude that it is in the public interest and the application is therefore approved.

JULY 14, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The First National Bank of Roswell (population 47,500) was chartered in 1890. It serves Chaves County (population 60,000) and is the largest bank in the southeastern part of New Mexico. It has a principal office and three branches, all in Roswell. The first branch was established in November 1956, the second in 1960 and the third in 1963.

The First National Bank of Hagerman (population 1,200), about 25 miles south of Roswell, was chartered in 1904. It has a principal office and one branch, established in 1955, in Dexter, N. Mex., 6 miles north of Hagerman.

There are four banks in Chaves County, the primary service area of the purchasing bank, the First National Bank of Roswell.

The proposed acquisition will permanently eliminate the competition of the selling bank in the Chaves

County area and give the purchasing bank 60.50 percent of the total deposits and 60.28 percent of the loans and discounts in that area. Effective competition has already been eliminated through joint control of the two banks.

By virtue of the acquisition, the purchasing bank will enter directly into the area including Eddy County in which there are two more banks at Artesia, 43 miles south of Roswell, and besides eliminating for all time the competition of the selling bank, will have 45.98 percent of the total deposits and 47.56 percent of the loans and discounts in that area.

In a growing area with so few banks, the permanent elimination of a competitor by the largest bank seriously affects the competitive situation therein adversely. As hereinabove noted, in Roswell and Chaves County, the area of business concentration and the primary service area of the banks involved, in addition to the elimination of the selling bank, the purchasing bank will have 60.50 percent of the deposits and 60.28 percent of the loans and discounts. [Cf. *U.S. v. First National Bank & Trust Co. of Lexington* (No. 36—October Term 1963, decided April 6, 1964), in which the Supreme Court held a merger to violate the Sherman Act, wherein the resulting bank, if permitted to merge, would have had 51.95 percent of the total deposits and 54.2 percent of total loans of all commercial banks in Fayette County, Ky.]

Even in the area of Chaves County plus northern Eddy County, the percentage of concentration of business within that service area of the resulting bank is close to that of the resulting bank in the *Lexington* case.

It appears, therefore, that the proposed purchase of assets and assumption of liabilities of the First National Bank of Hagerman by the First National Bank of Roswell will have a substantial adverse effect on competition and further a tendency toward monopoly in the areas involved.

* * *

THE ALLEGAN STATE BANK, ALLEGAN, MICH., AND THE FIRST NATIONAL BANK & TRUST CO. OF KALAMAZOO, KALAMAZOO, MICH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Allegan State Bank, Allegan, Mich. with.....	\$15, 420, 907	1	.....
and the First National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich. (191), which had.....	114, 521, 893	19	.....
merged July 18, 1964, under the charter and title of the latter bank (191). The merged bank at the date of merger had.....	129, 919, 270	.....	20

COMPTROLLER'S DECISION

On May 8, 1964, the \$110 million First National Bank of Kalamazoo, Kalamazoo, Mich., and the \$15 million Allegan State Bank, Allegan, Mich., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

The charter bank has its main office and 7 of its 18 branches in Kalamazoo, a rapidly expanding city which increased its population by 42.3 percent between 1950 and 1960 to 82,000. The trade area of Kalamazoo is supported by widely diversified industry, agriculture and education. The city of Kalamazoo has 3 colleges with a total enrollment of 12,000 students. Further, General Motors Corp. is presently building a plant in Comstock Township, just outside Kalamazoo, which should employ some 3,200 people.

Allegan, with a population of 5,000, is 25 miles northwest of Kalamazoo. Serving a trade area of about 58,000, Allegan is supported by small manufacturing concerns, surrounding farm lands and the Allegan State Forest which attracts a large number of tourists each year.

The merging bank is Allegan's only banking office, and the nearest banking facility is the Hopkins branch of the \$7.5 million Wayland State Bank, 8 miles northeast of Allegan. The Allegan State Bank is the largest of a series of small banks to the northwest of Kalamazoo at distances varying from 22 to 47 miles therefrom. These banks are all within 20 miles of the Allegan State Bank, the largest of the group being the \$30 million First Michigan Bank of Zeeland. The \$20 million Citizens Trust & Savings Bank of South Haven and the Allegan State Bank are the two next largest of this group. The size of these banks, coupled with the facts that they are relatively dispersed geographically and that their rate of growth has not been significant, points to a limited amount of competition among them.

The larger resulting bank in Allegan will introduce trust services, charge account banking, in-plant banking and extensive computer services, as well as more extensive and aggressive penetration in the areas of farm mortgages, loans to small business, automobile floor plan financing and education loans. It is hoped that the charter bank's vigorous policies will stimulate the banking competition which is necessary.

In addition, the proposed merger will solve a severe management succession problem faced by the merging

bank. The two senior executive officers have been active bankers for over 50 years each, and quite understandably wish to retire. However, the size of the bank has not presented an opportunity to develop younger men to provide successors to the present management. The more extensive management position of the charter bank will fill this need.

In Kalamazoo, First National will increase its percentage of deposits insignificantly from 22 to 24 percent of the area's total deposits. The effect of this increase will not be important to the other local banks, the \$90 million American National Bank, Kalamazoo, or the \$40 million Industrial State Bank, Kalamazoo, as most of the competition that will be generated by this merger is on the extreme fringe of Kalamazoo's trade area.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

JULY 14, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

In a service area encompassed within a radius of 12 miles from the city of Allegan, Mich., and serving a population of some 12,000, First National (total resources as of December 20, 1963, of \$108,190,000) already twice as large as all the other banks in the area together, would be acquiring the fourth largest bank in the area, Allegan State (total resources as of December 20, 1963, of \$14,318,000). This proposed merger would aggravate an already serious concentration of power and would make even more precarious the position of the smaller banks in the area, eliminate competition and put an absolute banking monopoly in Allegan proper into the hands of the predominant bank in the area.

First National, also the largest bank in southwest Michigan (population 325,000), appears to be attempting to match a recent acquisition by its chief competitor, the American National Bank & Trust Co. of Kalamazoo, in the larger southwest area with which it shares 29.89 percent of the deposits and 23.14 percent of the loans.

The proposed merger is seen as eliminating competition and giving impetus to a concentration of banking power which has already developed to an unwarranted degree. So viewed, the merger would be clearly anti-competitive in its probable impact.

* * *

THE CENTRAL NATIONAL BANK IN CHICAGO, CHICAGO, ILL., AND THE NATIONAL BANK OF COMMERCE OF CHICAGO, CHICAGO, ILL.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
National Bank of Commerce of Chicago, Chicago, Ill. (14349), with.....	\$40, 947, 905	1	.....
and Central National Bank in Chicago, Chicago, Ill. (14362), which had.....	207, 018, 960	1	.....
merged July 18, 1964, under the charter and title of the latter bank (14362).			
The merged bank at the date of merger had.....	247, 966, 865	.....	1

COMPTROLLER'S DECISION

On April 20, 1964, the \$193.6 million Central National Bank in Chicago, Chicago, Ill., and the \$48.2 million National Bank of Commerce of Chicago, Chicago, Ill., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Chicago, the second largest city in the United States, has a population of about 3,500,000 and is the focal point of an area whose population is 6,200,000. Chicago not only serves as the business and financial center of the entire Midwest, but also leads all cities in the country in the production of steel, telephone equipment, metal wares, and machinery. Large transportation, agricultural processing and merchandising operations centered in this area contribute significantly to the thriving economy.

The Central National Bank in Chicago has grown steadily since its organization in 1936. Having relocated its main office in the heart of the Loop at the time of its merger with Merchants National Bank in 1962, it now ranks eighth among metropolitan Chicago banks, with deposits of \$176.7 million and loans of \$95 millions. Its share of total banks deposits in the area is 1.15 percent. Located within three blocks of the charter bank are its chief competitors: Continental Illinois National Bank; First National Bank; Harris Trust Co.; La Salle National Bank; and Northern Trust Co.

The National Bank of Commerce is situated 5 miles west of the charter bank. At the time of its organization in 1936, its service area was considered to be one of the more prosperous districts in Chicago. In recent years, however, the economy of the merging bank's service area has been deteriorating with the result that the bank's deposits have declined. At present, the merging bank has a 0.3 percent share of the metropolitan Chicago area deposit market. Although earnings over the past few years have been maintained at a favorable rate, the bank's directors and officers have

been increasingly pessimistic about growth prospects because of the deterioration in the economy of the bank's service area. Moreover, many of the bank's officers have passed or are nearing retirement age.

Consummation of the proposal will have a negligible effect upon the banking structure of the metropolitan Chicago area. Upon closing of the merging bank's office when the merger is effected, a total of 134 banks will remain to serve the needs of the banking public in the metropolitan Chicago area. Furthermore, the number of banks located in the vicinity of the merging bank's office will remain constant due to the expected opening there of a newly chartered state bank.

The anachronistic branch banking law of Illinois, whose prohibition of branch banking reflects the economic aridity of a past generation and the noncompetitive disposition of some of its bankers, is seen in its true perspective in this case. Ever zealous of protecting privileged enclaves, such bankers have succeeded in thwarting reform, thus needlessly restricting the development of the banking structure and hampering the progress of the economy. It is indeed anomalous in view of the deep involvement of the public interest in banking that the development of banks and their capability to serve the convenience and needs of the public, to foster the creation of new enterprises and to sustain the growth of existing business and industry, should be hindered by oppressive State and Federal statutes forbidding branch banking. In the instant case it is evident that the community would be served better were the merging bank allowed to continue as a branch of the charter bank.

The benefits derived from the proposed merger, in terms of better service to the metropolitan Chicago community, more than offset the minimal change in the competitive banking structure. The resulting bank will offer broader, more varied services not previously available to the merging bank's customers and an increased lending capacity that will enable it to compete on a better footing with some of the sur-

rounding banks in the Loop. Additionally, the resulting bank will be in a better position to meet the banking needs of the large number of customers of the merging bank who have indicated an intent to do business with the resulting bank.

Applying the statutory criteria, we find the proposed merger to be in the public interest and therefore the application is approved.

July 14, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Central, a Chicago "loop" bank with total assets of \$193,573,000, proposes to merge with National, a bank with \$48,257,000 in assets located 5 miles to the west in the city of Chicago, a nonbranching jurisdiction. Since 1954, Central has consummated three mergers, the last of which took place in 1962 and

increased its assets by about 50 percent. One reason advanced for this, as well as for the previous merger, is to fill a void created by the 1961 merger of City National into Continental Illinois, Chicago's largest bank. On that ground, the proposed merger would appear to be premature, since a validity of the City-Continental merger is still to be determined in pending antitrust litigation.

Concentration in commercial banking in the Chicago area is high due to recent mergers. This merger can only add to that concentration. As it has encouraged Central, it will encourage other banks to merge thereby further eliminating competition, as it eliminates competition between Central and National, and further increase concentration in commercial banking in Chicago.

We believe that the effect of the proposed merger on competition will be substantially adverse.

* * *

THE NATIONAL BANK OF DAYTON, DAYTON, OHIO, AND THE COMMUNITY BANK, DAYTON OHIO

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Community Bank, Dayton, Ohio, with.....	\$4, 105, 543	1	.....
and the National Bank of Dayton, Dayton, Ohio (1788), which had.....	101, 172, 802	10	.....
merged July 18, 1964, under the charter and title of the latter bank (1788).			
The merged bank at the date of merger had.....	104, 628, 363	.....	11

COMPTROLLER'S DECISION

On April 24, 1964, the \$105.3 million National Bank of Dayton, Dayton, Ohio, and the \$4 million Community Bank, Dayton, Ohio, applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Dayton, with a population of 398,000, is located in Montgomery County which reports a population of 579,000. The city's numerous manufacturing establishments, Wright-Patterson Air Force Base, and the Defense Electronics Supply Center employ about 120,000 persons. General Motors Corp. alone employs about 30,000 people in its Dayton plants.

Huber Heights, an unincorporated residential suburb of Dayton in which the merging bank is located, has a service area population of about 12,000. Approximately 26 percent of the employed residents work at the nearby Wright-Patterson Air Force Base. The residential development of this area, which consists largely of brick homes ranging in value from \$13,000 to \$20,000, has been steady.

The charter bank, third largest commercial bank in the Dayton metropolitan area, operates eight branches in Dayton and two in Kettering; it also has five approved but unopened branches in Dayton. Its major competitors are the \$275 million Winters National Bank & Trust Co. of Dayton and the \$121 million Third National Bank & Trust Company of Dayton.

Consummation of the proposed merger not only will eliminate the merging bank's management problem but also will place the resulting bank in a better position competitively needed by both institutions. Further, the facilities of a full-service institution will be available in Huber Heights to compete with the projected branch of the Winters National Bank. Since the participating banks are not in competition, no elimination of competition nor trend toward monopoly is involved.

Applying the statutory criteria, we conclude that the merger is in the public interest and the application is, therefore, approved.

JULY 14, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The National Bank of Dayton, having assets of \$105.3 million, deposits of \$93.8 million, and loans of \$56.9 million, proposes to acquire the Community Bank with assets of \$4 million, deposits of \$3.7 million, and loans of \$1.9 million. These banks are the third and fourth largest of four banks servicing the Greater Dayton area. The National Bank operates from a main office and eight branches; five additional branches are approved but not yet opened. All are with the Greater Dayton area. The Community Bank

has no branches, provides limited banking services, and 95 percent of its business is from Huber Heights, a section of Wayne Township which is a subdivision of Greater Dayton.

There presently exists little, if any, direct competition between the two banks. This merger would not affect the competitive status of the remaining banks in Dayton. However, so concentrated are banking services in a relatively few institutions in Greater Dayton, that elimination of even a small bank will exert an adverse effect upon competition.

* * *

THE FAIR LAWN-RADBURN TRUST CO., FAIR LAWN, N.J., AND THE NATIONAL COMMUNITY BANK OF RUTHERFORD, RUTHERFORD, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Fair Lawn-Radburn Trust Co., Fair Lawn, N.J., which had.....	\$26, 365, 293	4	.....
and National Community Bank of Rutherford, Rutherford, N.J. (5005), with merged July 31, 1964, under the charter and title of the latter bank (5005).	139, 946, 077	11	.....
The merged bank at the date of merger had.....	166, 311, 369	.....	15

COMPTROLLER'S DECISION

On May 28, 1964, the \$140 million National Community Bank of Rutherford, Rutherford, N.J., and the \$26 million Fair Lawn-Radburn Trust Co., Fair Lawn, N.J., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Although the charter bank is headquartered in Rutherford, a borough of only 22,000 people, it serves a contiguous trade area with a population in excess of 300,000. Bergen County, in which Rutherford is located, can best be described as a well-diversified residential, industrial, and retail trading area which encompasses one of the most rapidly growing counties in the United States. The county owes its phenomenal growth, in no small part, to its close proximity to New York City.

The National Community Bank is the second largest of 29 commercial banks in Bergen County. It operates 11 offices throughout the southern part of the county and accounts for 9.8 and 11.5 percent of the county's total loans and deposits, respectively.

The merging bank is located in Fair Lawn, population 39,804, and serves a trade area population in excess of 200,000. This trade area is predominantly residential but contains numerous industrial plants and

small business enterprises. Prospects for future residential growth in the area are rather limited, while industrial growth potential is very favorable.

The Fair Lawn-Radburn Trust Co., the 10th largest commercial bank in Bergen County, with 1.9 percent of the total deposits and 2.1 percent of the loans, operates four offices in the immediate Fair Lawn-Radburn area.

This merger will have no significant effect on the banking structure of Bergen County. The merging banks' trade areas are contiguous rather than overlapping, and accordingly, there has been little, if any, competition between them. The resulting bank will operate 14 offices and hold 13.6 percent of deposits and 12.4 percent of loans in Bergen County. It will retain its relative size as compared to the dominant \$286 million Peoples Trust Co. of Hackensack, N.J., which operates 16 offices in Bergen County with 22.9 percent of the deposits and 24.2 percent of the total loans in the county.

In the Fair Lawn-Radburn area, competition will not be lessened. To the contrary, effective competition will be increased by the introduction of another strong, full-service bank into an area in which the small merging bank has been mainly attempting to compete with five Passaic County and two Bergen County banks. The fact that earnings of the merg-

ing banks have actually declined over the past 5 years during a period of unprecedented prosperity indicates that the bank has not been an effective competitive factor in its area.

The public interest, convenience and needs of the Fair Lawn-Radburn banking public will be better served by the more extensive services to be offered by the resulting bank. A larger, better staffed and more efficiently run trust department, a foreign banking department and an increased lending limit to aid the area's current industrial expansion are the most immediate benefits which the residents will receive from this merger.

Applying the statutory criteria to the proposal, we

conclude that it is in the public interest and the application is, therefore, approved.

JULY 27, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

This merger will eliminate a degree of competition presently existing between the two banks. It will unduly increase banking concentration in the already concentrated area of Bergen County, N.J. It will eliminate a strong, viable, and growing independent bank and thereby eliminate potential competition between the two banks. The competitive effect of the proposed merger would be substantially adverse.

* * *

THE MECHANICS NATIONAL BANK OF WORCESTER, WORCESTER, MASS., AND THE INDUSTRIAL CITY BANK & TRUST CO., WORCESTER, MASS.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Industrial City Bank & Trust Co., Worcester, Mass., which had.....	\$8,211,694	3	.....
and the Mechanics National Bank of Worcester, Worcester, Mass. (1135), with.....	50,491,697	2	.....
merged July 31, 1964, under the charter and title of the latter bank (1135). The merged bank at the date of merger had.....	58,703,392	.....	5

On May 18, 1964, the \$53 million Mechanics National Bank of Worcester, Worcester, Mass., and the \$8.5 million Industrial City Bank & Trust Co., Worcester, Mass., applied to the Comptroller of the Currency to merge under the charter and with the title of the former.

Worcester, the second largest city in Massachusetts, has a population of 187,000. The county of Worcester is the State's largest and extends from the border of New Hampshire to that of Rhode Island. Its population of 583,000 is distributed among 4 cities, 56 towns and the rural areas. The city of Worcester serves as a manufacturing and trading center for all of central Massachusetts. Although the dominant textile industry has experienced a decline in recent years, diversified manufacturing has increased with some industry moving to Worcester from the Boston area. An estimated 36,000 persons are presently employed in Worcester manufacturing a variety of products including machinery, metal items, abrasives, textiles, and instruments. The general service area is mixed, with farming and forestry making an important contribution

to the local economy. A slight decline in the city's population in recent years has been due entirely to the increasing movement to suburban areas.

The Mechanics National Bank is the third commercial bank in size in Worcester, but it is substantially smaller than the \$201 million Worcester County National Bank and the \$73 million Guaranty Bank & Trust Co. The charter bank is a unit bank, whereas the Worcester County National Bank operates 14 branches and the Guaranty Bank & Trust Co. operates 8 branches within the same general service area. The resulting bank will hold but 16.3 percent of deposits and 12.4 percent of loans, and its assets of \$62 million will leave it the third commercial bank in size in Worcester.

Thrift institutions especially are intensely competitive in Massachusetts. They not only have higher legal lending limits and lower tax rates, but are permitted to perform many functions elsewhere restricted to commercial banks. Their ability to issue drafts in the nature of checks and to make installment and col-

lateral loans places them in direct competition with commercial banks. They hold 2½ times the deposits of commercial banks in this area—\$900 million as compared to \$327 million. In addition, the larger banks in Providence, R.I.; Hartford, Conn.; and Boston, all within 40 to 60 miles of Worcester, actively solicit deposits and loans in this area.

There has been negligible competition between the charter and merging banks since each has specialized in a different kind of banking operation. The Mechanics National Bank has long followed a policy of restricting its activities to wholesale lending and trust work. The merging bank, which is a converted Morris Plan Bank, has specialized in retail lending. Hence the effect of this merger would be to unite two complementary banking operations into one full-service commercial bank which will compete effectively with two larger full-service commercial banks.

Applying the relevant statutory criteria, we find the

application to be in the public interest, and it is therefore approved.

JULY 22, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Mechanics National Bank of Worcester, Mass., with assets of \$53,321,000, and Industrial City Bank & Trust Co. of Worcester, Mass., with assets of \$8,534,000, propose to merge under the charter and title of the former. Mechanics and Industrial are, respectively, the third and fifth largest of 11 banks in the Worcester metropolitan area, wherein the two largest banks dominate, with a combined percentage share of the market in deposits in excess of 70 percent, as against 16 percent for the merging banks.

The proposed merger would eliminate all competition between the merging banks and add to the high degree of concentration presently existing in the market area affected. In these respects, it would have an adverse effect on competition.

* * *

FIRST & MERCHANTS NATIONAL BANK, RICHMOND, VA., AND THE FIRST NATIONAL BANK OF WAYNESBORO, WAYNESBORO, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Waynesboro, Waynesboro, Va. (7587), which had . . .	\$12, 138, 496	2	.....
and First & Merchants National Bank, Richmond, Va. (1111), with . . .	445, 919, 279	35	.....
merged July 31, 1964, under the charter and title of the latter bank (1111).			
The merged bank at the date of merger had . . .	457, 698, 818	.....	37

COMPTROLLER'S DECISION

On April 14, 1964, the \$454 million First & Merchants National Bank, Richmond, Va., and the \$13 million First National Bank of Waynesboro, Waynesboro, Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Richmond, population 220,000, is the capital of Virginia and the focal point of the State's largest trading area with an approximate population of 510,000. Four of Virginia's six largest banks have their headquarters in Richmond. Area industry includes the manufacturing of tobacco products, chemicals, paper and metal products. In addition, Richmond is a retail and wholesale center, as well as the transportation hub joining the north Atlantic and south Atlantic seaboard. Due to its financial, manufacturing, and

commercial activity, the metropolitan area has grown by about 25 percent in the 1950-60 period.

The charter bank, with 34 branches and 2 facilities at the Pentagon and Fort Eustis, operates in 4 principal areas of Virginia. On a statewide scale, its principal competition comes from the \$484 million United Virginia Bank Shares Holding Co. banks, the \$405 million Virginia National Bank, the \$246 million Virginia Commonwealth Corp. banks, and the \$219 million First Virginia Corp. banks.

Waynesboro, population 16,000, is located about 100 miles northwest of Richmond in the Shenandoah Valley of west-central Virginia. The city serves a trade area extending about 5 miles and having a population of approximately 25,000. Growth of Waynesboro's economy has been remarkable, with such manufacturing industries as Dupont and General

Electric employing several thousand persons. The transition from a rural to an industrial-oriented economy has made the Waynesboro per capita income of \$2,605 for 1962 among the highest in Virginia. A new \$900,000 municipal building and the present construction of a \$2.5 million shopping center indicate the optimism manifested in the city's future by its citizens and investors.

The First National Bank of Waynesboro has one branch, which is located in Waynesboro. The only other bank in the city, the Virginia National Bank, has two branches in Waynesboro.

Since Virginia law was amended in 1962 to permit banks to merge anywhere in the State and to retain the offices of the merged bank, there has been a major change in the banking structure of the State. Small banks unable to serve the public adequately were replaced by larger and more efficient institutions. This much-needed liberalization of the banking laws in Virginia has proved to be a salutary development.

The Waynesboro bank, no longer able to adequately serve a community changing from a rural to an industrial economy, has chosen to merge with a statewide bank which can offer a full range of services. The credit department, investment department, and foreign department of the charter bank will provide services not presently offered by the merging bank. Further, an active trust department will replace the limited trust facilities of the merging bank which has one trust officer, a practicing attorney who serves the bank primarily in an advisory capacity. A lending limit of \$65,000 restricts the merging bank's ability to satisfy the banking needs of the medium-sized industrial and commercial concerns which depend on local banks for financing.

The competitive effect of the proposed merger will be minimal, since the nearest office of the charter bank is 11 miles away in Staunton, and the overlap of the charter bank's service areas is relatively insignificant. In the Waynesboro area, there are 14 banks operating 27 offices. In addition, active competition comes from savings and loan associations, life insurance companies, credit union and finance companies in the area. The merger will provide even more stimulation to this existing competition in the Waynesboro area.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

JULY 23, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

First & Merchants National Bank is the largest bank in Virginia. Since 1959 six banks with deposits of \$119,865,000 have been merged. The present proposed merger of First National will increase its deposits by approximately \$12 million. Direct competition between the banks is not significant and the remaining competition in Waynesboro will be branches of Virginia National Bank, the second largest bank in the State which obtained its branches in Waynesboro through a merger consummated in 1963. The present proposed merger will not only eliminate an independent bank but follows a pattern of increased concentration of banking in Virginia over constantly widening areas. While the instant merger, standing alone, would not adversely affect competition, it is part of a trend toward concentration of banking resources in a few hands which will have an adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF NORTON, NORTON, VA., AND THE FIRST NATIONAL BANK OF WISE, WISE, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Wise, Wise, Va. (10611), with.....	\$3, 618, 827	1	.....
and the First National Bank of Norton, Norton, Va. (6235), which had.....	7, 606, 828	1	.....
consolidated July 31, 1964, under the charter of the latter bank (6235) and under title "The Wise County National Bank." The consolidated bank at the date of consolidation had.....	11, 220, 914	.....	2

COMPTROLLER'S DECISION

On May 20, 1964, the \$7.5 million First National Bank of Norton, Norton, Va., and the \$3.5 million First National Bank of Wise, Wise, Va., applied to the Comptroller of the Currency for permission to consolidate under the charter of the former and with the title "The Wise County National Bank."

The applicant banks are located in Wise County in southwestern Virginia. The economy of the entire area is severely depressed as a result of its total dependence upon the declining coal mining industry. An attempt is being made by the residents to diversify the area's economic base in order to absorb the substantial unemployment and remedy the related side effects.

Norton, population 5,013, is the principal trading center for Wise County. It is located approximately 1½ miles to the south of Wise, population 2,614, which is the county seat for Wise County. A variety of small manufacturing establishments in the area employ approximately 1,700, but these, together with a small amount of farming, do not in any way compare with coal mining as the primary economic factor. Per capita income for 1961 was \$1,027, well below the \$1,868 average for the State of Virginia. Mechanization of the bituminous coal industry has made unemployment a persistent problem, causing the younger generation to migrate to areas with better opportunities. This loss of young leadership is a severe drain on the future potential of the area.

Although the banks are located only 3 miles apart, there has been little competition between them for either deposits or loans and there is at present an inconsequential number of common accounts. The consolidating bank lacks the aggressive bank management which the area requires and will shortly experience a management succession problem. The communities will benefit from the consolidation as it will create a strong, financially sound institution to serve the needs of this depressed area. In addition, the resulting bank will be better able to hire new and aggressive management who will assist the area's business leaders in recovering from its economic doldrums.

Applying the statutory criteria to the proposed consolidation, we conclude that it is in the public interest and the application is, therefore, approved.

JULY 22, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The merging banks are unit institutions located 4½ miles apart in an area devoted to coal mining, small farms, and small industries. The proposed consolidation will result in the elimination of some direct competition between the two banks. The resulting bank will continue to be second in size in its service area and its increased size will provide but a slight competitive benefit.

We conclude the proposed consolidation will not have a substantially adverse effect on competition.

* * *

THE PEOPLES-FARMERS NATIONAL BANK, MIFFLIN, PA., AND THE RUSSELL NATIONAL BANK OF LEWISTOWN, LEWISTOWN, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Peoples-Farmers National Bank, Mifflin, Pa. (9678), with.....	\$5, 545, 885	2	.....
and the Russell National Bank of Lewistown, Lewistown, Pa. (10506), which had.....	19, 149, 806	2	.....
merged July 31, 1964, under the charter of the latter bank (10506) and title "the Russell National Bank." The merged bank at the date of merger had..	24, 669, 926	.....	4

COMPTROLLER'S DECISION

On May 8, 1964, the \$19.6 million Russell National Bank of Lewistown, Lewistown, Pa., and the \$5.3 million Peoples-Farmers National Bank, Mifflin, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Mifflin, home of the merging bank, has a population of 900 and serves a prosperous agricultural area. It is located 12 miles east of Lewistown in Juniata County. The Peoples-Farmers National Bank has its sole branch in nearby Thompsonstown.

The charter bank is located in Lewistown, the county seat of Mifflin County. With a population of

14,000, Lewistown is located in the central part of the State, midway between Harrisburg and Altoona. Although it has experienced some economic difficulties, the city is attracting industrial development and can show solid gains in both primary and fabricating industries with numerous national manufacturers locating there. The charter bank has one branch located in suburban Burnham.

The trade areas of the two banks, because of their geographic proximity, must be considered as one. Many persons commute daily from Mifflin to Lewistown for employment and the economic ties of the two communities are very close.

Mifflin County is the headquarters of five commercial banks. These banks operate nine offices and hold total deposits of \$38.4 million. All the banks in both counties may be considered to be in competition with each other.

Two local competitors and seven other competitors in the Juniata River Valley will continue to serve the area. The bank will extend and enhance banking services to the people in both Juniata and Mifflin Counties and, through the facilities of four offices in Lewistown, Burnham, Mifflin and Thompsontown, will strengthen the economic growth of both counties.

The merging bank has not provided managerial succession and now faces the prospect of the retirement of its executive officer. This dilemma has forced the bank to turn to merger as the only practicable solution to its management succession problem.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

JULY 17, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Russell National Bank of Lewistown is the largest bank in Mifflin County with 41 percent of the I.P.C. deposits and loans therein. Along with the second ranking bank, it accounts for about 75 percent of the county's I.P.C. deposits and loans.

Peoples-Farmers National Bank is the second largest bank in Juniata County, which adjoins Mifflin County. It has 23.1 and 19.3 percent, respectively, of this area's I.P.C. deposits and loans while the largest bank accounts for 28.6 and 35.5 percent, respectively, of such deposits and loans. The remaining banks are approximately equal in size.

There does not appear to be a significant amount of direct competition between the merging banks that would be eliminated by approval of this transaction. On the other hand, this merger would tend to enhance the Charter Bank's leading position in Mifflin County; to increase the high level of concentration in commercial banking therein; to establish comparable concentration in the resulting bank's two-county service area; and to upset the comparative balance among the much smaller banks in Juniata County.

The proposed merger, therefore, would appear to have an adverse effect on competition.

* * *

THE CITIZENS & SOUTHERN NATIONAL BANK OF SOUTH CAROLINA, CHARLESTON, S.C., AND THE PEOPLES NATIONAL BANK, ROCK HILL, S.C.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Peoples National Bank of Rock Hill, Rock Hill, S.C. (9407), which had.....	\$18, 541, 535	3	.....
and the Citizens & Southern National Bank of South Carolina, Charleston, S.C. (14425), with.....	175, 232, 427	31	.....
merged Aug.1, 1964, under the charter and title of the latter bank (14425).	193, 690, 936	.....	34
The merged bank at the date of merger had.....			

COMPTROLLER'S DECISION

On May 29, 1964, the \$172.3 million Citizens & Southern National Bank of South Carolina, Charleston, S.C., and the \$17.4 million Peoples National Bank, Rock Hill, S.C., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Citizens & Southern is the second largest bank in South Carolina operating 31 offices in 15 communities situated in 10 counties. Its largest community service areas are Charleston, population 78,000, which is located in the southeastern section of the State; Columbia, population 98,000, which is in the south central section of the State; and Spartanburg, popula-

tion 45,000, which is in the northwestern portion of South Carolina.

The economic base of the communities in which Citizens & Southern National operates is varied. During the past two decades the State of South Carolina has been rapidly changing from a predominately agricultural economy to one of mixed composition between agriculture and industry. A large part of the economy of the State is dependent upon the military, particularly in the Charleston and Columbia areas.

The merging bank is situated in Rock Hill, population 31,000, where its 3 offices are located. The Rock Hill economy is dependent primarily upon the textile and allied industries which furnish employment for nearly 9,000 persons. Other products manufactured in the area include paper, bus and truck bodies, together with food and beverage processing.

The Peoples National Bank has been unable to solicit successfully the loan business of the large manufacturing industries in the Rock Hill area due to its inability to extend sufficient credit for the companies' needs. Many of these firms have been required to go to other communities, both in and out of the State, for financial assistance. Because of its size, the merging bank has been unable to offer all the services needed in the community. While servicing installment paper for automobile and personal loans, the merging bank has not gone into the area of appliance or other such paper. Nor has the Peoples National Bank been able to develop a depth of management capable of adequately caring for the expanding business needs of the Rock Hill area.

Citizens & Southern has a long history of gearing its programs to the needs of the communities in which it operates by offering its customers a complete range of banking services. Through the offering of new and more complete services and convenience of facilities, aided by high-speed electronic equipment, Citizens & Southern has been able to extend its services without unduly increasing customer charges.

Approval of the merger will have no effect upon competition between the merging banks. The resulting institution will be competitive in Rock Hill with the largest bank in South Carolina, which has received approval to open a branch there. The merger will provide a stimulus to the economy of Rock Hill and make additional resources available for future economic growth. The public will benefit by the creation of new and improved facilities and the addition of a full-service bank. Younger and more aggressive management will stimulate competition.

On balancing the facts of this case in light of the statutory criteria, we find that the merger is in the public interest and the application is, therefore, approved.

JULY 31, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Citizens is the second largest of 4 statewide commercial banks in South Carolina with about 13.4 percent of the State's commercial bank deposits and 41 offices located in 7 different areas in the State. Peoples has 3 offices located in Rock Hill, S.C. (population 31,000), which is in York County in north central South Carolina and 60 to 70 miles from Citizens' nearest offices. Peoples has total deposits of \$15,613,000, about 1.4 percent of total deposits of all banks in the State and 47 percent of deposits in York County. There appears to be little existing competition between the merging banks due to the distances between their respective offices.

South Carolina's banking resources are highly concentrated in the four large statewide institutions, partly as a result of prior mergers. Together they control 52.8 percent of the State's total deposits. These 4 banks have acquired 26 smaller banks in the past decade, and at the same time have been opening numerous *de novo* branch offices. (The proposed merger would be Citizens' third acquisition in 1964.) Such acquisitions by one of the four dominant banks have often led directly to a similar acquisition by one of the others, with the result that the only independent banks in a number of South Carolina communities have been eliminated from competition and remaining unit banks in nearby communities have been subjected to direct competition with offices of much more powerful institutions.

The proposed merger is the most recent in this process, which, if unchecked, threatens to concentrate South Carolina's banking resources in just four large branch systems. By it Citizens would acquire the banking business of by far the largest independent bank in Rock Hill and York County and add about 1.4 percent to its share of the statewide banking market. At the same time, the merger would tend to motivate the other statewide systems to respond with similar acquisitions, and the smaller banks in Rock Hill and the surrounding area which are now in most direct competition with Peoples might be receptive to such proposals to insure their survival in competition with Citizens. As a result, concentration at the statewide level would be further enhanced at the expense of independent banking in the Rock Hill area.

In view of the history of bank mergers in South Carolina, and its cumulative effect upon competition, the proposed merger threatens to have a substantial

adverse effect on competition and may aggravate the trend toward oligopoly and eventual monopoly in that State.

* * *

THE ASHLAND NATIONAL BANK, ASHLAND, PA., AND THE PENNSYLVANIA NATIONAL BANK & TRUST CO., POTTSVILLE, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Ashland National Bank, Ashland, Pa. (5615), with	\$5, 125, 778	1	.....
and Pennsylvania National Bank & Trust Co., Pottsville, Pa. (1663), which had	52, 012, 755	9	.....
merged Aug. 7, 1964, under charter and title of the latter bank (1663). The merged bank at the date of merger had	56, 164, 629	.....	10

COMPTROLLER'S DECISION

On June 1, 1964, the \$51.5 million Pennsylvania National Bank & Trust Co., Pottsville, Pa., and the \$4.9 million Ashland National Bank, Ashland, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Ashland, a community of 5,237 serving a trading area of 50,000, is located 17 miles northwest of Pottsville. Its economy has historically been dependent on anthracite coal mining, which has been in a steady decline over the past decade, but has been supplemented by a small amount of clothing manufacturing and metal fabricating.

Pottsville, home of the charter bank, has a population of 21,659 and is located on the southern edge of the Pennsylvania anthracite coal fields. Despite having experienced some economic difficulty, the city recently has had some success in attracting new industry.

Within a 19-mile radius of Pottsville, the charter bank operates nine offices, two of which are located 3 miles from the merging bank. It is the largest bank in the area and presently holds 18.3 percent of the area deposits and 19.7 percent of the loans. After the merger, the resulting bank will hold 20 percent of the deposits and 21.6 percent of the loans. However, competition will remain keen by reason of 24 other commercial banks operating a total of 30 banking offices in the area.

The merger will solve a difficult management prob-

lem which has split the board of directors of the merging bank into two opposing factions. In addition, the resulting bank will augment and extend the banking services available to the people of Pottsville and Ashland. Both communities will benefit from a stronger financial institution possessing management depth which will have a catalytic effect on the area's economic recovery.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

JULY 31, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Pennsylvania National Bank & Trust Co., the purchasing bank, was founded in 1866. Its head office and one of its branches are in Pottsville, Pa., and its other seven branches are from 5 to 19 miles from the head office. As of May 15, 1964, it had total assets of \$51,527,000, total deposits of \$7,702,000, of which \$13,761,000 were demand deposits and \$30,-967,000 time and saving deposits, and total loans of \$24,537,000.

Its Centralia branch, acquired in 1955, is but 3 miles north of the office of the selling bank and its Girardville branch, acquired May 8, 1964, is but 3 miles east of the office of the selling bank.

The application shows that Ashland is a community with a population of over 5,000, which has the following 2 banks:

	Resources	Deposits	Loans and discounts
Ashland National Bank (Selling Bank)	\$4, 962, 000	\$4, 329, 000	\$2, 511, 000
Citizens National Bank	7, 879, 000	6, 358, 000	3, 809, 000

Should this application be approved, the Citizen's National Bank will face the direct competition of a bank more than seven times its size.

Mount Carmel, 4 miles west, Centralia, 3 miles north, and Girardville, 3 miles east, in addition to Ashland, may well constitute the service area of the selling bank and should the purchasing bank be permitted to acquire the selling bank it will have 3 of the 7 banking offices in that area with 61.9 percent of the total resources; 63.4 percent of the total deposits; and 65.1 percent of the total loans and discounts of all of the banks in the area. [Cf. *U.S. v. First National Bank & Trust Co. of Lexington* (36—October term 1963,

decided April 6, 1964), in which the Supreme Court held a merger to violate the Sherman Act, wherein the resulting bank would have 51.95 percent of the total deposits and 54.2 percent of the total loans of all commercial banks in Fayette County, Ky.].

It clearly appears, therefore, that the proposed merger of the Ashland National Bank, Ashland, Pa., into Pennsylvania National Bank & Trust Co., Pottsville, Pa., will eliminate competition between the participating banks and will have a substantial adverse effect on competition and further a tendency toward monopoly in the area involved.

* * *

THE FIRST NATIONAL BANK OF MOUNT HOLLY SPRINGS, MOUNT HOLLY SPRINGS, PA., AND CUMBERLAND COUNTY NATIONAL BANK & TRUST CO., NEW CUMBERLAND, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Mount Holly Springs, Mount Holly Springs, Pa. (8493), with.....	\$4, 946, 697	1	.....
and Cumberland County National Bank & Trust Co., New Cumberland, Pa. (14542), which had.....	39, 528, 778	5	.....
merged Aug. 7, 1964, under charter and title of the latter bank (14542). The merged bank at the date of merger had.....	44, 475, 475	.....	6

COMPTROLLER'S DECISION

On May 26, 1964, the First National Bank of Mount Holly Springs, Mount Holly Springs, Pa., and the Cumberland County National Bank & Trust Co., New Cumberland, Pa., made application to the Comptroller of the Currency for permission to merge under the charter and title of the latter.

The sole office of the \$5.1 million First National Bank of Mount Holly Springs is located in the borough of Mount Holly Springs, which has a population of 1,800 and is in the south central part of Cumberland County, 7 miles south of Carlisle and 27 miles southwest of Harrisburg. The borough, which is mainly residential, is a center for the surrounding agricultural area with a population of 25,000.

The charter bank, the \$38.5 million Cumberland County National Bank, has its main office in New Cumberland, a community located across the Susquehanna River from Harrisburg. It has four other offices in Cumberland County, two in Camp Hill, one in Boiling Springs, one in Lemoyne and two military facilities at the Army depot in New Cumberland and the Navy depot in Mechanicsburg. All of these locations are

in the area known as the "West Shore." Because of easy highway access and railroad facilities, the area has been developing industrially. It also contains a number of Federal installations. The immediate New Cumberland area serves as a residential suburb of Harrisburg.

There is little competition between the merging banks. The nearest office of the charter bank to the merging bank is its Boiling Springs branch, which is located 5 miles northeast of Mount Holly Springs in a separate community. Its other branches are all 18 or more miles distant from the merging bank. The major consideration in assessing competition in Cumberland County, the home of both banks, must be the Dauphin County banks which operate branches in Harrisburg directly across the Susquehanna River and two of which operate a total of five branches in Cumberland County itself. These are substantial institutions, three of which have assets in excess of \$100 million. Additionally, there are 15 competing offices of other banks in Cumberland County.

Consummation of the merger will enable the charter bank to compete more effectively with the larger Harrisburg banks, two of which will remain three times

the size of the resulting bank, and with all the Dauphin County banks operating in the West Shore area. Not only will the resulting bank profit from economies of operation, but the Mount Holly Springs area will gain by the introduction of the larger lending capabilities, trust facilities, and other services of the charter bank.

In considering the facts of this case in light of the relevant statutory criteria, we find this merger to be in the public interest and the application is, therefore, approved.

JULY 31, 1964

SUMMARY OF REPORT BY ATTORNEY GENERAL

Cumberland County National Bank & Trust Co. proposes to acquire the First National Bank of Mount Holly Springs. The latter had, as of April 15, 1964, total assets of \$5 million, total deposits of \$4.5 million, and loans and discounts of \$3.2 million. It operates no branches, provides normal banking services on a relatively limited scale, and does not maintain a trust department.

Cumberland County National Bank & Trust Co. operates through a main office at New Cumberland, Pa., and six branches in the surrounding territory. It offers full banking services, backed by resources of \$37.7 million.

The proposed merger involves the fourth largest of the banks operating in Cumberland County, Pa., adjacent to the city of Harrisburg, and a relatively small bank serving a single community within that territory. The closest office of Cumberland is 5.9 miles from Mount Holly Springs and available information indicates there is no substantial competition between the two banks which would be eliminated.

Three Harrisburg-based banks operating in the area will continue to be substantially larger than Cumberland. There will also be two banks of comparable size and five smaller banks.

It is our view that the adverse effects on competition resulting from this merger will not be significant. However, existing concentration of banking in Cumberland County will be somewhat increased and further mergers may be induced.

* * *

THE FIRST NATIONAL BANK OF WEST MIDDLESEX, WEST MIDDLESEX, PA., AND THE FIRST NATIONAL BANK OF MERCER COUNTY, GREENVILLE, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of West Middlesex, West Middlesex, Pa. (6913), with ...	\$3, 724, 634	1	.....
and First National Bank of Mercer County, Greenville, Pa. (249), which had ...	33, 646, 698	8	.....
merged Aug. 8, 1964, under the charter and title of the latter bank (249).			
The merged bank at the date of merger had.....	37, 371, 333	.....	9

COMPTROLLER'S DECISION

On May 25, 1964, the \$32 million First National Bank of Mercer County, Greenville, Pa., and the \$3.5 million First National Bank of West Middlesex, West Middlesex, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Greenville, in the extreme western part of the State, is the site of the charter bank's home office and four of its eight branch offices. With a population of 8,236, the city is the center of the most significant trade area in northwestern Mercer County, which is on the Ohio border. The economy of Greenville's trade area is dependent upon a diversified and developing industrial complex. Large employers such as Westinghouse Electric and Greenville Steel Car Co., along with 16

other manufacturing concerns, provide the principal economic support for the Greenville market, the population of which is estimated at about 25,000. Industrial growth in this area has buttressed an already stable economy, and the charter bank has been an active participant in that growth. The proposed merger will not affect the ability of the charter bank to meet the needs of Greenville or its environs, but it will extend its dynamic leadership into the southern part of Mercer County.

The merging bank, located in the rural community of West Middlesex in southwestern Mercer County, serves some 3,000 people. With a population of 1,301, the town has but a limited amount of industrial activity. Most of the area residents are employed by industry or commerce in the Shenango Valley or Youngstown, Ohio, areas.

There is virtually no competition between the two banks as the charter bank's senior officers own approximately 70 percent of the outstanding stock of the merging bank. It is clear that the influence of the charter bank is the determining factor in the formulation of the merging bank's policies.

Substantial advantages of the merger will accrue to the West Middlesex public. New services such as a progressive trust department and an increased lending power will permit the resulting bank to better serve the needs and conveniences of the area.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is, therefore, approved.

JULY 31, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger would permanently end such competition as exists between the participating banks

already seriously compromised in existing at all due to common ownership and control. It would also eliminate the only remaining independent bank in the western part of Mercer County and further increase the already high degree of banking concentration in this area. Previous reports regarding mergers and acquisitions in this area have noted that of an original 14 separate and independent banks in Mercer County only 4 remained; and that of 38 banks with offices in the 4-county area of Venango, Clarion, Mercer, and Crawford Counties in northwest Pennsylvania, 18 have been acquired by other banks in the past 10 years. It was predicted that further acquisitions involving the remaining banks "may be expected if this merger trend is not stopped soon." This proposed merger would constitute just such a transaction. It would be a further step in a strong trend to banking concentration by merger and acquisition. Accordingly, we conclude it would have seriously adverse effects on competition.

* * *

STATE BANK OF NAPPANEE, NAPPANEE, IND., AND THE FIRST NATIONAL BANK OF ELKHART, ELKHART, IND.

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
State Bank of Nappanee, Nappanee, Ind., with	\$9, 207, 063	1	.....
and the First National Bank of Elkhart, Elkhart, Ind. (206), which had	75, 449, 430	6	.....
merged Aug. 15, 1964, under the charter of the First National Bank of Elkhart (206) and title "The First National Bank of Elkhart County." The			
merged bank at the date of merger had	84, 656, 493		7

COMPTROLLER'S DECISION

On June 18, 1964, State Bank of Nappanee, Nappanee, Ind., and the First National Bank of Elkhart, Elkhart, Ind., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and under the title "The First National Bank of Elkhart County."

The sole office of the \$8.9 million merging bank is located in Nappanee, a community of 4,000 persons situated 17 miles south of Elkhart. The city services a primarily agricultural area where livestock raising is the major occupation. Some industry, particularly the manufacture of furniture and wood products, also contributes to the local economy. Because of the economies to be gained, larger operations in the hog raising, cattle feeding, and poultry fields are becoming predominant, with a resulting increase in loan demands which the merging bank is incapable of satisfying.

The \$72.2 million First National Bank of Elkhart has four of its six offices in Elkhart and one each in the nearby communities of Bristol and Dunlap. Elkhart, a city of 42,000 on the St. Joseph and Elkhart Rivers, is situated in the north-central part of the State, 15 miles east of South Bend, and just 5 miles south of the Indiana-Michigan boundary. The service area encompasses 75,000 people and is largely industrial, although outlying farms contribute substantially to the economy. Elkhart is a railway center and its industries manufacture electronic parts, metal and paper products and pharmaceuticals. In addition, 90 companies are engaged in the manufacture of mobile homes, trailers, and related parts.

There is no substantial competition between the merging banks. Accordingly, no reduction of competition nor trend toward monopoly can be foreseen. While consummation of the proposal will convert the merging bank into a branch, it will leave at least 15

directly competing offices of other banks in the immediate area. Four substantial banks in nearby South Bend, along with seven smaller banks in the area, also will continue to offer credit alternatives.

The charter bank's position will not be strengthened very substantially, for while it has long been the largest bank in Elkhart, its pro rata share of banking assets in the community has been declining in recent years and its two major competitors, the \$47.1 million St. Joseph Valley Bank and the \$15 million First Old State Bank, have an equal number of branches in the city.

The merger will offer more abundant funds and services to Nappanee and encourage the growth of that community. The benefits of seasoned executive judgment of the charter bank's officers and the use of electronic data processing will result in greater operating efficiencies.

Considering the facts of this case in light of the statutory criteria, we find this merger to be in the public interest and it is therefore approved.

* * *

THIRD NATIONAL BANK IN NASHVILLE, NASHVILLE, TENN., AND NASHVILLE BANK & TRUST CO., NASHVILLE, TENN.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Nashville Bank & Trust Co. Nashville, Tenn., with.....	\$47,981,502	2	.....
and Third National Bank in Nashville, Nashville, Tenn. (13103), which had..	382,138,104	15	.....
merged Aug. 18, 1964, under the charter and title of the latter bank (13103).			
The merged bank at the date of merger had.....	428,218,003	.....	17

COMPTROLLER'S DECISION

On April 27, 1964, the \$341.7 million Third National Bank in Nashville, Nashville, Tenn., and the \$45.9 million Nashville Bank & Trust Co., Nashville, Tenn., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Nashville, in the heart of the TVA service area, is the State capital of Tennessee. With an estimated metropolitan population in excess of 400,000 persons, reflecting a 24 percent increase since 1950, Nashville's population growth compares most favorably with the 5 percent increase in population of the neighboring States of Alabama, Kentucky, Mississippi, and the rest of Tennessee, which Nashville serves. The city is the focal point of a community constituting eight counties whose residents are dependent upon Nashville for such

AUGUST 14, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The First National Bank of Elkhart is the largest bank in the Elkhart, Ind., area, holding 52.8 percent of total deposits and 53.1 percent of total loans. The proposed merger would increase First National's percentage of both deposits and loans to about 56 percent.

In the Elkhart area, there are only three banks, two of which, First National and St. Joseph Valley Bank, control almost 90 percent of the total deposits and loans.

In Nappanee, Ind., 17 miles south of Elkhart, an area experiencing a diversification and expansion of its industrial base, the resulting bank would dominate the area.

By virtue of the dominance of the resulting bank and the high degree of concentration in the relevant area, the probable effect of the proposed merger on competition would be adverse.

necessities as shopping, employment, and medical care. Its wholesale trade area stretches across middle Tennessee into southern Kentucky, northern Alabama, and northern Mississippi and contains an estimated population of 2,265,800 persons. This area, which bridges the North and the South of our country, enjoys a diversified economy dependent on agriculture, industry, and commerce. The growth of this economy has been spurred by the availability of abundant and cheap electric power from TVA, and by such U.S. Government installations as Redstone Arsenal at Huntsville, Ala., and the Arnold Development Center at Tullahoma, Tenn. The availability of low-cost labor, cheap power, excellent transportation facilities by air, highway and rail, gas and petroleum pipelines, and an abundant water supply favors Nashville's role as a center of the burgeoning mid-South.

The charter bank, founded in 1927, has grown, through capable and aggressive management, into a system having 14 branch offices. It is particularly active in the correspondent banking field and now has a substantial number of correspondent banks, most of which are located within a radius of 250 miles. Within this region it competes vigorously with the large banks in northeastern Georgia, northern Alabama, western North Carolina, Kentucky and Tennessee, although holding only 3.13 percent of total regional loans and deposits. Within the Nashville wholesale trade area, which covers middle Tennessee, southern Kentucky, northern Mississippi and northern Alabama, the charter bank's share of total bank loans and deposits is but 12.5 percent. In the Nashville community, which consists of the city and eight surrounding counties, the charter bank holds about 29.7 percent of deposits while its closest competitors, the \$393.3 million First American National Bank, Nashville, and the \$217.4 million Commerce Union Bank, Nashville, hold 34.9 and 18.1 percent of deposits, respectively.

The merging bank, chartered in 1889 as a trust company, passed through a merger and reorganization and emerged in 1956 with its present title. In 1959 the bank opened its first and only branch. Prior to January 1964, it was controlled by a wholesale grocery firm, which sold its stock in the merging bank to a syndicate controlled by insurance interests. The new owners soon found that injection of a substantial amount of capital and effort would be required both to make the bank a competitor in the Nashville area and a profitable undertaking for the owners. Having no desire to divert their attention from the insurance field and being unwilling to put large sums into the bank, these interests gave consideration to the merger route for a solution. They were prompted in part by the fact that, during the period since assuming control, deposits in the merging bank declined from \$45.4 million to \$39.6 million, despite an increase of \$1.1 million in public fund deposits. By contrast, deposits in the other three banks in the city rose sharply after 1960 and continued to rise. Many of the merging bank's customers, who previously felt obligated to maintain deposits in the bank because of their business connections with the previous owners, the wholesale grocery firm, indicated that they were then free to move their accounts to larger banks. Additionally, the change of ownership resulted in a substantial loss of accounts in the bank's trust department.

One of the most determinative factors in the consideration of this merger is the problem of management succession. This Office has stated time and again

that a bank is only as good as its management. In the case of the merging bank, the president is ill and anxious to retire. Further, there is no provision for succession. The dearth of young management personnel and the unlikelihood of attracting new employees to the merging bank is due to the below-average salary scale and the lack of an adequate pension plan. The present owners of the bank show no intention of instituting costly reforms to attract employees capable of making the bank a vigorous competitor, responsive to the needs of the community. As a result, the merging bank is presently noncompetitive. Only through merger with the charter bank, where the resulting bank will be a National Bank, will this Office have an opportunity to assist this noncompetitive state-chartered institution as well as the people of the Nashville community. We would, indeed, be derelict in our responsibilities to protect the public interest in banking were we to impede effective management from assuming the responsibilities of a declining and leaderless merging bank.

We turn now to the future earnings prospects of the applicant banks, another criterion established by law in the consideration of bank mergers. The future earnings prospects of the merging bank, in its present condition, are very gloomy. The recent substantial decline in deposits in the phlegmatic and incapacitated management bode ill for future earnings of the bank unless remedial steps are taken. If merger is the remedy, however, as we are convinced it is, the future earnings prospects of the resulting bank are excellent because of the dynamic management, existing branching system and operating efficiency of the charter bank.

Only minimal competition exists between the two applicant banks due to difference in size and to diversity of market interests. As stated above, the charter bank serves numerous correspondent banks throughout its region. These correspondent banks' deposits account for 18.7 percent of the charter bank's deposits, as compared to the merging bank's correspondent deposits which amount to only 1.2 percent of the merging bank's deposits. Commercial loans make up 40 percent of the charter bank's total loans, but only 25.7 percent of the merging bank's total loans. Further contrast can be seen in the fact that, while real estate loans account for only 0.8 percent of the charter bank's loans, such loans constitute 34 percent of the merging bank's loans.

While the cold statistics presented by the application may indicate at first blush that some competition now exists between the applicants and that it will be eliminated by this merger, closer analysis of the com-

plete picture dispels this hasty conclusion. A bank's competitive force in its community depends greatly upon the attitude of its management and board of directors. To assess accurately competition between two banks, an effort must be made to weigh the aggressiveness, the capability, the experience and the desire of the management of each to compete. When, as in this case, we find that the management of the merging bank is more interested in insurance than in banking, has no desire to maintain the bank's relative standing in the banking community, and has made no effort to improve its internal operating procedures nor elevate the morale of its personnel through better salaries and an improved pension plan, we cannot realistically view it as a competitive bank. When a bank, such as the merging bank, is not disposed to compete, it is idle to speak of the elimination of competition by reason of a merger.

The hallmark of modern banking is branch competition. The inability of the merging bank to effectively serve the public is graphically illustrated in its failure to develop a modern branching system despite the fact that it was founded in 1889. With the three largest banks in Nashville having 20, 15, and 20 offices, respectively, it is manifest that Nashville Bank & Trust Co., with a single branch, cannot compete in the important area of branching.

The competition for funds in the Nashville community is not confined to commercial banks. It must be noted that savings and loan associations are particularly strong competitors. While competition is most desirable and indeed a basic tenet of the American economic system, the advantages to savings and loan associations arising from higher permissible interest and dividend rates, as well as tax privileges not available to commercial banks, make a difficult competitive situation for the banks. This fact is reflected in the 325 percent increase in savings and loan share accounts in the Nashville community since 1953 and the opening of three new savings and loan association branches during the past year. There is certainly a need for a stronger institution to compete for funds in such a market.

There is no tendency toward monopoly in the Nashville area or community. The charter bank has never been involved in a merger since its founding in 1927; its rapid growth has been internal. The number of Nashville banks has not declined during the past 30 years. Indeed, a relatively new bank, the Capital City Bank, which was chartered in 1960, now has almost \$7.5 million in resources and two branches. There is

hardly a monopoly when a new bank can enter the market and prosper so remarkably in such a short time.

One of the best qualified authorities on banking in Tennessee has recognized the fact that the merger will be a salutary development. In a letter of April 25, 1964, Mr. M. A. Bryan, Superintendent of Banks, State of Tennessee, said of the proposed merger:

The competitive factor in my opinion will not be lessened by the merger. This assumption is based on the evident competition which now and will exist between existing First American National Bank, largest Nashville bank, the Commerce Union Bank, in third position, and Third National Bank, second in size, the surviving institution of the merger between themselves and Nashville Bank & Trust Co. which holds a minor position in the field insofar as competition is concerned.

Consummation of the proposed merger will improve the charter bank's ability to serve the convenience and needs of the Nashville public. It will be better able to meet the credit needs of its larger customers throughout the Nashville wholesale trade area. Automation will improve the operating efficiency for the benefit of the merging bank's customers. Increased salaries and other incentives such as the charter bank's pension plan will improve the morale of the merging bank's personnel. The more numerous banking services offered through the resulting bank's extensive branch system will better serve the needs of the merging bank's customers. Further, the assets of the merging bank will be pooled with those of the charter bank to be used more efficiently in promoting the economic well-being of the people of the Nashville community, the wholesale trade area which it serves, and the mid-South region of which it is the center.

In the light of all of the facts and circumstances here present, we are compelled to conclude that this merger application has met the statutory criteria and will promote the public interest. The application is therefore approved.

AUGUST 4, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The primary area of competition involved in this proposed merger is metropolitan Nashville, an area which is coextensive with Davidson County and the outer limits of permissible branching for Nashville banks. The area is already highly concentrated with the 3 largest banks holding more than 93 percent of all deposits and loans in the 6 Nashville banks, and more than 82 percent of total deposits and loans held by all 34 banks in Davidson County, and 7 surrounding counties. The proposed merger would unite the area's second and fourth largest banks and increase concentration to a significant degree. The resulting bank

would be the largest lender and holder of savings deposits in the entire area with more than 40 percent of total loans held by Nashville banks and 36 percent of total loans held by all 34 banks in the 8 counties; it would hold 46 percent of all automobile loans and 33 percent of all savings deposits held by commercial banks in the area. An important source of banking

credit and service would be eliminated for individual and small business borrowers in metropolitan Nashville, and the many smaller banks in the area would be further disadvantaged in their competitive efforts. The proposed merger would have a severely adverse effect upon competition in metropolitan Nashville and the surrounding area.

* * *

THE FIRST SECURITY BANK OF IDAHO, NATIONAL ASSOCIATION, BOISE, IDAHO, AND THE FARMERS BANK, KENDRICK, IDAHO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Farmers Bank, Kendrick, Idaho, with	\$3, 205, 007	1	.....
was purchased Aug. 21, 1964, by First Security Bank of Idaho, National Association, Boise, Idaho (14444), which had	267, 058, 205	40	.....
After the purchase was effected, the receiving bank had	269, 688, 213	.....	41

On June 1, 1964, the First Security Bank of Idaho, National Association, Boise, Idaho, applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$3.2 million Farmers Bank, Kendrick, Idaho.

Boise, with an estimated population of 60,000, is the head office of the purchasing bank and the largest city in Idaho. Located on the main line of the Union Pacific Railroad and served by numerous truck lines, the city is a distribution center for a trade area with a population in excess of 100,000. The 150 light-industry firms in Boise are connected primarily with the basic agriculture of the State and with the construction industry.

The purchasing bank, with 40 operating branches, 2 approved but unopened branches, and a facility at Mountain Home Air Force Base, serves the entire State of Idaho. It is second in size to the Idaho First National Bank, Boise, Idaho. Nine other banks, ranging in size from the Bank of Idaho, Boise, to the Bank of Central Idaho, Greenville, Idaho, compete for deposit accounts and profitable loans.

Kendrick, population 450, is an agricultural community located 27 miles northeast of the major trading center of the area, Lewiston, and about 300 miles north of Boise. Although the region contains forest lands and logging operations, the economy largely depends on farms which principally produce wheat. Most of the farms are operated by the owners and are quite profitable. Together with crops and livestock operations, two grain elevators and a dry bean elevator compose the economic structure of Kendrick.

The selling bank is the only bank in Kendrick. The closest bank is the First Bank of Troy which is 13 miles from Kendrick. Three banks in Lewiston and three banks in Moscow, Idaho, as well as banks in two other nearby towns, extend credit to interests in Kendrick.

The selling bank has conducted a limited general banking business since it was organized in 1908. It has participated very little in the real estate and the consumer loan fields. Its small lending limit is partly responsible for the fact that a number of large farm operators, lumber firms, and warehouse enterprises in the Kendrick area secure their credit outside Kendrick. The purchasing bank, with greater resources and more aggressive policies, will meet these difficulties and increase banking convenience in the Kendrick area.

The former president and largest shareholder died recently and no successor has replaced him. The bank, now being managed by the cashier who has reached retirement age, has developed no other officer. The purchasing bank will be able to solve the management succession problem in Kendrick.

The merger will not change the competitive structure in Boise nor in the State at large, as the purchasing bank's share of State deposits will increase by a mere 0.4 percent. There are no common borrowers, depositors or shareholders of the applicant banks. Because the selling bank finds itself in a dilemma resulting from no management depth, the merger route is the only viable means of retaining a bank in Kendrick which would provide competition in that northwestern section of Idaho.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is, therefore, approved.

AUGUST 18, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The First Security Bank, the second largest with deposits of over \$242 million, operates 40 banking offices, 7 of which have been acquired since 1952 with deposits of over \$27 million.

Farmers Bank is located in the small town of Kendrick about 19 miles distant from the closest branch of First Security. Deposits of Farmers Bank total \$2,850,000.

Direct competition between the participating banks is very limited. The chief competition of Farmers

Bank is the First Bank of Troy, a small independent bank which will hereafter compete with the second largest bank in Idaho.

First Security has 31.5 percent of all Idaho bank deposits and 29 percent of the banking offices in the State. The three largest banks in Idaho have 76.6 percent of the total deposits of all Idaho banks and 93 of the 139 banking offices in the State. Since 1952, these 3 banks have acquired 18 banks with 22 banking offices. While each acquisition of a small bank, considered separately, may not necessarily result in a substantial lessening of competition, the cumulative effect of a series of small acquisitions, of which the present is an example, must inevitably be substantially adverse. Thus, any further acquisition by Security Bank involves an adverse competitive effect and a tendency toward monopoly.

* * *

FIRST NATIONAL BANK & TRUST CO., AND THE GEORGETOWN NATIONAL BANK, BOTH OF GEORGETOWN, KY.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Georgetown National Bank, Georgetown, Ky. (8579), with.....	\$5, 646, 609	1	.....
and First National Bank & Trust Co., Georgetown, Ky. (2927), which had.....	7, 812, 134	2	.....
merged Aug. 29, 1964, under charter of the latter bank (2927), and under the title "First Georgetown National Bank & Trust Co." The merged bank at the date of merger had.....	13, 438, 460	.....	3

COMPTROLLER'S DECISION

On March 2, 1964, the \$7.6 million First National Bank & Trust Co. and the \$6 million Georgetown National Bank, both of Georgetown, Ky., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Georgetown, the county seat of Scott County, is located in the north central part of Kentucky, 12 miles north of Lexington. This city of 7,000 persons serves a trade area with an estimated population of 20,000 persons including the Georgetown College enrollment of 1,200 students. A very rich and fertile belt of blue-grass country that is known for top grade burley tobacco and fine livestock runs through this part of Kentucky. Though tobacco is the prime money crop, industrial activity is growing and general economic conditions in the community are healthy, with approximately 1,500 persons employed in manufacturing concerns and 1,700 in nonmanufacturing enterprises. In addition, approximately 20 percent of the eligible labor force works in Lexington.

In 1962 the present owners acquired control of the charter bank by purchasing the majority of its shares. During the fall of 1963 they also gained control of a majority of the shares of the merging bank. A new loan policy and other reforms instituted in the charter bank since its purchase have resulted in a diversified and expanded loan program and in improved bank earnings. If the present ownership of the applicants is allowed to take advantage of the operational and managerial economies inherent in the elimination of duplicated efforts, both banking services and earnings of the resulting bank should show improvement comparable to that of the charter bank.

Neither of the applicants has any history of acquisitions aside from the charter bank's 1963 acquisition of the small Farmers Deposit Bank of Sadieville, Ky. It is apparent from a study of liquidity ratios and earnings over the past few years that the financial condition of both banks has been and continues to be good.

Other than the applicants, the only financial institutions in the community are one bank, two savings and

loan associations, and two loan companies. The two savings and loan associations, owned by the presidents of the merging bank and the remaining bank respectively, are used to channel off those loans that their banks prefer not to make. Of the two loan companies, only one does a significant amount of business. That loan company is controlled by the present owners of the merging and charter banks.

Although three banks now serve Georgetown, there is no magic inherent in the number of three for a small community. For instance, in Frankfort, a much larger city, the community is well served by only two banks. Rather than pay obeisance to mere numbers, analysis of the effect of the proposed merger should consider the convenience and needs of the community and the effect upon competition of eliminating one bank.

In the past, all three banks in the Georgetown area had provided substantially similar banking services with little or no effective competition among them. They had merely provided alternative banking sources for the community. Only recently, due to the aggressive loan policy of the charter bank, has the total loan market and the corresponding market share of each bank undergone significant change. The charter bank now makes more than 50 percent of the greatly increased total of loans made by the Georgetown banks. The following summaries of loan and deposit figures for the Georgetown banks as of December 20, 1963, are indicative of the disparate competitive efforts: The charter bank, with total deposits of \$6.02 million, had total loans of \$4.7 million; the merging bank, with total deposits of \$4.82 million, had total loans of \$2.01 million; and the third bank, with total deposits of \$4.06 million, had total loans of \$1.97 million.

After the merger it appears that the applicants will serve the convenience and needs of the community more effectively than at present by providing superior management, better facilities, and a greater lending limit. By unifying the present staffs of each bank, those officers experienced in one field of bank operations will complement those experienced in other fields, thus resulting in more capable, experienced and continuous management. The resulting bank also intends to provide new drive-in and parking facilities for which there appears to be a great need in Georgetown. Finally, the larger lending limit of \$100,000 will enable the resulting bank to actively solicit business from those who now transact their banking business in Lexington.

In order to gauge the effect on competition in Scott County, a comparison must be made of the competitive situation before and after consummation of the proposed merger. It is clear that before autumn 1963

there were three banks which, if not engaged in active competition with each other, at least were separate and distinct entities. Since the purchase of the merging bank at that time, however, only technically can it be considered a separate and distinct entity. Whatever divergence in policy existing previously that might have resulted in competition between the applicants has been eliminated. Consequently, no tenable allegation of premerger competition can be made. The effect upon competition with the remaining bank depends to a large extent upon the preferences of its customers and of the public at large. It is already the smallest of the Georgetown banks and the broader banking services available from the applicants, if their banks are permitted to merge, will undoubtedly disturb the competitive structure. However, a realignment of the competitive banking structure would be appropriate in order to provide better service to the community.

Finally, although the Supreme Court has delimited the arena of competition for Lexington banks as only Fayette County, such delimitation does not forever foreclose that county to competition from outside. The applicants intend, through the expected strength of the resulting bank, to challenge the Lexington banks in Fayette County, as well as in Scott County, for the banking business of tobacco auction brokers and purchasers, large agricultural and livestock interests, and local manufacturing firms, all of which are now dependent upon Lexington banks for their credit sources. It may well be, therefore, that the great impact of this merger will be felt outside Georgetown and that the merger will have a beneficial effect upon competition in the broader Fayette and Scott County market.

Applying the statutory criteria to the proposed merger we conclude that it is in the public interest and the application is therefore approved.

AUGUST 28, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The First National Bank & Trust Co. of Georgetown, Ky., as of December 31, 1963, had reported assets of \$7,436,300. On the same date, Georgetown National Bank of Georgetown, Ky., had reported assets of \$6,055,200. The two banks offer substantially the same banking services in the same market area and are in competition with each other. The only other competition in Georgetown is from one small bank, the Farmers Bank.

Although the merging banks have recently come under the control of the same group of stockholders, we can find no justification for any further diminution

of existing banking competition in the area. The resulting bank, with over 70 percent of the IPC deposits and loans in Georgetown would clearly dominate the

local banking market. We therefore conclude that the proposed merger would have serious adverse competitive effects.

* * *

THE IDAHO FIRST NATIONAL BANK, BOISE, IDAHO, AND POCATELLO NATIONAL BANK, POCATELLO, IDAHO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Pocatello National Bank, Pocatello, Idaho (14859), with.....	\$5, 228, 838	2	.....
and the Idaho First National Bank, Boise, Idaho (1668), which had.....	292, 692, 820	41	.....
merged Sept. 4, 1964, under charter and title of the latter bank (1668). The merged bank at the date of merger had.....	297, 862, 393	.....	43

COMPTROLLER'S DECISION

On July 2, 1964, the \$282.8 million Idaho First National Bank, Boise, Idaho, and the \$4.9 million Pocatello National Bank, Pocatello, Idaho, applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Boise, the State capital, has a population over 80,000 in a trade area of 230,000 dependent primarily on a diversified agricultural economy. Because it is well served by airlines, trucking firms, railroad facilities, and bus lines, Boise is a distribution center for the rest of the State. The scarcity of manufacturing industries has not inhibited a continuing stable growth rate of about 5 percent per year.

The Idaho First National Bank is a statewide system operating 40 branches. Its largest competitor is the \$260.1 million First Security Bank of Idaho National Association, which also operates offices throughout the State.

Pocatello, located 239 miles southeast of Boise, is the second largest city in Idaho, and has an area population in excess of 52,000. It serves as the transportation and distribution point for the southeastern portion of the State, where several large industrial firms are located. Agriculture is an important segment of the local economy, which also relies upon Idaho State University with its approximately 3,000 students.

The merging bank opened for business in 1959 as a satellite of the charter bank, since at that time the consent of the existing banks in Pocatello would have been required for the opening of a *de novo* branch by the charter bank. It competes with four offices of First Security Bank of Idaho National Association, and the \$58.1 million Idaho Bank & Trust Co.

Consummation of the proposed merger will allow more efficient operation and will introduce trust services to the merging bank's customers. More importantly, it will provide additional resources to meet the needs of the larger industrial and agricultural credit users of Pocatello.

Because of the two banks' affiliated relationship and due to the distances between their offices, no elimination of competition nor trend toward monopoly is indicated. The merger merely changes the form of relationship without affecting local bank competition.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is, therefore, approved.

SEPTEMBER 3, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Idaho First National Bank, the State's largest with deposits of over \$256 million, operates 42 banking offices throughout Idaho. Since 1953 it has acquired 10 banks with deposits of over \$36 million.

The Pocatello National Bank is located in Pocatello, about 41 miles from the nearest branch of Idaho First National. Deposits of the Pocatello National Bank are \$4,433,000 and it has one branch office in Pocatello in addition to its main office there.

Direct competition between the participating banks appears very limited, if it exists at all.

As of December 31, 1963, Idaho First National had 35 percent of all Idaho bank deposits and 28.8 percent of the banking offices in the State. The 3 largest banks in Idaho have 76.6 percent of the total deposits of all Idaho banks and 93 of the 139 banking offices in the State. Since 1952, these 3 banks have acquired 18

banks with 22 banking offices. Idaho First National has led this movement with its 10 acquisitions since 1953. While each acquisition of a small bank, considered separately, may not necessarily result in a substantial lessening of competition, the cumulative effect of

a series of small acquisitions, of which the present is an example, must inevitably be substantially adverse. Thus, the proposed acquisition by Idaho First National would probably result in an adverse competitive effect and a tendency toward monopoly.

* * *

NATIONAL BANK & TRUST CO. AT CHARLOTTESVILLE, CHARLOTTESVILLE, VA., AND THE PEOPLES BANK OF STUARTS DRAFT, INC., STUARTS DRAFT, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Peoples Bank of Stuarts Draft, Inc., Stuarts Draft, Va., with.....	\$2, 442, 073	1	.....
and National Bank & Trust Co. at Charlottesville, Charlottesville, Va. (10618), which had.....	56, 357, 858	11	.....
merged Sept. 30, 1964, under charter of the latter bank (10618) and title "National Bank & Trust Co." The merged bank at the date of merger had.....	58, 772, 892	.....	12

COMPTROLLER'S DECISION

On July 15, 1964, the \$55 million National Bank & Trust Co. at Charlottesville, Charlottesville, Va., and \$2.3 million Peoples Bank of Stuarts Draft, Inc., Stuarts Draft, Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Charlottesville, population 34,500, is located in central Virginia near the Blue Ridge Mountains. The area's industry includes a combination of agriculture and light equipment manufacturing concerns. The University of Virginia, which employs approximately 2,100 persons and has an enrollment of 5,900 students, is located in Charlottesville. The area has enjoyed a healthy expansion during the past 10 years.

The charter bank has 10 branches operating within central Virginia. In this region the charter bank's principal competition comes from the \$414 million Virginia National Bank, the \$452 million First Merchants National Bank and the \$16 million Citizens Bank & Trust Co. Eleven banks are located in the Charlottesville service area.

Stuarts Draft, population 600, is a rural, residential community in west central Virginia. Located in the Shenandoah Valley near the Blue Ridge Mountains, the community has had within the past 10 years a surge of new home construction. Several local facilities of large major industries have been established recently in the Stuarts Draft area. Since the commercial facilities of the town are limited, the bulk of shop-

ping needs of the community are supplied by nearby Waynesboro and Staunton establishments.

The merging bank, with no branches, is the only financial institution in the town of Stuarts Draft. The Peoples Bank of Stuarts Draft competes primarily with 8 banks operating 13 offices in the Stuarts Draft-Waynesboro-Staunton area and is the eighth largest of the 9 banks serving the area. The \$414 million Virginia National Bank operates 2 offices in the area.

The Stuarts Draft bank, no longer able to serve adequately a community changing from a rural to a semi-industrial economy, has chosen to merge with an area bank which can offer an extensive range of financial services. The credit and trust departments of the charter bank will provide services not currently available at the merging bank. A small lending limit restricts the merging bank from actively competing to satisfy the banking needs of the new medium-sized industrial and commercial concerns in the area which depend on local institutions for financing.

The competitive effect of the proposed merger will be minimal since the nearest office of the charter bank is 35 miles away in Charlottesville and the overlap of the charter bank's service area is relatively insignificant. In addition, the greater services to be offered by the proposed merger will bring about a greater degree of competition in the area of the merging bank.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

SEPTEMBER 21, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The National Bank & Trust Co. at Charlottesville had, as of April 15, 1964, assets of \$54,573,000, deposits of \$48,426,000, loans and discounts of \$26,308,000, and capital accounts of \$4,631,000. It operates four offices in Charlottesville and six offices outside of Charlottesville located from 20 to 37 miles east and south of Charlottesville. Authorization has been granted for one more branch in Charlottesville.

The Peoples Bank of Stuarts Draft, Inc., had, as of April 15, 1964, assets of \$2,276,000, deposits of \$2,010,000, loans and discounts of \$1,512,000, and capital accounts of \$266,000. It operates one office in Stuarts Draft, a town 35 miles west of Charlottesville.

The service area of the banks do not appear to overlap. The application states that there is no competition between the merging banks, but there is no supporting data with respect to common depositors or

lenders or the volume of loans or deposits obtained by either bank in the service area of the other. However, direct competition between the banks does not appear to be significant.

This merger will have some adverse effect upon competition in the relevant markets particularly with respect to the five smaller banks in Peoples Bank's service area. Since these five smaller banks are already presently competing with Virginia National and First & Merchants, which between them presently account for 95.88, 95.74, and 95.83 percent of total assets, loans and deposits, respectively, the proposal would serve to aggravate an already highly concentrated area. In addition, the proposed merger eliminates one more independent bank in Virginia. When consideration is given to the increasing number of other independent banks in Virginia that have been eliminated by mergers in recent months, the cumulative effect of supplanting small independent banks by consolidations and mergers renders this proposal adverse.

* * *

THE BRANFORD TRUST CO., BRANFORD, CONN., AND THE FIRST NEW HAVEN NATIONAL BANK, NEW HAVEN, CONN.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Branford Trust Co., Branford, Conn., with	\$5,814,623	1	
and the First New Haven National Bank, New Haven Conn. (2), which had	197,335,681	14	
merged Sept. 30, 1964, under charter and title of the latter bank (2). The			
merged bank at the date of merger had	203,150,304		15

COMPTROLLER'S DECISION

On July 22, 1964, the \$197.8 million First New Haven National Bank, New Haven, Conn., and the \$6 million Branford Trust Co., Branford, Conn., made application to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

New Haven is one of the industrial centers of New England. Its diversified manufacturing is primarily in the durable goods field, with the majority of the companies employing fewer than 50 workers. Having a population of approximately 152,000, the city serves as a focal point of an area of 448,000 people. Urban renewal has made the heart of the city one of the most modern in the country, and new hotel, office building and retail construction indicates that New Haven will continue to serve as a center of trade and finance in

south-central Connecticut. New Haven has traditionally been a transportation hub, as it is the headquarters of the New Haven Railroad and the converging point of two interstate highway systems. The general economic outlook for the future is quite promising.

The charter bank has 13 branches in New Haven and surrounding towns. Its major competitor in New Haven is the \$115.7 million Second National Bank with nine branches. The other local banks include the \$109.8 million Union & New Haven Trust Co., which has eight branches; the \$24.9 million Trademans National Bank, New Haven, with two branches in the area; and the single-office \$7.2 million General Bank & Trust Co. Several large savings banks also operate in New Haven. Besides the banks which compete directly with the charter bank, some of the largest banks in Connecticut, including the \$515 million Connecticut Bank & Trust Co., Hartford, the \$286 million State

National Bank of Connecticut, Bridgeport, and the \$223 million Connecticut National Bank, Bridgeport, actively seeks accounts in the charter bank's area.

Branford, population 18,800, is a residential-industrial suburb of New Haven and a summer resort. With the large percentage increase in population over the past two decades has come a trend to the establishment of local industry. There are now 51 manufacturing establishments in Branford, with metals and other durables composing a majority of these companies. The town's coast line on Long Island Sound has attracted summer, and even some year-round, residential development. The general movement to suburban areas, as well as the announced intention of several industrial firms to move to Branford, bodes fair for the development of the local economy.

The Branford Trust Co. is the sole commercial bank in Branford. The \$14.8 million Branford Savings Bank and the \$14.2 million First Federal Savings & Loan Association are the only other financial institutions in the town.

The merging bank has operated as a commercial bank since 1911. While Branford was a small, residential community, this bank and the local savings bank adequately served its citizens. The recent change in character of the town has necessitated a different role for banking there. Because of the anachronistic branch banking laws of Connecticut, however, no major bank could establish a branch in Branford while the home office of the State bank remained.

That there has been a need for modern banking service in Branford is reflected in the fact that over the last two decades, the population of Branford has more than doubled and local efforts to encourage the location of industry in the town have borne fruit. The Branford Trust lending limit of \$70,000 has been inadequate and its limited services cannot fill the needs of the public that it purports to serve. With an elderly executive officer who wishes to retire, the merging

bank cannot operate effectively under existing conditions. There appears to be little hope of attracting able management to chart a new course because of the bank's small size and its closely held stock.

The Branford Trust Co. has chosen the merger route as the solution to its predicament. By this proposal a broader range of facilities and services will serve commercial and retail banking needs of the Branford community. Its most salutary consequence, from the public standpoint, is the opening of Branford to meaningful competition. By severely restricting the range of its services and functions, the merging bank has not well met the banking needs of this growing community, nor has it been a truly competitive force there. The merger will open the town to branch banking and give its residents the benefits of a full-service banking institution.

In considering the facts of this case in light of the relevant statutory criteria, we find this merger to be in the public interest and the application is, therefore, approved.

SEPTEMBER 29, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The First New Haven National Bank, the largest bank in the relevant competitive area with more than 40 percent of commercial banking assets, deposits and loans in New Haven and the relevant area, proposes to acquire one of the few remaining independent commercial banks in the growing suburban and resort area lying east of New Haven.

The merger would not appear to substantially affect the banks located in New Haven but would eliminate potential competition between the merging banks and result in the substitution of a branch of the largest bank in the area for the Branford Trust Co. and thereby place the smaller banks in North Branford and Guilford at a serious competitive disadvantage.

We believe that the merger would have an adverse competitive effect.

* * *

THE NATIONAL BANK OF WASHINGTON, TACOMA, WASH., AND THE SPOKANE NATIONAL BANK, SPOKANE, WASH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Spokane National Bank, Spokane, Wash. (14866), with	\$6, 210, 207	2	.....
and National Bank of Washington, Tacoma, Wash., (3417), which had	247, 159, 412	31	.....
merged Oct. 2, 1964, under charter and title of the latter bank (3417). The merged bank at the date of merger had	253, 369, 620	.....	33

COMPTROLLER'S DECISION

On July 27, 1964, the \$236.5 million National Bank of Washington, Tacoma, Wash., and the \$6 million Spokane National Bank, Spokane, Wash., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Tacoma, located on Puget Sound, is an industrial city, 30 miles west of Seattle. It ranks third in size in the State, with a population of nearly 150,000. The economy is based primarily on lumber, manufacturing and shipping. There are also several nearby military facilities which add some stimulation to the economy.

The National Bank of Washington has 26 offices in western Washington and 6 in the central part of the State. It receives significant competition in Tacoma from the Puget Sound National Bank which has 14 offices, and in other areas from the Peoples National Bank of Washington, Seattle, Wash., the National Bank of Commerce of Seattle, and the Seattle-First National Bank, which, with 77 branches, is the largest in the State.

The city of Spokane, population 180,000, is located in the area known as the "Inland Empire" which lies along the Canadian border in eastern Washington. It is the second largest city in the State and largely supported by agriculture and lumbering.

The merging bank, 312 miles east of Tacoma, has resources of \$6 million. Its main office is in down-

town Spokane and its one branch is 7 miles north of the city. Competition is provided by the Old National Bank of Washington, Spokane, Wash., and several other large banks, including the Spokane and Eastern branch of the Seattle-First National Bank and the Washington Trust Bank of Spokane.

Consummation of the proposed merger will allow greatly expanded and more efficient operations for the resulting bank, including trust services, investment and market research, and international banking departments. In addition, an acute management problem, which has been caused by poor health of the Chairmen of the Board will be solved.

Because of the considerable distance between the two banks, no elimination of competition nor trend toward monopoly is foreseeable. In fact, competition will actually be stimulated because of the added strength of the resulting bank.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is, therefore, approved.

SEPTEMBER 29, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger would not eliminate any substantial competition between the two banks but it would adversely affect competition by contributing to a pronounced merger trend by which the larger Washington State banks are acquiring many viable small and medium-sized banks.

* * *

THE MARINE NATIONAL BANK OF ERIE, ERIE, PA., AND THE CITIZENS NATIONAL BANK OF CORRY, CORRY, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens National Bank of Corry, Corry, Pa. (4479), with.....	\$10,963,243	1	.....
and the Marine National Bank of Erie, Erie, Pa. (870), which had.....	43,002,848	5	.....
merged Oct. 2, 1964, under charter of the latter bank (870), and with the title "Marine National Bank." The merged bank at the date of merger had.	53,966,092	.....	6

COMPTROLLER'S DECISION

On August 3, 1964, the \$42.1 million Marine National Bank of Erie, Erie, Pa., and the \$10.9 million Citizens National Bank of Corry, Corry, Pa., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title of the Marine National Bank.

Erie, with a population of over 134,000 in a metropolitan area of about 250,000, is an industrial city located on Lake Erie in the northwestern part of the State. Its lake port facilities can accommodate ocean-going ships carrying coal, iron, and grain. The local economy is supported by many national manufacturing companies and is supplemented by agriculture in the surrounding areas.

Located 32 miles southeast of Erie is the city of Corry. With a population of over 7,700 and serving a trade area of 20,000, the city is located on the main line of the Erie Railroad and has access to good highway connections. The local economy depends on a number of small manufacturing industries employing some 7,000 people.

The charter bank has experienced slow growth over the years due to its ultraconservative management and its late entry into branch banking. However, since 1956, it has established four *de novo* branches in the Erie area. It is the third largest commercial bank in its area and competes with the \$102 million First National Bank, the \$87.2 million Security Peoples Trust Co., the \$31.1 million Union Bank & Trust Co., and the \$12.8 million Bank of Erie, all of Erie.

The charter bank has recently retained as its president the young, aggressive former president of the merging bank. This change of management was designed to modernize the charter bank. Now faced with a serious management succession problem, the merging bank desires to continue its progress under the former president. This proven management leadership should be continued.

There is no competition between the two institutions. Consequently, consummation of the proposed merger will not diminish competition. Competition from other banks and financial institutions will continue to offer alternate sources of adequate credit to customers in the merging bank's area and the charter bank's position with respect to the other banks in Erie will remain unchanged.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is, therefore, approved.

SEPTEMBER 30, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Marine National Bank of Erie is the third largest bank in Erie, Pa. The Citizens National Bank of Corry is a small unit bank operating 30 miles from Erie. Although there does not appear to be any presently existing competition between these banks, it would appear that Marine is in a position to seek loan accounts in the area now served by Citizens. Approval of this merger would eliminate such potential competition.

Merger with Citizens would not appear to materially enhance Marine's position in Erie, although it would increase somewhat the concentration in this area. The more serious effect of this merger, we believe, would be felt among the small banks competing with Citizens, particularly the National Bank of Corry, which is the only other bank operating in the town where Citizens is located. The National Bank of Corry and the other small independent bank that would remain after this merger (National Bank of Union City) would be faced with competition from a branch of a much larger bank. This factor, plus an increase in concentration existing in the western portion of Erie County, may make the continued existence of these small independents more difficult.

For these reasons we believe that approval of this merger will have a slight adverse effect on competition.

* * *

THE CITIZENS NATIONAL BANK & TRUST CO. OF ONEONTA, ONEONTA, N.Y., AND THE NATIONAL COMMERCIAL BANK & TRUST CO., ALBANY, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens National Bank & Trust Co. of Oneonta, Oneonta, N.Y. (8920), with	\$13, 273, 644	2	.....
and National Commercial Bank & Trust Co., Albany, N.Y. (1301), which had merged Oct. 2, 1964, under charter and title of the latter bank (1301). The merged bank at the date of merger had	455, 320, 050	39	.....
	468, 482, 429	.....	41

COMPTROLLER'S DECISION

On July 29, 1964, the \$437 million National Commercial Bank & Trust Co., Albany, N.Y., and the \$13 million Citizens National Bank & Trust Co. of Oneonta, Oneonta, N.Y., applied to the Comptroller

of the Currency for permission to merge under the charter and title of the former.

Albany, the site of the home office of the charter bank and 5 of its 35 branch offices, is the capital of the State of New York. Located at the hub of a rail, highway, and water transportation system which serves the

entire northeastern United States, the city is also a commercial center.

The charter bank has nine of its branches in nearby communities and the remainder are distributed throughout a wide economically diversified area, which extends from the home office city 150 miles north to the Canadian border, 30 miles east to the Massachusetts border, 100 miles west and 60 miles south. The charter bank's most active competition arises in the Albany-Troy area in which there are 34 offices of seven commercial banks.

Oneonta, population 13,300, is the site of the merging bank. Located 85 miles southwest of Albany and 20 miles south of the charter bank's nearest branch, it is the chief trading center for Otsego County. The county's economic base is agricultural with dairy farming the predominant source of income.

The competition that exists between the applicant banks is negligible. The deposits and the loans of the charter bank's three branches in Otsego County account for only 0.6 and 0.56 percent respectively of the charter bank's overall deposits and loans. The impact of the merger will be greatest in Oneonta, where the \$23 million Wilber National Bank, the only other commercial bank in town, welcomes the entrance of National Commercial as a stimulant to competition.

The resulting bank will benefit the Oneonta area by the introduction of services not now offered to residents and by offering the residents a choice of sources for services now offered only by the Wilber National Bank. New services which, for the first time, will be offered residents are certificates of deposit, accounts receivable financing, education loans, equipment leasing, investment services, and area develop-

ment services to assist in community planning and growth.

The overall benefits derived from the proposed merger, coupled with the fact that competition can be expected to increase, make it apparent that the resulting bank will improve banking services in the Oneonta area.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

SEPTEMBER 29, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger seeks to bring together National Commercial Bank & Trust Co., one of northeastern New York's largest banks, with assets of \$436,581,000 and 38 offices in Albany and other important upstate areas, and Citizens National Bank & Trust Co. of Oneonta, a much smaller independent bank with two offices in Oneonta and assets of \$13,103,000. National has within the last 8 years acquired three banks within 20 miles of Citizens, the last such acquisition taking place in January of 1964.

The proposed merger will eliminate some degree of actual and expected future competition between the two institutions and will add to the concentration and elimination of independents that has already occurred in Otsego County and the greater service area of National. Although it will offer Oneonta the advantages of a large institution, such advantages are already present in some measure and there will be eliminated from Otsego County a unit bank competitor that has shown growth over the years in a static area. For these reasons we conclude that the effects of the proposed merger on competition will be adverse.

* * *

THE WESTERN PENNSYLVANIA NATIONAL BANK, MCKEESPORT, PA., AND THE CITIZENS NATIONAL BANK OF BEAVER FALLS, BEAVER FALLS, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens National Bank of Beaver Falls, Beaver Falls, Pa. (14764), with	\$6, 107, 963	2	.....
and Western Pennsylvania National Bank, McKeesport, Pa. (2222), which	530, 002, 302	47	.....
had.			
consolidated Oct. 3, 1964, under charter and title of the latter bank (2222).	536, 110, 264	.....	49
The consolidated bank at the date of consolidation had.			

COMPTROLLER'S DECISION

On June 26, 1964, the \$512 million Western Pennsylvania National Bank, McKeesport, Pa., and the \$6.3 million Citizens National Bank of Beaver Falls, Beaver

Falls, Pa., applied to the Comptroller of the Currency for permission to consolidate under the charter and with the title of the former.

McKeesport is an industrial city of 45,000 people,

separated from Pittsburgh by only 2 miles. Both cities are located within Allegheny County and their economies are based on steel production.

Beaver Falls, population 16,000, is located 33 miles northwest of Pittsburgh in Beaver County. Its economy, like that of Pittsburgh and McKeesport, is founded primarily upon the steel industry, as is that of the entire industrial complex which is coterminous with the Pittsburgh Standard Metropolitan Statistical Area. This area includes Allegheny, Beaver, Washington, and Westmoreland Counties.

Since 1953, the Western Pennsylvania National Bank has attained a phenomenal growth record under dynamic executive leadership. During this period its assets have increased from approximately \$50 million to the present \$512 million. The charter bank now offers significant competition to the Mellon National Bank and to the Pittsburgh National Bank. To further competition, Western Pennsylvania has requested and received permission to move its head office from McKeesport to Pittsburgh.

There is little competition between the applicant banks. The charter bank does not have an office in Beaver Falls, while the Citizens' two offices are located there. Western Pennsylvania's nearest office is in New Brighton, which is on the opposite side of the Beaver River some 3 miles away from the consolidating bank's head office. Citizens, however, competes with other commercial banks which operate seven offices in Beaver Falls, including two offices of the Mellon National Bank.

Beaver Falls will be benefited by this consolidation. Citizens National has been unable to attract adequate capital to support the size of its present operations. It has also been unable to meet the credit needs of its service area which is limited to the immediate vicinity of Beaver Falls. The resulting bank will be able to offer to the public many new specialized banking serv-

ices, including a trust department. It will likewise offer a full range of consumer financing and installment loans which will provide more effective competition for the many finance companies now operating in the area.

Applying the statutory criteria to the proposed consolidation, we conclude that it is in the public interest and the application is therefore approved.

SEPTEMBER 28, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Commercial banking in the Pittsburgh (Allegheny County) area, the primary service area of the Western Pennsylvania National Bank, is very highly concentrated, to a large extent as the result of past acquisitions and mergers. Western itself is the third largest bank serving the Pittsburgh area and has, since 1953, acquired 20 small- and medium-sized banks, most of them in Allegheny County. Approval of the instant consolidation would further an existing tendency toward monopoly and will eliminate existing competition between Western and Citizens.

As recently as February 1964, Western acquired a bank in Citizens' service area only 1 mile from Citizens' nearest office. As a result of the proposed consolidation, the small local banks operating in this service area will be confronted with four more branches of this large Allegheny County bank in addition to the branches of Pittsburgh's largest and fourth largest banks already there—Mellon National Bank & Trust Co. and the Union National Bank of Pittsburgh. This situation may impose such a handicap on the remaining small banks that they will be forced to seek similar consolidations thereby eliminating all local banks in the area.

In all respects, therefore, the effect of this proposed consolidation upon competition must be deemed to be adverse.

* * *

MARINE MIDLAND NATIONAL BANK OF SOUTHEASTERN NEW YORK, POUGHKEEPSIE, N.Y., AND COMMUNITY NATIONAL BANK, LIBERTY, N.Y.

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
Community National Bank, Liberty, N.Y. (10037), with.....	\$26, 034, 886	3	.....
and Marine Midland National Bank of Southeastern New York, Poughkeepsie, N.Y. (465), which had.....	104, 687, 940	6	.....
merged Oct. 9, 1964, under charter and title of the latter bank (465). The merged bank at the date of merger had.....	130, 740, 826	.....	9

On May 28, 1964, the \$95.5 million Marine Midland National Bank of Southeastern New York, Poughkeepsie, N.Y., and the \$23.4 million Community National Bank, Liberty, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Poughkeepsie, county seat and principal city of Dutchess County, is located about 78 miles north of New York City and has a population of over 38,000 in a trade area of about 250,000. The economy of Dutchess County depends on light manufacturing, related service industries, some heavy manufacturing and considerable dairy farming and fruit growing.

The Marine Midland National Bank maintains its main office and one branch in Poughkeepsie and four other branches located outside of the city. Its chief competitors are the \$139.7 million Poughkeepsie Savings Bank, the \$27.3 million Farmers-Mattewan National Bank, the \$26.3 million Dutchess Bank & Trust Co., and the \$17.2 million Fallkill National Bank & Trust Co. Moreover, the charter bank, as a member of the Marine Midland group, enjoys the services and connections of a large statewide bank holding company.

Liberty, with a population of 4,700 in a trading area of 16,000, is located in Sullivan County 56 miles west of Poughkeepsie and 108 miles northeast of New York City. It shares in the Catskill Mountain resort economy which attracts over 2 million visitors a year to the area. Existing resort facilities include about 300 hotels, many of which can accommodate over 500 guests, some 1,200 bungalow colonies averaging 8 units, about 50 motels, and 100 trailer courts. In addition, rental cottages, campsites and other lodgings abound in the area. In recent years, there has been an increase in the development of winter sports to encourage year-round activity in the region. This project has encouraged further expansion of existing facilities.

The merging bank, quartered in Liberty with branch offices in South Fallsburg and Woodbourne, ranks second among eight commercial banks in Sullivan County. Its deposit structure fluctuates considerably because of the seasonal nature of the resort business, with the result that it does not possess the deposit stability nor the legal lending limit which would permit substantial financing of resort and agricultural enterprises on a long-term basis.

Consummation of the proposed merger will introduce into Sullivan County a bank with deposit stability and a lending limit sufficient to meet the credit needs

of an expanding resort industry. Further, the customers of the merging bank will have available for the first time trust and other banking services not offered by the merging institution. The pool of trained employees of the charter bank and the Marine Midland system will benefit the merging bank and improve its operating efficiency.

While the banking structure of Poughkeepsie will not be altered by the merger, the competitive climate of Sullivan County will be considerably improved by the introduction of a strong, full-service institution. Since the applicants are over 50 miles apart and do not compete with each other, no reduction of competition or trend toward monopoly is foreseeable. The residents of Dutchess and Sullivan Counties will continue to have available adequate competing sources of bank services and credit.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is therefore approved.

OCTOBER 5, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Community National is one of eight commercial banks in Sullivan County, N.Y., and claims that it competes with three additional banks, two located in Ulster County and one in Orange County. Community National ranks third among all 11 banks, with 11.9 percent of total deposits. The three largest account for 60.3 percent of the total deposits. If the merger is effectuated, the resulting bank, Marine Midland of Southeastern New York (based in Poughkeepsie, Dutchess County, 56 miles from Liberty and with no existing branch in Sullivan County) would have 40.8 percent of the deposit total of all 11 competing banks, and the 3 largest banks would have 73.3 percent of the deposit total. A merger trend has already occurred among the Sullivan County banks, three banks having disappeared through merger in the past 4 years, and an application is pending to merge a fourth (apart from the instant application).

The proposed merger would substitute the multi-billion Marine Midland banking organization in Sullivan County in place of the present independently owned and operated Community National Bank. The resulting bank will have a far greater lending limit and far greater resources than any bank in the county and surrounding area. Competition for Community National's loan participations and correspondent relationships will diminish or be foreclosed since the resulting bank will probably deal with its sister banks in the Marine Midland group.

The merger will cause an imbalance in the structure of commercial banking in Sullivan County, may diminish the competitive prospects of the other banks in the area, and may increase the trend of mergers and undue concentration and monopoly of banking in Sullivan County.

Apart from the merger's adverse effects on competition in commercial banking in Sullivan County, it could have adverse competitive effects on the banking industry elsewhere in New York State. The concentration of banking resources and offices under the

single control of one organization, the Marine Midland holding company, will be increased. The unique and competitively favorable posture of Marine Midland as the only statewide banking organization in the State will be strengthened by its entrance into Sullivan County via this merger. This may increase the pressure for the formation of other comparable bank holding companies in New York.

We conclude, therefore, that the competitive effect of this merger may be substantially adverse.

* * *

THE TENNESSEE BANK & TRUST CO., HOUSTON, TEX., AND THE HOUSTON NATIONAL BANK, HOUSTON, TEX.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Tennessee Bank & Trust Co., Houston, Tex., with	\$52,341,796	1	
and Houston National Bank, Houston, Tex. (9353), which had	89,292,080	1	
merged Oct. 16, 1964, under charter and title of the latter bank (9353). The			
merged bank at the date of merger had	140,745,393		1

COMPTROLLER'S DECISION

On September 8, 1964, the \$44.6 million Tennessee Bank & Trust Co., Houston, Tex., and the \$86 million Houston National Bank, Houston, Tex., applied to the Comptroller of the Currency for permission to merge under the charter and title of the latter.

Houston, whose 1964 estimated population of over 1 million represents increases of 70.3 percent over 1950 and 57.4 percent over 1960, is the sixth largest city in the United States and is the largest in the Southwestern States of Texas, Oklahoma, New Mexico, and Arizona. Its standard metropolitan area is defined as Harris County, an area of 1,730 square miles with a population of 1.3 million. Houston is the center of what is known as the Upper Texas Gulf Coast area, which consists of 11 counties whose 1960 population was almost 2 million. This trade area runs approximately 21 miles north, 57 miles south, 100 miles east, and 86 miles west of Houston.

Since 1950, the Upper Texas Gulf Coast area has nearly doubled its population, and has undergone a significant change in its economy which 10 years ago was primarily agricultural. Today, this region boasts the largest concentration of oil, gas and petrochemical refining, processing and manufacturing plants in the world, and is one of the fastest growing industrial areas of the Nation. It is served by six deep water ports

which are connected by the Inter-Coastal Waterways. The largest of the six is the port of Houston, connected to the Gulf of Mexico by a 50-mile ship channel. In 1950 the port of Houston moved 41.9 million net tons; in 1962 that figure reached 57.8 million, thus making the port the third largest port in the country in terms of tonnage moved.

Three hundred national firms have offices or outlets in downtown Houston, and within the city's corporate limits are 115 firms which employ more than 300 people each. Twenty-five of them employ more than 1,000 persons. Along with its population boom, retail sales in the city have increased by 50 percent to a total of \$1.5 billion in 1962. Adding to the already booming economy is the 2-year old National Aeronautics and Space Administration's Manned Spacecraft Center, located 22 miles from Houston. Ten colleges in the area have a student enrollment of 23,669, the largest being the University of Houston, with 13,665 students.

Metropolitan Houston is currently served by 79 banks, with several others approved but not yet open for business. Thirteen of these banks are located in the downtown business district of Houston, 44 banks are located in the suburbs, and 22 banks are located in Harris County, outside of Houston. These commercial banks hold approximately 3 billion deposits and 1.7 billion in loans. The First City National Bank is

the largest with total resources of \$903 million with 26.2 percent of deposits and 22.5 percent loans, followed by the \$812 million Texas National Bank of Commerce with 22.9 percent of deposits and 22.3 percent of loans and the \$541 million Bank of Southwest, National Association, with 14.6 percent of deposits and 17.1 percent of loans. In fourth place is the Charter Bank with total resources of \$86 million. With the approval of this merger the Charter Bank's assets will be \$130 million and will account for 3.75 percent of the total deposits and 3.79 percent of the total loans in the metropolitan area. Though remaining in fourth position, the resulting bank will be but one-fourth the size of the third largest bank.

There are 20 savings and loan associations in Houston operating a total of 15 branches in addition to their main offices. Also competing in the area are over 200 credit unions, 200 life insurance companies, and 75 sales finance companies.

The resulting bank will offer more effective competition to the 3 larger banks and the effect on the other 74 smaller banks will not be adverse. Although a minimal degree of competition will be eliminated between the merging banks, it is not considered significant. We are fortified in this view by the advisory opinions of the Federal Reserve Board and the Federal Deposit Insurance Corporation. In its advisory report on the competitive factors the Federal Reserve Board stated:

During a field investigation, officials of all the larger downtown banks and three independent suburban banks indicated that the instant proposal would not have an adverse effect on the competitive picture in Houston.

* * * * *

While consummation of a merger between Houston National Bank and Tennessee Bank & Trust Co. would eliminate some existing competition and potential for more competition between the two banks, it might stimulate competition among the larger banks without unfavorable competitive effects on smaller banks. Numerous alternative banking facilities would remain available in the Houston area, and the overall effect of the proposed transaction on competition would not be significantly adverse.

In the same vein the Federal Deposit Insurance Corporation found:

Under the proposal, a small unit bank would be eliminated and there might be some elimination of competition. However, competition between the merging banks which might be eliminated is not regarded as significant. Common deposits and loans are minimal and the functions of the merging banks have been more complementary than competitive. In addition, neither merging bank is a significant factor in the overall competitive area by virtue of size alone.

Neither the increased concentration of banking resources nor the competition which might be eliminated is sufficient to be of adverse significance and it is concluded that the overall effect of the proposed merger on competition would not be unfavorable.

Furthermore, no evidence appears in the record indicating that the enhanced competitive capacity of the resulting bank will work adversely upon any competing bank in Harris County.

The stringent antibranch banking statute is another cogent argument in support of this merger. By maintaining the strict prohibition against branch banking, the Texas Legislature has chosen to ignore the ascending economic fortunes of a growing industrial society in Texas. Approval of the merger will recognize the need to marshal capital sufficient to meet the credit requirements of the State's economic growth, and offset in part the economic waste resulting from the proliferation of numerous unit banks, each with its own capital structure, premises and personnel. The State's persistence in maintaining a unit banking system designed for a rural economy of 50 years ago impedes its ability to realize its economic potential and fulfill the destiny for which it is striving.

Applying the relevant statutory criteria to the proposal to merge, we conclude that it is in the public interest and the application is therefore approved, effective at the close of business, Friday, October 16, 1964, Houston time.

OCTOBER 15, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Houston National is the fourth largest commercial bank and trust company in Houston, with assets of \$86,081,000, deposits of \$74,725,000, and loans of \$42,535,000. Tennessee Bank (which is controlled by Tennessee Gas Transmission Co., one of the largest public utility companies in the Nation) is the tenth largest bank in Houston, with assets of \$44,615,000, deposits of \$38,623,000, and loans of \$22,512,000. Both applicants offer trust services, and both have extensive correspondent bank activities. Each has its office in downtown Houston (under Texas law commercial banks are not permitted branch offices). Until April 1963 Tennessee Bank was located at 306 Main Street, just one block south of Houston National's office at 202 Main Street.

Metropolitan Houston is coterminous with Harris County. There are 79 banks in this area, of which at least 22 are reported to be closely associated with one of the three largest, downtown banks. These three institutions and their associated banks together

hold about 72.5 percent of the area's deposits. This heavy concentration is in large part the direct result of three major consolidations since 1953 which combined Houston's then six largest, downtown banks into the three which now dominate the area. Houston National, with 2.4 percent of Harris County's deposits, is the next largest downtown bank. Tennessee Bank, since its affiliation with Tennessee Gas Transmission Co. in 1961, has increased its deposits from \$2,289,000 to \$38,623,000, and now holds 1.6 percent of the county total.

The proposed merger would eliminate direct competition in commercial banking and trust business, in-

cluding correspondent banking services, between two substantial downtown Houston banks. It would result in a relatively slight percentage increase in concentration in the four largest Houston banks, from about 74.9 percent to about 76.3 percent, but in view of the concentration which already characterizes the market that increase is not insignificant. Moreover, the resulting bank would possess such competitive advantages as might result from being affiliated with one of the largest public-utility companies in the United States as to raise serious competitive problems.

We conclude that the effect of the proposed merger on competition would be seriously adverse.

* * *

THE ONEIDA NATIONAL BANK & TRUST CO. OF CENTRAL NEW YORK, UTICA, N.Y., AND THE CITIZENS NATIONAL BANK OF POLAND, POLAND, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens National Bank of Poland, Poland, N.Y. (9804), with	\$2, 865, 897	1	.....
and the Oneida National Bank & Trust Co. of Central New York, Utica, N.Y. (1392), which had,	167, 647, 231	15	.....
merged Oct. 16, 1964, under charter and title of the latter bank (1392). The merged bank at the date of merger had	170, 513, 128	.....	16

COMPTROLLER'S DECISION

On August 10, 1964, the \$163.5 million Oneida National Bank & Trust Co. of Central New York, Utica, N.Y., and the \$2.6 million Citizens National Bank of Poland, Poland, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Utica, a city of 100,000 with a 2-county trade area of about 250,000, is an industrial and commercial center in central New York State, located about 50 miles east of Syracuse and 90 miles northwest of Albany. The economy of the area is dependent on industry and agriculture, and several nationally prominent industrial firms provide a substantial portion of the area's income. The New York Thruway and the New York Central Railroad move goods and traffic through the region with ever-increasing volume. Although recent reductions in defense contract spending have caused some local unemployment, expansion of other industry is expected to counteract this situation.

Poland, a residential suburb located about 15 miles northeast of Utica, has a population of 575. Its economic growth has been moderate but steady in recent years. The main industry is lumber manufacturing,

and in the immediately surrounding area, agriculture and dairy farming.

The charter bank has nine branches in Oneida County and five branches in Herkimer County. There are nine commercial banks, three savings banks, and six savings and loan associations in the Oneida-Herkimer trade area operating 47 offices. The charter bank holds 23.2 percent of total deposits in the area, while its largest commercial bank competitors, the \$155.8 million Marine Midland Trust Co. of the Mohawk Valley, and the \$171.1 million Savings Bank of Utica, both headquartered in Utica, hold 22 and 25.1 percent, respectively.

The merging bank, possessing about 0.4 percent of area deposits, experienced all of its increase in deposits in recent years in the category of time deposits and public funds, whereas demand deposits have trended downward. Its sole office represents the only banking facility in Poland. Its closest competitor is a branch of Marine Midland Trust Co. located 8 miles east of Poland, in Middleville.

The inability of the merging bank to offer either sufficient credit, or a full range of banking services has forced many customers to go to the branch of the Marine Midland Trust Co., in Middleville. Consum-

mation of the proposed merger will bring to the merging bank's service area trust services, farm credit specialists skilled in agricultural financing, a larger line of credit, and other advantages of full-service banking not presently available to the merging bank's customers and required for area growth. The merger will have no effect on the banking industry in Utica, nor will it eliminate any competition between the merging institutions.

In light of the statutory criteria, we conclude that the proposed merger is in the public interest, and the application is, therefore, approved.

OCTOBER 14, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger between Oneida and Citizens would have an adverse effect upon competition in Oneida and Herkimer Counties as well as the smaller area within and around Poland, N.Y. Of the eight banks competing in the two-county area, Oneida presently holds 42 percent of the assets, 43 percent of the total deposits and 43 percent of the loans. It is the largest bank competing in this area. Very close to Oneida in size is the Marine Midland Trust Co. of the Mohawk Valley which holds 41 percent of the assets,

42 percent of the loans and 40 percent of the deposits. Combining these two institutions they hold 83 percent of the assets, 83 percent of the deposits, and 85 percent of the loans. Moreover they control 28 of the 34 banking offices in the two-county area—82 percent. This two-county area has a sound economic base supported by heavy industry and agriculture, among other industries.

In Citizens' service area of Poland-Cold Brook-Newport, Citizens is the only bank. The nearest bank is a branch of Marine Midland Trust Co., located 8 miles east. The proposed merger would result in the two largest banks in the two-county area becoming the sole source of commercial banking services in and around Citizens' service area.

Moreover, this proposed merger represents a further attempt by Oneida to grow through the acquisition of other banks and a further step by the urban banks in these two counties to acquire the rural banks. Considering the size of the remaining competition in these two counties, failure to stop this present merger trend may result in the present two largest banks in the two-county area becoming the only banks therein.

The proposed merger would have an adverse effect upon competition.

* * *

THE FIRST NATIONAL BANK AT MOUNDVILLE, MOUNDVILLE, W. VA., AND MARSHALL COUNTY BANK, MOUNDVILLE, W. VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Marshall County Bank, Moundville, W. Va., with.....	\$2, 512, 703	1	.....
and First National Bank at Moundville, Moundville, W. Va. (14142), which had	5, 946, 175	1	.....
merged Oct. 17, 1964, under charter and title of the latter bank (14142). The merged bank at the date of merger had.....	8, 556, 138	.....	1

COMPTROLLER'S DECISION

On July 31, 1964, the \$5.3 million, First National Bank at Moundville, Moundville, W. Va., and the \$2.6 million Marshall County Bank, Moundville, W. Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Moundville, with a population of over 15,000 in a service area of about 23,000, is located on the Ohio River, south of Wheeling, in the northern panhandle of the State. The service area of the two banks depends on a mixed economy of industry and agriculture.

Population and economic growth in recent years have been rather static. Although the area is threatened with the possible loss of a major employer, its economy may receive some stimulus through increased activity of several nearby chemical plants, by expansion of the mining industry, and by enlargement of existing industry.

The charter bank was organized in 1901. During the past 10 years it has not acquired any other bank. Other commercial banks operating in the charter bank's service area are the \$7.8 million Mercantile Bank & Trust Co. and the \$3.7 million Bank of McMechen.

The merging bank was organized in 1881 and has experienced a slow rate of growth. Its president is now ill, and since there is no qualified successor to take the president's place, a management succession problem is present. Although the bank's owners have been seeking to sell their controlling interest for many years, the earnings have not been sufficient to attract purchasers.

Since it is evident that the Moundsville area cannot support four banks in a prosperous condition, elimination of one institution will produce a healthier climate for the remaining banks. The resulting bank, able to achieve some reduction in operating expenses by consolidating bookkeeping facilities and by more efficient use of personnel, will be in a position to provide better banking service to the public. Upon completion of the merger, the resulting bank will seek to offer trust services for the first time.

Although the two banks are located across the road from each other, consummation of the proposal can hardly be expected to eliminate any meaningful competition because of the long standing noncompetitive

relationship between them. The resulting bank will be comparable to the largest bank in the area, the Merchantile Bank & Trust Co. Moreover, the prohibition of State law against branch banking impedes competition by preserving for each bank an exclusive sphere of operation unchallenged by any other bank.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is, therefore, approved.

SEPTEMBER 29, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Four unit banks presently compete in the Moundsville-Glendale (West Virginia) service area which is common to both participating banks. The proposed merger would eliminate presently existing competition between the participating banks. It will also concentrate in the three unit banks remaining after the merger commercial banking service for an area with a population of 23,000. It would appear therefore that the merger will have an adverse effect on competition in the relevant service area.

* * *

FIRST SECURITY BANK OF IDAHO, N.A., AND THE FIRST SECURITY BANK OF TWIN FALLS, TWIN FALLS, IDAHO

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
First Security Bank of Twin Falls, Twin Falls, Idaho, with	\$3, 865, 088	1	.....
and First Security Bank of Idaho, National Association, Boise, Idaho (14444), which had.	264, 478, 563	42	.....
merged Oct. 23, 1964, under charter and title of the latter bank (14444).	268, 343, 651	.....	43
The merged bank at the date of merger had.			

COMPTROLLER'S DECISION

On August 24, 1964, the \$263 million First Security Bank of Idaho, N.A., and the \$3.6 million First Security Bank of Twin Falls applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Boise, capital of Idaho and home of the charter bank, lies in the southwestern section of the State approximately 450 miles southeast of Portland, Ore. The city has a population of about 60,000 persons and is the center of a metropolitan trade area containing 230,000 persons. Although relatively little industry has located in Boise, the city serves Idaho as the focal point for numerous airlines, trucking firms, and railroads so that it has been able to draw on surrounding areas of Idaho for its economic support.

While Idaho emphasizes agriculture and related activities such as the production of livestock, it has, in common with its neighbor States, an abundance of natural resources that augments its diversified agricultural economy.

Twin Falls, home of the merging bank, is located 135 miles southeast of Boise. It has a population of 21,000 persons and serves a trade area of nearly 45,000 persons living in the south central section of the State. As in the rest of the State, agriculture and related activities comprise the main economic pursuit in the area and, in addition, a number of food processing plants provide employment. The livelihood of about one-fourth of the population is based on either the production or processing phases of such agricultural activities.

Both the charter and merging banks are controlled by the First Security Corp. of Utah, an interstate bank holding company with extensive interests in the Rocky Mountain area. The charter bank had attempted to branch into Twin Falls in the late 1950's, but the banks already operating there took advantage of the anticompetitive Idaho "consent" law, since repealed, to deny it access. In order to have a presence in the city, the interests behind the charter bank arranged the organization of the merging bank in 1959. Under State law, however, the merging bank was forced to wait 5 years before participating in any merger. In the interim the two banks have worked very closely, with the charter bank handling the vast majority of business unable to be carried by the merging bank, so that in effect the applicants have functioned as affiliates and do not compete with each other.

The charter bank is a statewide system operating 42 branches. Its largest competitors are the \$283 million Idaho First National Bank, which operates 40 branches throughout the State, and the \$90 million Bank of Idaho, which also operates branches throughout the State.

The merging bank, which has only 10 percent of the community's total loans and 7.5 percent of its total deposits, is by far the smallest of the three in Twin Falls. The other two banks are nearly equal in size, one being a \$20 million institution and the other a \$24 million institution. Nonbank financial institutions are also active in Twin Falls, with savings and loan associations, insurance companies, credit unions, and various Federal lending agencies located there.

In attempting to meet the needs of the community, the merging bank has concentrated on supplying credit, since its small size prohibits it from offering such other important items as a trust department or automated customer services. While it has found a strong desire in the area for credit in the categories of farmer loans, real estate loans, and consumer loans that has not been met by the other two banks, it has been unable to attract a sufficient amount of deposits to enable it to meet this demand and expand its activities further. As a result of the failure to attract more deposits, the merging bank has had to sell a substantial dollar amount of commercial and real estate loans. The loan demand on the merging bank, however, is indicative that residents of Twin Falls recognize that it is attempting to serve the community better than its competitors. Taking into account the close relation between the applicants, there is little doubt that the policies of the merging bank will be

continued and that the charter bank's resources will enable it to meet more adequately all the demands made on it. Additionally, the charter bank will offer many services new to the community such as an active trust department and automation of its accounts.

Consummation of the proposed merger will have a minimal effect on the Idaho banking structure since the charter bank will gain little more than 1 percent in assets and only one new branch. Only in Twin Falls will the banking structure be altered significantly and there the change will benefit the community. While one small bank will be eliminated, a branch of a bank more suited to offering services needed by the 45,000 persons living in the area will replace it. At the same time, the remaining two banks have lending limits sufficiently large to meet the credit needs of the community without strain and they are so well-established that they may anticipate little, if any, shifting of accounts to the charter bank. Twin Falls is an expanding community, however, and needs the full banking services as well as the stimulus for competition that can be expected from the charter bank.

Applying the statutory criteria to this application, we conclude that it is in the public interest and the application is, therefore, approved.

OCTOBER 19, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Security Bank, Idaho's second largest with deposits of over \$235 million, operates 42 banking offices, 7 of which have been acquired since 1952 with deposits of over \$27 million. In addition, it has two branches approved but not yet opened and its application to purchase the Farmers Bank, Kendrick, Idaho, was approved by the Comptroller of the Currency on August 19, 1964.

Twin Falls Bank is located in Twin Falls, about 14 miles distant from the closest branch of Security Bank. Deposits of Twin Falls Bank total \$3.2 million.

There is a small amount of direct competition between the participating banks. However, the chief competition of Twin Falls Bank is from Fidelity National Bank and Twin Falls Bank & Trust Co. which will hereafter compete with the second largest bank in Idaho, the total deposits of which exceed by more than 10 times the total deposits held by either of them.

Security Bank has 31.5 percent of all Idaho bank deposits and 29 percent of the banking offices in the State. The 3 largest banks in Idaho have 76.6 percent of the total deposits of all Idaho banks and 93 of the 139 banking offices in the State. Since 1952, these 3 banks have acquired 18 banks with 22 banking offices.

While each acquisition of a small bank, considered separately, may not necessarily result in a substantial lessening of competition, the cumulative effect of a series of small acquisitions, of which the present is an

example, must inevitably be substantially adverse. Thus, any further acquisition by Security Bank involves an adverse competitive effect and a tendency toward monopoly.

* * *

THE FIDELITY NATIONAL BANK, LYNCHBURG, VA., AND THE BANK OF APPOMATTOX, APPOMATTOX, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Appomattox, Appomattox, Va., with.....	\$3,948,099	2	.....
and the Fidelity National Bank, Lynchburg, Va. (1522), which had.....	78,109,431	13	.....
merged Oct. 24, 1964, under charter and title of the latter bank (1522). The merged bank at the date of merger had.....	81,778,300	.....	15

COMPTROLLER'S DECISION

On August 5, 1964, the \$75 million Fidelity National Bank, Lynchburg, Va., and the \$3.8 million Bank of Appomattox, Appomattox, Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Lynchburg, with a population of about 58,000, is the central city in a 4-county area of 150,000, and is situated in the Piedmont region of west central Virginia. Located in the metropolitan area of Lynchburg are branches of several national manufacturing and research organizations. In addition, the local economy is supplemented by a mixture of light manufacturing concerns and agriculture. A number of institutions of higher learning also play a role in the Lynchburg area economy.

The charter bank has 12 branches operating within the Piedmont region. Among the bank's competitors are the First & Merchants National Bank, the largest statewide bank; the National Trust & Savings Bank, affiliated with the United Virginia Bankshares, a statewide bank holding company; and two branches of the First National Exchange Bank of Virginia, which is active throughout southwest Virginia. There are, in all, eight banks located in the Lynchburg service area.

Appomattox, population 1,184, is an agricultural community located 22 miles east of Lynchburg. The community has had a negligible population increase during the past decade. Its unemployment rate is 1 percent higher than the State average, while median family income is about \$1,500 below the State average. The industry in the community consists solely of children's apparel manufacturing and a pipeline pumping station.

The merging bank, with one branch, is smaller than its chief competitor in the community, the Farmers National Bank of Appomattox. Situated in the merging bank's service area is the Pamplin branch of the First National Bank of Farmville.

A variety of problems plague the merging bank, including management succession, declining earnings and limited financial ability to offer full banking services to its customers. Its inability to compete effectively in the Appomattox area makes the continued existence of the bank as an independent entity economically unfeasible. The credit and trust departments of the charter bank will make available to customers in Appomattox services not currently offered by either of the local banks. The merger will provide an additional base of operations for the charter bank and will permit it to aid in the stabilization and growth of the Appomattox area's agricultural economy.

Because the service areas of the two banks do not overlap, consummation of the proposed merger will neither diminish competition nor serve to promote banking monopoly in the area. On the contrary, competition with the larger statewide banking institutions will be enhanced through the availability of new services and larger lines of credit.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

OCTOBER 20, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Fidelity National Bank, Lynchburg, Va., had, as of June 30, 1964, assets of \$75,165,000, deposits of \$67,321,000, loans and discounts of \$53,123,000, and capital accounts of \$5,364,000. Its principal office is

located in Lynchburg, Va., and it has 12 branch offices.

The Bank of Appomattox, Appomattox, Va., had, as of June 30, 1964, assets of \$3,820,000, deposits of \$3,374,000, loans and discounts of \$2,125,000, and capital accounts of \$324,000. Its main office is located in Appomattox, Va., 22.7 miles east of the main office of the Fidelity National Bank. It operates one branch office in Appomattox.

The application states that neither bank "considers" the other to be a "direct competitor to any significant degree." The application does not, however, present any supporting data with respect to the volume of deposits or loans obtained by either bank in the service

area of the other. The application does concede "some overlap in the service areas" and it appears that there may be substantial competition between the banks which would be eliminated if the merger were consummated.

The proposed merger would materially increase concentration in commercial banking in the area serviced by the Merging Bank and would have an adverse effect upon competition in the service area of the resulting bank. Further, the proposed merger eliminates one more independent bank, and the cumulative effect of supplanting small independent banks by consolidations and mergers renders this proposal adverse.

* * *

THE LANCASTER COUNTY FARMERS NATIONAL BANK, LANCASTER, PA., AND THE CHRISTIANA NATIONAL BANK, CHRISTIANA, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Christiana National Bank, Christiana, Pa. (7078), with	\$2, 636, 838	1	.....
and Lancaster County Farmers National Bank, Lancaster, Pa. (683), which had	95, 940, 893	11	.....
merged Oct. 27, 1964, under charter and title of the latter bank (683). The merged bank at the date of merger had	98, 577, 731	.....	12

COMPTROLLER'S DECISION

On July 28, 1964, the \$94.7 million Lancaster County Farmers National Bank, Lancaster, Pa., and the \$2.5 million Christiana National Bank, Christiana, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Lancaster, seat of Lancaster County, has a population of about 62,000 in a county with a population of about 278,000. It is an industrially diversified city located in the southeastern part of the State. Numerous nationally known manufacturing companies contribute substantially to the local economy, which is supplemented by prosperous farming throughout the county. Although economic growth in this section has not been rapid, the area enjoys a high level of employment. The city's future appears promising with the development of new industrial parks and the rehabilitation of the downtown area through urban renewal.

Christiana is a small farming community of about 1,100 located about 20 miles east of Lancaster. The community serves the surrounding agricultural areas

but depends primarily on employment in Lancaster for economic support.

The charter bank, largest bank in Lancaster County, operates 11 offices located throughout the county. It is a full-service bank under the direction of aggressive, competent management. Its competitors are the \$72.1 million Fulton National Bank of Lancaster operating 6 branches, the \$46.5 million Conestoga National Bank of Lancaster operating 2 branches, and about 22 other commercial banks scattered throughout the county. The single-office merging bank is the only bank in Christiana and the smallest bank in Lancaster County.

Consummation of the proposed merger will allow expanded and more efficient banking services in the merging bank's service area, including trust services, installment credit, and the services of agricultural specialists. In addition, the acute management problem occasioned by the retirement of the merging bank's cashier will be met through the charter bank's pool of young and well-trained personnel.

Because of the distance between the applicant banks, there is little competition between them. The

merger will not affect the competitive banking structure in Lancaster nor adversely affect other banks active in and around the merging bank's service area. Accordingly, the effect of the merger on competition will not be adverse.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is, therefore, approved.

OCTOBER 23, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger of Lancaster County Farmers National Bank (LCFNB) and The Christiana National Bank will provide another outlying branch for the largest bank in Lancaster County. This merger will increase the already high degree of concentration in and around the city of Lancaster, where the two largest banks have about 55 percent of the banking assets, the three largest about 73 percent, and the four largest about 80 percent.

LCFNB was formed in 1963 by the merger of what

were, at that time, Lancaster's second and fourth largest banks. Prior mergers had provided several other branches for LCFNB's predecessor. Fulton National Bank of Lancaster, the second largest bank, has also grown significantly by mergers and acquisitions within the past decade. We reported with respect to Fulton Bank's most recent merger in 1963 that it appeared obvious that it was "engaged in a program to achieve a countywide system of branches through the acquisition of outlying banks" and that "unless checked, this trend begun by Fulton will shortly induce the other Lancaster banks to attempt similar moves to acquire outlying unit banks in the county . . ." The merger which produced LCFNB followed shortly thereafter.

This proposed merger between LCFNB and Christiana Bank is one more step in this trend to concentration in banking in the Lancaster area. If the trend continues, the existence of independent unit banking in this area is clearly endangered. Accordingly, we conclude that the proposed merger will have serious adverse effects on competition.

* * *

CALHOUN STATE BANK, HOMER, MICH., AND CITY BANK & TRUST CO., NATIONAL ASSOCIATION, JACKSON, MICH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Calhoun State Bank, Homer, Mich., with.....	\$3, 944, 140	1	.....
and City Bank & Trust Co., National Association, Jackson, Mich. (15367), which had.....	100, 000, 237	8	.....
consolidated Nov. 5, 1964, under charter and title of the latter bank (15367). The consolidated bank at the date of consolidation had.....	103, 944, 377	.....	9

COMPTROLLER'S DECISION

On August 31, 1964, the \$100.9 million City Bank & Trust Co., National Association, Jackson, Mich., and the \$3.7 million Calhoun State Bank, Homer, Mich., applied to the Comptroller of the Currency to consolidate under the charter and with the title of the former.

Jackson, with an urban population slightly in excess of 50,000 and an area population of 125,000, is located 75 miles west of Detroit in south central Michigan. Situated in the so-called "Industrial Corridor" between Detroit and Chicago, the city is served by the Michigan Central Division of the New York Central Railroad and is located at the intersection of two principal highways. Although it is a terminal and distribution center, Jackson is primarily an industrial city. Sup-

pliers for the automobile industry find the proximity to Detroit a natural advantage for their plant sites, with the result that several major tire, transmission, iron, and other related industries provide strong support for the Jackson economy and the economy of nearby Albion, site of a branch of the charter bank. Until very recent years, the automobile industry has been considered cyclical and to counter the ups and downs inherent in such an industry, other types of manufacturing have been encouraged. Makers of electronics, appliances, air-conditioning and hydraulics, among others, have located in Jackson and have considerably lessened the area's dependence on the automobile industry. Further diversification is provided by Consumers Power Co., which serves most of Michigan outside the Detroit area, and which has its head office in Jackson. A disquieting factor is the nominal

decrease in the city's population over the past 10 years, but a sharp increase in the population of Jackson County indicates that people have seemingly chosen to live in less congested surroundings while working and trading in the urban center. The general economic outlook for Jackson and the area it serves is favorable.

Homer, with a population of 16,000, is located 21 miles southwest of Jackson. Although there are a few local industries, the economy is primarily agricultural. Farms in the Homer area are of good quality and income per farm family is larger than in many other areas in Michigan. Rapid growth is not forecast for Homer, but as residents who work outside the village are increasingly attracted to living in Homer, prospects for steady growth are good.

The charter bank began branching in 1952 and now has seven branches in Jackson and Albion, with eight approved and under construction. The \$72.2 million National Bank of Jackson, with seven branches, also operates in Jackson. In nearby Marshall, the large Michigan National Bank operates a progressive branch whose assets are estimated at more than \$22 million. The \$5.6 million Bank of Albion, a single office bank, is the only competitor of the charter bank's Albion branch. In the area and region of the charter bank, competition comes from numerous commercial banks ranging in size from the main office of the \$718.4 million Michigan National Bank, in Lansing, to the \$1.7 million Springport State Savings Bank, Springport, Mich.

Calhoun State Bank serves Homer as a single-office bank. Ten other banks in surrounding towns from 8- to 21-miles distance from Homer, offer alternative sources of banking to the Homer public but they do not actively compete with the consolidating bank. This Bank, established in 1902, has served its community to the limit of its ability. Approximately 60 percent of its deposits of \$3.2 million, is loaned out. A heavy demand for mortgage loans is reflected in the fact that this type of loan accounts for over 50 percent of the bank's total loans. The consolidated school system of Homer has heavier loan requirements, as do some other local applicants for loans, than the limited capital and deposits permit the consolidating bank to make. Therefore, arrangements have, of necessity, been made with larger banks in the area, outside Homer. With no branches, no trust powers and limited deposits, the bank's operations are severely limited.

Although the capital and deposits limitations of the consolidating bank inhibit effective response to financial demands in the Homer area, the bank's most immediately severe problem is management succession.

Active management lies with the executive vice president, who is nearing retirement age, is in poor health and is consequently unable to bear any longer the burden of bank leadership. There are no other employees in the bank who are qualified to serve in a management capacity. With no prospects of recruiting progressive management personnel from the outside, the serious management problem is reaching crisis proportions in Homer. In contrast, the charter bank has been marked by its fine and extensive management, as reflected in its increase from a \$5 million bank in 1933 to a \$100 million bank at the present time, its consistent offering of new services and its new computer system. In order to keep abreast of modern banking practices, which enlarge and change rapidly in our dynamic economy, the charter bank has maintained a policy of encouraging officers to pursue continuing professional education. It is indeed fortunate that a bank with this proven management is prepared to take the reins from the present executive officer of the consolidating bank in order to bring the advantages of modern banking to Homer, which, though a small town, deserves a progressive bank.

There is at the present time no active competition to the consolidating bank. The areas served by the charter and consolidating banks cannot be said to overlap. The charter bank has made little effort to enter the Homer market, a fact attested by the few commercial deposit and loan customers from that area. The major portion of both deposits and loans of mutual customers, estimated at \$50,000 and \$200,000, respectively, is concentrated in two accounts, one of which is the Homer school system which the consolidating bank is too small to serve adequately.

The consolidation will eliminate no competition but will actually bring more competition to the Homer area by challenging the Marshall branch of the Michigan National Bank, 12 miles from Homer, which the consolidating bank cannot do. Further, the addition of the resources of the Calhoun State Bank to those of the charter bank will be so minimal as to cause no change in the competitive structure in Jackson. Indeed, the addition of \$3.7 million in resources will be barely perceptible when viewed in light of the \$1.6 billion in total resources of all commercial banks in the region in which the resulting bank will encounter competition. This figure of course does not include the resources of savings and loan associations, finance companies, and other financial institutions all active in the resulting bank's area of effective competition. To deny the proposed merger, which will materially improve the quality of banking services in Homer, on the

grounds of concentration in the Jackson area would be to ignore reality and consequently to fail in executing the congressional mandate to this Office of weighing consolidation applications by the standards of public interest.

Applying the statutory criteria to the proposed consolidation, we conclude that it meets these criteria and the application is, therefore, approved.

NOVEMBER 3, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The City Bank & Trust Co., National Association, Jackson, Mich., with assets of \$100,909,000 proposes to consolidate with the Calhoun State Bank, Homer, Mich., with assets of \$3,758,000.

Although there appears to exist little direct competi-

tion between the consolidating banks, the proposed consolidation would eliminate one of only three independent banks in the market area, and would increase concentration of banking interests to the point where the acquiring bank and one competitor in Jackson would control 93 percent of IPC deposits and 95 percent of the commercial bank loan market.

The City Bank & Trust Co., which has operated under a national bank charter only since August 6, 1964, has made its second application this year for approval of precisely the same proposed consolidation. As was previously indicated in the Department's report to the Board of Governors of the Federal Reserve System, dated February 25, 1964, this proposed consolidation would be clearly adverse to the preservation of effective competition.

* * *

CARGILL TRUST CO., PUTNAM, CONN., AND HARTFORD NATIONAL BANK & TRUST CO., HARTFORD, CONN.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Cargill Trust Co., Putnam, Conn., with	\$8, 561, 750	2	.....
and Hartford National Bank & Trust Co., Hartford, Conn. (1338), which had merged Nov. 10, 1964, under charter and title of the latter bank (1338). The merged bank at the date of merger had	587, 874, 261	29	.....
	596, 436, 011	.....	31

COMPTROLLER'S DECISION

On September 1, 1964, the \$8.3 million Cargill Trust Co., Putnam, Conn., and the \$594 million Hartford National Bank & Trust Co., Hartford, Conn., applied to the Comptroller of the Currency for permission to merge under the charter and title of the latter.

The charter bank is headquartered in Hartford, a city of 163,000, which serves a trade area of approximately 850,000 persons and is frequently called the insurance capital of the United States. It is a highly industrialized city, serving as a trade center for not only the State of Connecticut but also for much of New England.

The charter bank presently operates 28 branches spread over a wide area of central and eastern Connecticut and actively competes for business in other parts of the State. It has approval for two unopened branches. The charter bank competes actively with four other commercial and four mutual savings banks in Hartford itself. Its major competitor, the Connecticut Bank & Trust Co., operates a total of 32 offices.

There are 119 commercial bank offices and 71 mutual savings offices in the Hartford, Middlesex, New London, and Litchfield County areas.

The main office of the merging bank is located in Putnam, a community of 8,400 which is 42 miles to the northeast of Hartford in the extreme northeast corner of the State. The area surrounding Putnam is devoted to agriculture and the town serves as a trading center. The primary industry however, has traditionally been the manufacture of textiles. Following World War II, many of the mills moved to the South and this, coupled with the disastrous flood of 1955 dealt a severe blow to the economy of the area. Lately, this has shown signs of recovery, due in part to State and Federal aid programs. The entrance into the community of the charter bank will provide added stimulus to the economic recovery of Putnam and the surrounding area.

The Cargill Trust Co. competes with the Citizens National Bank, an \$8 million institution situated directly across the street from it and, in a limited degree, with the County Bank & Trust Co. and a branch of Connecticut Bank & Trust Co., both located

in Danielson, 8 miles south of Putnam. There is also one savings bank in each community. The Cargill Trust Co. operates one branch, located 6 miles north of its main office in North Grosvenordale.

There is no competition between the merging banks, the nearest offices being 26 miles apart. Any loans made in Putnam by the charter bank have been of a size or nature that would have precluded the smaller bank. The primary effect of this merger will be confined to Putnam which should gain substantially by the presence of a larger bank. The resulting bank will be far better able to handle the local financial needs and there will be a fund of expertise to aid Putnam in its rejuvenation. Moreover, the management succession problem of the merging bank will be solved. Cargill Trust Co.'s home town competitor, Citizens National Bank, has been successful to date and there is no reason why it should not remain so in the face of this merger.

In balancing the factors of this application in light of the statutory criteria, it is found to be in the public interest and the application is, therefore, approved.

NOVEMBER 3, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Hartford National Bank & Trust Co. is the largest bank in the State of Connecticut, operating offices

which serve 50 percent of the State's population and 66 percent of all manufacturing establishments. It had assets as of June 30, 1964, exceeding \$594,206,000, deposits of \$511,341,000, and loans and discounts of \$288,713,000.

Cargill Trust Co. operates two offices in Putnam and North Grosvenordale in the northeastern corner of Connecticut. Cargill has total resources of \$8,341,000, deposits of \$7,755,000 and loans and discounts of \$3,778,000.

In the area where Cargill operates, two other small, independent banks, Citizens National Bank of Putnam (whose head office is directly across the street from Cargill) and County Bank & Trust of Danielson, with resources of \$8 million and \$1,600,000, respectively, and the Danielson branch office of Connecticut Bank & Trust, the State's second largest bank, only slightly smaller than Hartford, compete.

The proposed acquisition, viewed in the light of Hartford National's history of acquisitions, the merger trend in Connecticut generally, Hartford's initial attempt to acquire the two banks in Putnam, and Connecticut Bank & Trust's proposal to acquire the other Putnam bank should this acquisition be approved, can only be considered as having seriously adverse effects on competition in commercial banking. We view with concern this proposal and the probable competitive effects flowing from its approval.

* * *

THE GUILFORD TRUST CO., GUILFORD, CONN., AND THE SECOND NATIONAL BANK OF NEW HAVEN, NEW HAVEN, CONN.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Guilford Trust Co., Guilford, Conn., with	\$6,911,120	2	.....
and the Second National Bank of New Haven, New Haven, Conn. (227), which had	117,886,797	10	.....
merged Nov. 16, 1964, under charter and title of the latter bank (227). The merged bank at the date of merger had	124,816,331	.....	12

COMPTROLLER'S DECISION

On September 8, 1964, the \$115 million Second National Bank of New Haven, New Haven, Conn., and the \$6.8 million Guilford Trust Co., Guilford, Conn., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

The charter bank and 6 of its 10 branch offices are situated in New Haven. With a population of 151,400 and a service area of 270,000, it is the third largest city in Connecticut. The economic base of the New Haven area is mixed industrial-residential, with a wide variety of small industries. New Haven is the site of one of the country's first large-scale urban renewal programs which is providing stimulus to the area's expand-

ing economy. Yale University, New Haven's largest single employer, is a strong, stable support of the economy.

Guilford, 15 miles east of New Haven on Long Island Sound, has a population of 9,000 and serves an area estimated at 39,000, including the towns of Branford, North Branford, Durham, and Madison. The larger New Haven banks have entered the towns surrounding Guilford and applications for other new branches in the area are presently under consideration.

Because of the distance between the applicant banks, there is virtually no existing competition between them. The Second National is the correspondent bank of Guilford Trust and occasionally participates in loans with them. The entrance of Second National into the area will provide more effective competition for the \$195 million First New Haven National Bank and the \$108 million Union & New Haven Trust Co., banks which have penetrated the area around Guilford by merger and plan in the future to open *de novo* branches in the area. It is therefore apparent that the effect of the proposed merger on the competitive structure of the area banking community will be as a stimulant to competition.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

NOVEMBER 3, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Second National Bank of New Haven, New Haven, Conn., proposed to acquire by merger the Guilford Trust Co., Guilford, Conn.

Second National is the second largest bank in the New Haven area, with total resources of \$115 million, equal to approximately 24.5 percent of the resources of all banks in the competitive area. The three largest banks combined control 90 percent of total resources.

Guilford Trust has total resources of \$6,700,000. It has been a progressive, vigorous bank. It operates an active personnel trust department and maintains a full time man on the road soliciting business, both unusual in a bank of this size. Second National claims that it has only limited experience in insurance and pension trust fields and that Guilford Trust's personnel would fill this void, a reversal of the usual roles in banks of these categories.

Guilford Trust is the type of business the Supreme Court had in mind in *United States v. Alcoa*, 377 U.S. 271 (1964) when it spoke of the "small independent that Congress aimed to preserve by § 7" of the Clayton Act.

The proposed acquisition, viewed in the light of the concentration existing and proposed by this and other acquisitions in the area, could only have an adverse effect on competition in commercial banking in Connecticut.

* * *

WESTERN PENNSYLVANIA NATIONAL BANK, MCKEESPORT, PA., AND CITIZENS STATE BANK, ALIQUIPPA, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens State Bank, Aliquippa, Pa., with	\$4, 168, 838	1	.....
and Western Pennsylvania National Bank, McKeesport, Pa. (2222), which	548, 630, 678	50	.....
had.....			
merged Nov. 21, 1964, under the charter and title of the latter bank (2222).	552, 799, 516	.....	51
The merged bank at the date of merger had.....			

COMPTROLLER'S DECISION

On September 14, 1964, the \$507.4 million Western Pennsylvania National Bank, McKeesport, Pa., and the \$4 million Citizens State Bank, Aliquippa, Pa., applied to the Comptroller of the Currency to merge under the charter and with the title of the former.

McKeesport, with a population of 45,000, is an industrial city located 13 miles southwest of Pittsburgh, the core of a large six-county industrial area which

contains a population of about 2,400,000. The economy of the area depends principally on steel production and numerous other manufacturing enterprises, many of which are nationally known.

Aliquippa, population 26,000 is the largest city in, and contains some 13 percent of the population of, Beaver County. Located 20 miles northwest of Pittsburgh and 33 miles northwest of McKeesport, it constitutes part of the same greater Pittsburgh industrial complex.

The charter bank has grown since 1953 into a large metropolitan full-service bank with 37 branches in its home county of Allegheny, six in Washington County, two in Westmoreland County and one in Beaver County. In addition, five branches are approved but unopened. Its aggressive policies have made it one of the major banks in the Pittsburgh metropolitan area, in which it competes with the \$3 billion Mellon National Bank & Trust Co., operating 78 branches; the \$1.2 billion Pittsburgh National Bank, operating 68 branches; and the \$406 million Union National Bank of Pittsburgh, operating 30 branches.

The single office merging bank has generated over \$3 million in deposits since its opening in February 1963. Its rapid growth has put a strain on its capital and has prompted management to seek an arrangement which would provide adequate resources. The merging bank, though well managed, lacks management depth, which in the future will probably present a succession problem. The merger will obviate this problem by providing the needed management personnel.

The merger will also introduce into the merging bank's service area a bank with sufficient capital resources to meet the growing credit needs of the area. Trust and other services of a full-service institution, with emphasis on retail banking, will become available in an area which in other respects enjoys all of the conveniences of a large metropolis.

Primarily because of the distance between the main office and branches of the charter bank and the office of the merging bank, little or no competition exists between the two. The nearest branch of the charter bank is at New Brighton, which is separated from the merging bank's service area by the Ohio River. Consummation of the proposed merger will not materially affect the competitive ability of the charter bank vis-a-vis the dominant banks in the area. The position of the charter bank as third largest among banks in the Pittsburgh area will remain substantially unchanged. The presence of a large bank in the merging bank's service area will encourage competition with the large metropolitan banks active in and around Aliquippa. Accordingly, we conclude that the merger will not adversely affect competition in the relevant market.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is, therefore, approved.

NOVEMBER 13, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Western Pennsylvania National Bank is the third largest bank in the Pittsburgh area (Allegheny County), accounting for approximately 10 and 12 percent of the commercial banking deposits and loans, respectively, therein. This area has for many years been characterized by an unusually high degree of concentration in commercial banking, the result to a large extent of a great many mergers and acquisitions by the leading banks. The top three Pittsburgh banks currently control approximately 85 percent of total Allegheny County deposits while the top four control approximately 93 percent. The remaining deposits are shared by 18 banks.

Western itself has been an extremely active participant in the area's consolidation movement having since 1953 acquired 21 small- and medium-sized banks in Allegheny County and the adjoining Counties of Westmoreland, Washington, and Beaver. The instant proposal is Western's third merger in Beaver County in less than a year. With Mellon National Bank & Trust Co. and Pittsburgh National Bank, the area's two largest banks, having acquired or opened branches throughout the counties adjoining Allegheny and with Western acquiring formerly independent banks in generally the same localities, the dominance enjoyed by these banks in Pittsburgh is being extended throughout the broader area constituting "Greater Pittsburgh."

It does not appear that any significant competition exists between Western and Citizens State Bank because of the number of miles and the Beaver and Ohio Rivers intervening between their offices. Nonetheless, this transaction will eliminate from Beaver County another independent bank which during an existence of less than 2 years has demonstrated that it could probably continue to grow as an independent although possibly not as quickly as if it were part of Western. The latter, on the other hand, has not presented any overriding reasons why it should enter Aliquippa by acquisition rather than by establishing its own branch. The continuing elimination of independent banks from Beaver County and the rest of the Greater Pittsburgh area may make the existence of those independents remaining more difficult and encourage their acquisition by Western or other of the Pittsburgh banks.

For these reasons, we believe that approval of this merger will have an adverse effect on competition in the Greater Pittsburgh area.

* * *

THE PEOPLES NATIONAL BANK OF LONG ISLAND, PATCHOGUE, N.Y., AND THE NATIONAL BANK OF LAKE RONKONKOMA, LAKE RONKONKOMA, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The National Bank of Lake Ronkonkoma, Lake Ronkonkoma, N.Y. (13130), with.....	\$15, 536, 617	1	.....
and the Peoples National Bank of Long Island, Patchogue, N.Y. (12788), which had.....	35, 452, 546	5	.....
merged Dec. 4, 1964, under the charter and title of the latter bank (12788). The merged bank at the date of merger had.....	50, 989, 163	.....	6

COMPTROLLER'S DECISION

On September 3, 1964, the \$36 million Peoples National Bank of Long Island, Patchogue, N.Y., and the \$12 million National Bank of Lake Ronkonkoma, Lake Ronkonkoma, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Patchogue, located at the head of Great South Bay on the southern shore of Suffolk County, Long Island, is a village 60 miles east of New York City. Suffolk County, a fast growing, industrially diversified area that has tripled its population in 15 years, now has 860,000 persons. Within the county, two-thirds of the residents are employed by a variety of manufacturing, commercial, service and construction concerns, in combination with various government sponsored activities. Patchogue, a village of 10,000 persons, with a trade area of 40,000 persons, is a residential community. The commercial activity in Patchogue serves primarily the residents of the village and its trade area.

Lake Ronkonkoma, 10 miles north of Patchogue and also in Suffolk County, has an estimated population of 10,000 persons and a trade area population of 20,000. It is primarily residential with little or no business activity other than the commercial establishments serving the residents.

The charter bank, with its five branches, and the merging bank, with its one approved but unopened branch, comprise only a small part of the 129 banking offices and 21 approved but unopened branches in Suffolk County. Among the 23 commercial banks maintaining offices in Suffolk County, the charter and merging banks rank 10th and 19th, respectively, and the resulting bank will rank 9th. Competing with them are such major banks as the \$1.2 billion Franklin National Bank, the \$327 million Security National Bank, and the \$113 million Valley National Bank.

The proposed merger will provide a bank better

able to meet the needs and serve the interests of the Suffolk County community by providing a broader-based institution capable of meeting the general credit demands of this rapidly growing community. By virtue of this broader capital base, it should be able to handle a higher volume of larger loans that may well enable it to meet its competition with lower interest rates.

Approval of the proposed merger will have the added benefit of freeing one more municipality from the outdated, anticompetitive home office protection rule that prevails in New York State. Since there will no longer be a bank with a home office in Lake Ronkonkoma, that village will be open to branching. As an indication of the benefit to a community that follows from the lifting of home office protection, three banks have indicated an intention to apply for a branch office in Lake Ronkonkoma if the proposed merger is approved. Thus the merger will actually promote competition in Suffolk County.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

DECEMBER 2, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Peoples National Bank of Long Island proposes to acquire the National Bank of Lake Ronkonkoma. As of June 30, 1964, the latter had total assets of \$12.2 million, total deposits of \$11.1 million, and loans and discounts of \$5.2 million. It operates entirely through a main office located at the village of Lake Ronkonkoma, town of Brookhaven, Suffolk County, N.Y., and has approval for an unopened branch at Farmingville in the same township.

The Peoples National Bank of Long Island operate through a main office at Patchogue, town of Brookhaven, and maintains five branches within that township's limits. As of June 30, 1964, it had total assets

of \$36.1 million, total deposits of \$33 million, and loans and discounts of \$15.5 million.

Of nine commercial banks having offices within the town of Brookhaven, Peoples ranks fifth and Lake Ronkonkoma eighth. The Resulting Bank would advance to fourth position, well below three much larger banks.

Although the application fails to set forth many facts pertinent to competition between the merging banks,

indicia do exist that each is a significant competitive factor, both with other banks in the area and between themselves. This competition will be eliminated as a direct result of the merger.

Because concentration of banking facilities in the area will be somewhat increased and rivalry between the merging banks will be completely eliminated, the effects on competition resulting from this merger will be adverse.

* * *

THE FIRST TRENTON NATIONAL BANK, TRENTON, N.J., AND THE HIGHTSTOWN TRUST CO., HIGHTSTOWN, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Hightstown Trust Co., East Windsor Township, N.J., with	\$23, 547, 545	3	.....
and First Trenton National Bank, Trenton, N.J. (1327), which had	225, 260, 467	9	.....
merged Dec. 11, 1964, under the charter and title of the latter bank (1327).			
The merged bank at the date of merger had	248, 808, 012	.....	12

COMPTROLLER'S DECISION

In order to prevent the probable failure of the Hightstown Trust Co., Hightstown, N.J., the First Trenton National Bank, Trenton, N.J., and said Hightstown Trust Co. applied to the Comptroller of the Currency on October 30, 1964, for permission to merge under the charter and with the title of the former.

On October 28, 1964, the Commissioner of the Department of Banking and Insurance of the State of New Jersey certified as to the probable failure of the Hightstown Trust Co. It is therefore found that an emergency situation exists and with respect to such

situation this Office must act immediately to prevent the probable failure of the Hightstown Trust Co. Accordingly, the reports of competitive factors provided for by 12 U.S.C. 1828(3c) are waived.

Because of the emergency nature of this situation, and in order to protect the depositors, creditors and shareholders of the Hightstown Trust Co., the application to merge is hereby approved effective at the close of business Friday, December 11, 1964.

DECEMBER 10, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

(No report requested—none received)

* * *

FIRST NATIONAL BANK OF EBENSBURG, EBENSBURG, PA., AND THE FIRST NATIONAL BANK OF BARNESBORO, BARNESBORO, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Barnesboro, Barnesboro, Pa. (5818), with	\$4, 902, 440	1	.....
was purchased Dec. 12, 1964, by the First National Bank of Ebensburg, Ebensburg, Pa. (5084), which had	15, 588, 275	2	.....
After the purchase was effected, the receiving bank had	20, 436, 334	.....	3

COMPTROLLER'S DECISION

On October 12, 1964, the \$15.2 million First National Bank of Ebensburg, Ebensburg, Pa., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$4.8 million First National Bank of Barnesboro, Barnesboro, Pa.

Ebensburg, home of the purchasing bank, has a population of over 4,000 and serves an area of approximately 25,000. It is the county seat of Cambria County whose population of 200,000 depends basically on coal mining with some support from industry and agriculture.

The selling bank is located in Barnesboro, a community of 3,000 situated 16 miles north of Ebensburg. Barnesboro is in the center of a large cluster of small coal mining villages and is almost completely dependent upon the production of coal and one garment manufacturing company. The area has a very high rate of unemployment.

The amount of competition existing between the banks is minimal because they are located 16 miles apart separated by hilly terrain with three competing banks operating in the area between them. The present banking structure in the combined service areas of the two participating banks will not be significantly altered by the transaction. The proposal will reduce the number of banks in this area from 13 to 12, with the major competition being provided by the \$15.3 million Cambria County National Bank, Carrolltown, the Nanty Glo Branch of the \$80 million United States National Bank in Johnstown, and the South Fork Branch of the \$20 million First National Bank, Indiana.

The charter bank will have an increased lending capacity which will enhance its ability to attract new industry to the Barnesboro and Ebensburg areas. The First National Bank of Ebensburg's future branch in Barnesboro will be able to provide the people of that community with an improved consumer loan department, a school savings program and greater savings, convenience and safety to the banking public through the use of electronic data processing and improved auditing control. In addition, trust services, which are presently not available in the Barnesboro community, will be offered by the experienced trust department of the charter bank in the Barnesboro branch. The resulting bank will furnish the Barnesboro banking public with the generally better and more diversified services and the benefits flowing from aggressive younger management.

Applying the statutory criteria to the proposal, we conclude that it is in the public interest and the application is, therefore, approved.

DECEMBER 11, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The purchasing bank is headquartered in the county seat of Cambria County and operates a branch in Creson, 7.5 miles to the east, which it acquired in 1961. The only other bank in Ebensburg is a branch of the Cambria County National Bank of Carrolltown (9 miles north of Ebensburg) which the latter acquired in 1958. Of the five other banks operating in the area around Ebensburg, one is a branch of the U.S. National Bank of Johnstown (assets of \$78 million), and another is a branch of the First National Bank of Indiana (assets of \$19.4 million). Two of the three remaining small banks each has assets of only \$2 million. The U.S. National branch was acquired in 1961 while the First National of Indiana merged the Union Deposit Bank with a preexisting branch in South Fork in 1960.

There appears to be little or no presently existing competition between the Purchasing Bank and the Selling Bank which operates one office in Barnesboro, 16 miles north of Ebensburg. The latter bank is, however, the second largest bank in and around Barnesboro, accounting for approximately 15 percent of the percent of the area's deposits and loans. On the other hand, Cambria County National has approximately half of such deposits and loans.

If this transaction is approved, the Resulting Bank would have \$20.4 million or 42 percent of this area's banking assets while Cambria County National would have \$14.4 million or 30 percent. The largest of the five other banks in this area has assets of only \$3.3 million. The resulting concentration of assets in the hands of the Resulting Bank and of Cambria County National may adversely affect the competitive position of the other much smaller banks.

The area around Ebensburg is already characterized by a similar imbalance in banking assets among the banks competing therein. This imbalance has resulted to a large extent from the acquisitions and mergers noted in the first paragraph above. Approval of the instant transaction may further what thus appears to be a steadily developing trend toward concentration through acquisitions and mergers. We therefore believe that such approval may have some adverse effect on competition.

* * *

FIRST NATIONAL BANK & TRUST CO. OF HANOVER, HANOVER, PA., AND NATIONAL BANK & TRUST CO. OF CENTRAL PENNSYLVANIA, YORK, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank & Trust Co. of Hanover, Hanover, Pa. (187), with.....	\$30, 166, 156	2	.....
and National Bank & Trust Co. of Central Pennsylvania, York, Pa. (694), which had.....	165, 853, 937	16	.....
merged Dec. 14, 1964, under charter and title of the latter bank (694). The merged bank at the date of merger had.....	196, 020, 093	.....	18

COMPTROLLER'S DECISION

On October 16, 1964, the \$29.4 million First National Bank & Trust Co. of Hanover, Hanover, Pa., and the \$157.2 million National Bank & Trust Co. of Central Pennsylvania, York, Pa., applied to the Comptroller of the Currency to merge under the charter and title of the latter.

York, with a population of 53,000, is the county seat of York County and is located approximately 25 miles south of Harrisburg. While the county is noted for its agricultural productivity, it is also experiencing growth in industrial, commercial and service organizations. Its principal industries include machinery, paper and allied products, apparel and related products, and primary and fabricated metal products.

In the three-county area of Cumberland, Dauphin and York, where the charter bank operates 16 offices, there are upwards of 621,000 people and about 1,000 industrial plants employing approximately 300,000 workers. There are 6,000 farms, with dairying, grain growing and cattle feeding as the principal sources of farm income.

The borough of Hanover, with a population of 16,000, is situated 20 miles southwest of York in southwestern York County. Hanover is one of the thriving communities in the area as it is the business center for a prosperous surrounding agricultural region. At the same time, it has the benefits of a shoe factory and many other smaller industries engaged in the manufacture of books, steel products, clothing, and textiles.

While the charter bank is the largest, by a small margin, of the 42 banks in central Pennsylvania, it competes with the aggressive \$133 million Dauphin-Deposit Trust Co. and the \$130 million Harrisburg National Bank & Trust Co., both of Harrisburg. In this area of burgeoning economic growth, these competitors are pressed to satisfy local credit demands which, if unmet, will resort to larger cities with greater financial resources.

The merging bank is the largest bank in Hanover. Its principal local competitors are Bank of Hanover & Trust Co., and Farmers Bank & Trust Co., both of which have resources of \$16 million.

Because of the 25-mile distance between the merging and charter banks, and the absence of significant competition between them, the anticompetitive effects of the merger are not cognizable.

The merger of the two banks will provide a better lending policy and more operating supervision than the merging bank is now receiving. The charter bank will be able to provide the customers of the merging bank with better trust services, capable management personnel, and an increase of loanable funds for the Hanover area to keep pace with the area's growing economic needs.

In balancing the facts of this case in light of the statutory criteria, we find that the merger is in the public interest and the application is, therefore, approved.

DECEMBER 11, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

National Bank & Trust Co. of Central Pennsylvania, York, Pa. (Central York), is the largest bank in the tricity area of York, Dauphin, and Cumberland, with deposits of \$136,911,000. It operates 16 banking offices in this area. During the past 5 years Central York has consolidated or merged with 5 independent banks, acquiring 12 of its banking offices in this manner.

First National Bank & Trust Co. of Hanover, Hanover, Pa. (First Hanover), is the largest of four banks in Hanover, and the fifth largest in York County, with deposits of \$24,747,000.

Existing direct competition between the participating banks appears limited.

In York County, where the participating banks do most of their business, the 17 banks maintaining offices

have total deposits of \$440,609,000. Central York has 31 percent of this total and First Hanover has 5.6 percent. The resulting bank would have 36.6 percent of total deposits of York County banks, a substantial increase. Further, a merger of the largest and fifth largest banks in York County would result in a bank with deposits almost twice the size of those of the second largest bank in the county.

This merger would serve to further accelerate the trend toward concentration of bank resources in the area, eliminate existing and potential competition between the merging banks, and enhance the competitive imbalance already existing between the largest bank in the area, Central York, and the smaller banks. Thus, the proposed merger, if consummated, may have a seriously adverse effect upon competition.

* * *

THE FIRST NATIONAL EXCHANGE BANK OF VIRGINIA, ROANOKE, VA., AND THE CITIZENS NATIONAL BANK OF COVINGTON, COVINGTON, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens National Bank of Covington, Covington, Va. (5326), with	\$15, 231, 684	1	.....
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had	245, 641, 387	20	.....
merged Dec. 15, 1964, under the charter and title of the latter bank (2737). The merged bank at the date of merger had	260, 492, 687	.....	21

COMPTROLLER'S DECISION

On October 1, 1964, the \$223 million First National Exchange Bank of Virginia, Roanoke, Va., and the \$15 million Citizens National Bank of Covington, Covington, Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Roanoke, head office of the charter bank, is a city of 97,000 in a metropolitan area of about 159,000. It serves as the trade center of the entire western quadrant of Virginia ranging from the coal mines of Appalachia to the tobacco fields of southern Virginia. As a major manufacturing center, it produces a wide variety of products, chief of which are steel goods, furniture, textiles, and electronic equipment. Economic growth progresses at a substantial rate, with a resultant unemployment rate well below the national average.

Covington, located about 65 miles northwest of Roanoke, has a population in excess of 11,000 in a trade area of over 70,000. Its economy depends on a diversification of industry and agriculture and is experiencing steady growth.

The charter bank is an aggressive, well-managed institution operating 20 offices in nine communities throughout southwest Virginia. Its growth has been

in response to the need for a regional bank of sufficient size to meet the credit requirements and to aid the economic development of the southwestern part of the State. In meeting the need for a southwestern Virginia regional bank, the charter bank has come into competition with such large statewide banking systems as the \$230 million Virginia Commonwealth Corp. and the \$484 million United Virginia Bankshares, bank holding companies; the \$450 million First & Merchants National Bank; and the \$410 million Virginia National Bank. The charter bank also competes with the \$55.3 million Colonial-American National Bank, Roanoke, and the \$41.3 million Mountain Trust Co., Roanoke.

The single office merging bank is conservatively operated and has experienced only moderate growth in recent years. Since its organization in 1900, it has not been involved in any merger or acquisition. It competes with the \$9.2 million Covington National Bank, Covington, Va.

The continued growth of the charter bank as a regional banking system for southwest Virginia is necessary if the region is to realize its economic potential. At the present time many of the national manufacturing companies active in southwest Virginia must resort to the financial facilities of larger banking institutions in other regions because of the inability of

the local banks to accommodate these needs. Not only will the merger increase the charter bank's ability to participate more fully in the economic development of its region, but the merging bank's service area will have available for the first time the financial resources of a full-service bank.

Consummation of the proposed merger will not eliminate competition as the participating banks do not serve the same areas. The charter bank's position in relation to the other banks in Roanoke and throughout southwest Virginia will remain unchanged. Covington will henceforth have a branch of a regional bank offering broad services. Throughout the entire southwest region of Virginia, alternative banking services will continue to be offered by numerous local banks and branches of the large statewide banking systems of Virginia. Accordingly, no adverse effect upon competition in the region can be foreseen.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

DECEMBER 11, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

First National Exchange Bank, Roanoke, the largest bank in southwestern Virginia, with assets of \$223 million, proposes to merge Citizens National Bank of Covington, a bank with assets of \$14,958,000 and located in southwestern Virginia. Since October of 1960, First National Exchange has merged 8 banks. The total deposits in these banks at the time merged exceeds 41 percent of the present deposits of First National Exchange and 13 (or 72 percent) of the 18 banking offices now operated by First National Exchange were acquired in the same mergers.

The explosive growth of First National Exchange Bank via the merger process and the resultant elimination of eight independent banks in the space of about 4 years is a source of concern from a competitive standpoint; particularly so since it contributes to the rapidly increasing concentration of banking in Virginia by large banking institutions. The approval of the instant merger would further the trend of expansion and concentration by merger.

It is our view that the effect of such increased concentration on competition is adverse.

* * *

FARMERS NATIONAL BANK OF BLOOMSBURG, BLOOMSBURG, PA., AND THE MINERS NATIONAL BANK OF WILKES-BARRE, WILKES-BARRE, PA.

<i>Name of bank and type of transaction</i>	<i>Total assets</i>	<i>Banking offices</i>	
		<i>In operation</i>	<i>To be operated</i>
The Farmers National Bank of Bloomsburg, Bloomsburg, Pa. (4543), with	\$8, 629, 066	1	.....
and Miners National Bank of Wilkes-Barre, Wilkes-Barre, Pa. (13852) which had	107, 470, 802	6	.....
merged Dec. 16, 1964, under charter and title of the latter bank (13852). The merged bank at the date of merger had	116, 099, 867	.....	7

COMPTROLLER'S DECISION

On September 30, 1964, the \$8.5 million Farmers National Bank of Bloomsburg, Bloomsburg, Pa., and the \$102 million Miners National Bank of Wilkes-Barre, Wilkes-Barre, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and title of the latter.

Wilkes-Barre, the county seat of Luzerne County and a typical example of Pennsylvania's economic problems of the past 15 years, is 120 miles northwest of Philadelphia. The population of Wilkes-Barre declined 17.2 percent to 63,551 in the decade ending 1960. The economic mainstay of the county, coal

mining, employed 63,000 people three decades ago and now employs about 3,800. The result of this decline is a present male unemployment rate of 7.8 percent. Attempts are being made to diversify the economy through community development projects throughout the Wilkes-Barre trading area which serves 200,000 people.

Bloomsburg, the site of the single office merging bank and the county seat of Columbia County, has a population of 10,655, which makes it the second largest municipality in Columbia County. The town is 41 miles southwest of Wilkes-Barre. The principal economic factor in Bloomsburg is a newly located textile industry which, although it employs mostly women,

supplies 3,300 jobs for Bloomsburg alone. Like Wilkes-Barre, Bloomsburg is afflicted with a high rate of unemployment.

The charter bank competes with 13 banks in its service area, excluding the Bloomsburg bank. The main sources of competition are the \$86 million First National Bank, Wilkes-Barre, and the Wilkes-Barre branch, of the \$186 million Northeastern Pennsylvania National Bank & Trust Co., Scranton, Pa. The proposed merger will have no appreciable competitive effect in Wilkes-Barre.

The proposed merger should benefit the Bloomsburg area. Specifically, the resulting bank will be able to provide competitive trust services to those residents of Bloomsburg who require it.

On the management level this proposal will provide a solution to existing problems. While senior management in both banks is good, the lack of depth in the management ranks of the merging bank portends future difficulties. The charter bank is equipped at present to supplement this deficiency in the merging bank.

The entrance of the charter bank into Bloomsburg by merger will be felt by the \$7 million First National Bank, Bloomsburg, and the \$17 million Bloomsburg-Columbia Trust Co. First National, which has a

progressive loan policy, will receive more competition from the equally alert charter bank and the trust department of the charter bank will provide competition to the trust department of Bloomsburg-Columbia.

As a result of the merger, competition in Bloomsburg should be heightened, with overall benefits to the community at large, which needs an economic stimulant.

Applying the statutory criteria to this proposal, this application is hereby approved.

DECEMBER 14, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger apparently would eliminate no significant direct competition between the applicants. It will, however, continue a trend toward concentration in Miner's service area and in the State of Pennsylvania. It will also add to Miners' present position of dominance in its service area and the entry of Miners into Farmers' service area will create a serious imbalance of banking power in Bloomsburg, since Miners will control 75.5 percent of total deposits and 77 percent of total loans, and seriously threaten future competition. We therefore feel that the impact of the merger upon present and future competition will be significantly adverse.

* * *

FIRST NATIONAL BANK, WELLSBORO, PA., AND THE PATTISON NATIONAL BANK OF ELKLAND, ELKLAND, PA.; THE FIRST NATIONAL BANK OF KNOXVILLE, KNOXVILLE, PA.; AND THE FARMERS' NATIONAL BANK OF LIBERTY, LIBERTY, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Pattison National Bank of Elkland, Elkland, Pa. (5043), with.....	\$2, 978, 494	1	.....
The First National Bank of Knoxville, Knoxville, Pa. (9978), with.....	1, 528, 186	1	.....
and the Farmers' National Bank of Liberty, Liberty, Pa. (11127), with.....	2, 556, 792	1	.....
were purchased Dec. 16, 1964, by the First National Bank of Wellsborough, Wellsboro, Pa. (328), which had.....	9, 635, 362	2	.....
After the purchase was effected, the receiving bank had.....	16, 477, 038	.....	5

COMPTROLLER'S DECISION

On October 1, 1964, the \$9.6 million First National Bank, Wellsboro, Pa., applied to the Comptroller of the Currency to purchase the assets and assume the liabilities of the \$3 million Pattison National Bank of Elkland, Elkland, Pa.; the \$1.4 million First National Bank of Knoxville, Knoxville, Pa.; and the \$2.5 million Farmers' National Bank of Liberty, Liberty, Pa.,

under the charter of the former and with the title "The Northern National Bank and Trust Company."

The four applicant banks are located in Tioga County, a mountainous area in northern Pennsylvania with a population of about 36,000. The towns of Wellsboro and Elkland have some economic diversification as a result of industrial activity but the remainder of the county depends primarily on dairy farming. Although the area served by the four banks is somewhat

isolated due to the rugged terrain, easy access to Corning and Elmira, N.Y., by highway provides retail shopping facilities and employment opportunities for many county residents.

The purchasing bank, the county's oldest and largest bank, has been active since 1864. It has not participated in any mergers or acquisitions in its history. It was the first institution in the county to establish a branch office, located in Tioga. Of the four banks involved in this proposal, it alone offers trust services and a full range of retail banking services.

Due to their small size and lack of aggressive management, the three selling banks are unable to serve the public adequately and to promote the economic progress of their service areas.

The executive officers and most of the directors of the selling banks have served their banks for many years and desire to retire from banking. Lack of successor management and the virtual impossibility of recruiting personnel to manage these banks constitutes a serious problem for them.

The existence of several very small unit banks offering only limited banking services to the public frustrates the promotion of industrial and commercial development in Tioga County. Consummation of the proposed purchase and assumption of the selling banks will vest in the acquiring bank greater resources to accommodate larger credit requests and to otherwise improve banking services in Tioga County. In addition, consolidation of the four banks into one resulting bank will achieve efficiency in operations and personnel, thereby providing for better use of bank capital. Further, the resulting bank will solve the management succession problem of the selling banks and be better able to recruit new personnel.

All of the participating banks are at least 5 miles

apart and serve separate communities with the result that there is no significant competition among them which will be eliminated by the proposed unification. Although the number of unit banks in the county will be reduced, alternate banking services are available from other banks in and outside of Tioga County.

Applying the statutory criteria to the proposed acquisition, we conclude that it is in the public interest and the application is therefore approved.

DECEMBER 11, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The First National Bank of Wellsborough, the purchasing bank, was organized on March 21, 1864. It has organized and maintains one branch situated in the village of Tioga, Tioga County, Pa. Elkland bank was organized in 1896, Knoxville bank in 1911 and Liberty Bank in 1918.

All four banks are located in small towns. The population of Wellsboro is 4,369, Elkland 2,189, Knoxville 694, and Liberty 269. Each bank serves primarily farmers and small businessmen in its immediate area.

The proposed merger will completely eliminate unit banking in three areas of Tioga County, Pa., and substitute branches of a bank which, in its own area of Wellsboro, has 56.8 percent of the business. The resulting bank will have no direct competitors, except in Wellsboro where the position of a single competitor will be materially weakened.

It appears, therefore, that the proposed purchase of assets and assumption of liabilities of the Pattison National Bank of Elkland, the First National Bank of Knoxville and the Farmers' National Bank of Liberty by the First National Bank of Wellsborough will have some adverse effect on competition and further a tendency toward monopoly in the areas involved.

* * *

NATIONAL COMMUNITY BANK OF RUTHERFORD, RUTHERFORD, N.J., AND THE GARDEN STATE NATIONAL BANK OF TEANECK, TEANECK, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Garden State National Bank of Teaneck, Teaneck, N.J. (12402), with.....	\$37,758,612	15	.....
and National Community Bank of Rutherford, Rutherford, N.J. (5005), which had.....	172,029,741	2	.....
merged Dec. 18, 1964, under the charter and title of the latter bank (5005). The merged bank at the date of merger had.....	209,788,353	.....	17

COMPTROLLER'S DECISION

On October 14, 1964, the \$172.2 million National Community Bank of Rutherford, Rutherford, N.J., and the \$37 million Garden State National Bank of Teaneck, Teaneck, N.J., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

The applicant banks are located in Bergen County in the northeastern part of New Jersey west of New York City. The county's population has grown rapidly from 675,000 in 1955 to about 869,000 at present, with an estimated population of 1,165,000 by 1973. Because the county is linked to New York City by a network of highways and forms essentially a part of the greater New York metropolitan area, it serves chiefly as a residential suburb of New York. It also has highly developed and well-diversified industries, which are attracted by excellent roads, skilled labor, and proximity to the northeastern markets. Bergen County should continue for some time to support residential and industrial growth as a part of the greater New York City area.

The charter bank maintains 14 branches throughout the southern part of the county. It is a modern, full-service institution offering competitively the services which a highly urbanized population demands. As the second largest bank in Bergen County, it competes with 26 other banks operating 55 branches, chief of which are the \$281.6 million Peoples Trust Co. of Bergen County, operating 16 branches, the \$110.4 million Citizens National Bank of Englewood, operating 8 branches, and the \$99.8 million Hackensack Trust Co., operating 7 branches.

The single-office merging bank is the eighth largest bank in Bergen County and serves the city of Teaneck. Although past growth has been good, absence of branches, automation, and a complete line of banking services places it at a competitive disadvantage

with the large Teaneck branch of the Peoples Trust Co. of Bergen County.

If the banks in Bergen County are to participate more fully in assisting the county to realize its potential and to reduce the dependence of its residents and industries upon financial institutions located elsewhere, greater consolidation of banking assets to achieve increased lending limits and greater operating efficiency is needed. There can hardly be balanced economic development in an area without a corresponding growth of banking facilities and credit to meet its needs. The consummation of the proposed merger will, therefore, serve to advance the well-being of Bergen County.

The applicant banks have neither contiguous nor overlapping service areas and, therefore, the proposed merger will not have an adverse effect upon competition. The merger will not alter the relative position of the charter bank in Bergen County. It will have the salutary effect of promoting competition with the Teaneck branch of Peoples Trust Co. of Bergen County.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is, therefore, approved.

DECEMBER 18, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

This merger, if approved, will eliminate any presently existing and potential competition between the two banks and lead to the disappearance of a financially strong and prosperous independent unit bank. It would be the second merger of Rutherford Bank during the latter half of 1964 and it will unduly increase banking concentration in Bergen County, N.J., enabling the two largest banks to control approximately 40 percent of all deposits and loans in that county. The competitive effect of the proposed merger, therefore, would be adverse.

* * *

THE FIRST NATIONAL BANK IN GADSDEN, GADSDEN, ALA., AND THE STATE NATIONAL BANK OF ALABAMA, DECATUR, ALA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank in Gadsden, Gadsden, Ala. (13728), with.....	\$18, 672, 359	1	.....
and State National Bank of Alabama, Decatur, Ala. (14414), which had.....	117, 934, 892	18	.....
merged Dec. 19, 1964, under charter and title of the latter bank (14414).			
The merged bank at the date of merger had.....	136, 357, 300	.....	18

On October 5, 1964, the \$112 million State National Bank of Alabama, Decatur, Ala., and the \$18 million First National Bank in Gadsden, Gadsden, Ala., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

The charter bank, with 18 offices located in 14 cities, operates in a region comprised of the northern tier of Alabama counties. Decatur, location of the main office, is a city of 29,000 persons. It is situated on the Tennessee River in north-central Alabama and serves as a county trade center. While the economy of the surrounding rural area is based primarily on agriculture, especially poultry raising, Decatur has achieved economic balance with a variety of light and medium industries, as well as with heavy industry in the form of a chemical complex on the banks of the Tennessee River. Those activities characterizing Decatur and its surrounding area also characterize the greater part of the northern Alabama region. Among the other cities served by the charter bank, Huntsville is especially important. The phenomenal growth of this city over the past few years, due primarily to the location of a major segment of this country's military space efforts, has contributed greatly to the economic renaissance in the northern region of Alabama.

Gadsden, home of the unit merging bank, has a population of 58,000 persons. It is located in Etowah County, 75 miles southeast of Decatur and 85 miles northeast of Birmingham. The community's economy, highly industrialized in comparison to the remainder of Alabama, and primarily dependent on the steel industry, also receives substantial stimulus from agricultural activities in the rural areas of the county. Indicative of the economic potential in the Gadsden area is the \$40 million investment in a new plant recently announced by Republic Steel Corp. The cyclical swings inherent in the steel industry present a weak spot in the community's economy, however.

The charter bank, although the fifth largest in the State, is considerably smaller than either of the two large Birmingham banks, one of which has resources of approximately \$500 million and the other of approximately \$250 million. Both of these banks actively solicit commercial and industrial customers in the region served by the charter bank and offer strong competition there. While the charter bank is clearly larger than any of the other area competitors on an aggregate resources basis, analysis of deposit and loan figures for the communities that it serves indicates that its com-

petitors have larger market shares in the majority of locations.

The merging bank, second largest in Etowah County, holds slightly less than 25 percent of total county deposits and loans but its market share, and that of the largest bank, has been slipping steadily since 1950. This decline and the concomitant increase in the market shares of the smaller banks in what appears to be a growing market indicate considerable strength in the smaller banks and their vigor in the face of competition.

Consummation of the proposed merger will serve the convenience and needs of the Gadsden community more adequately than at present. The record of the charter bank in the introduction of new services and banking facilities to customers and the public in its area, including among other items, consumer lending, expanded trust facilities, drive-in and walkup teller windows, and parking accommodations, demonstrates its ability and willingness to fulfill its responsibilities. The resulting bank's resources, both financial and managerial, will enable it to counteract the adverse economic effect flowing from any cyclical downswing in the steel industry. Since an economically diversified and balanced region will supply the resulting bank's resources, a downtrend in one community's economy will not impair the bank's resources and ability to meet credit needs there as it would a unit bank in such a community. In addition, the resulting bank's lending limit, more than three times that of the largest Gadsden bank, will provide a community source for credit needs heretofore satisfied only by outside funds and for anticipated credit needs of the community's expected industrial expansion.

Consummation of the proposed merger will have little, if any, effect upon competition. While the resulting bank will replace a smaller bank in Gadsden, no appreciable change in the strongly competitive banking structure is expected. Despite their disparate sizes, the Gadsden and Etowah County banks appear to be sufficiently aggressive to continue the effective competition demonstrated in the past. In addition, three applications have been made to the appropriate banking authorities to charter new banks in Gadsden since the filing of the present application, thus providing further evidence that entry of the resulting bank will have no adverse effect upon competition.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is therefore approved.

DECEMBER 18, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

This proposed merger would provide the means by which the largest bank in northern Alabama could effect an entrance into a heretofore relatively well-balanced banking market. The smaller bank, First National Bank in Gadsden, is the second largest in the five-bank Gadsden market and enjoys about one-fourth of Gadsden's banking business. The larger bank, State National Bank of Alabama, is headquartered in Decatur, about 90 miles northwest of Gadsden, and 18 banking offices stretching across the northern part of Alabama. State National Bank has branches in 11 northern Alabama counties. It is the only bank in the State of Alabama which has

branches outside the county of its main office and is the only bank permitted by State law to do so. Were the proposed merger to take place, the resulting institution would be over 2½ times the size of all of the remaining five Gadsden banks combined. Such size would give the resulting bank a significant competitive advantage over the remaining banks in Gadsden, particularly since the economy of that city is subject to wide economic swings. Thus, the proposed merger is likely to increase the concentration in banking in Gadsden and to unbalance badly what now appears to be an adequately fragmented market. Accordingly, the merger of these institutions is likely to have seriously adverse effects on banking competition in the Gadsden area.

* * *

THE SCIOTO BANK, COMMERCIAL POINT, OHIO, AND THE FIRST NATIONAL BANK OF CIRCLEVILLE, CIRCLEVILLE OHIO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Scioto Bank, Commercial Point, Ohio, with.....	\$593,387	1	.....
and the First National Bank of Circleville, Circleville, Ohio (118), which had.....	9,526,219	2	.....
merged Dec. 29, 1964, under the charter and title of the latter bank (118).			
The merged bank at the date of merger had.....	10,119,606	.....	3

COMPTROLLER'S DECISION

On October 21, 1964, the \$580,000 Scioto Bank, Commercial Point, Ohio, and the \$9.1 million First National Bank of Circleville, Circleville, Ohio, applied to the Comptroller of the Currency to merge under the charter and with the title of the latter.

Circleville, the county seat of Pickaway County, has a population of 11,585 and a service area population of 30,000. This community, which is located 26 miles south of Columbus, Ohio, has a diversified economy based on agriculture and industry. Agricultural activities are mainly the raising of corn, hogs, and beef cattle. Industrial activities have considerably expanded in the area in the past decade with a concomitant residential expansion.

Commercial Point, the site of the merging bank, had a population of 308 in 1960 and is totally dependent on agriculture for its economic support.

The merger will not significantly affect the banking services offered in Circleville since the addition of the half-million dollars of assets resulting from the merger will have only a slight effect on the charter

bank and its position in relation to its competitors in the area. The charter bank receives competition from the \$5.3 million Second National Bank of Circleville, the \$6.6 million Third National Bank of Circleville and the \$5 million Savings Bank, Circleville.

The merging bank is located 16 miles northwest of the charter bank and does not compete for either deposits or loans with the First National. Consequently, the merger will not adversely effect competition in either bank's service area. Indeed the merger will have a salutary effect on the banking structure of Commercial Point.

Applying the statutory criteria to the proposed merger, we conclude that it is in the public interest and the application is, therefore, approved.

DECEMBER 22, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The First National Bank of Circleville, Circleville, Ohio, with deposits of \$8.2 million and loans of \$5.3 million is the largest bank in an area which has 15 competing banks. First National's deposits and loans are about 17 to 18 percent of the 15 bank totals.

The Scioto Bank with deposits of \$498,000 and loans of \$262,000 is the smallest of the 15 banks, its share of the total deposits and loans amounting to approximately 1 percent.

The merger would eliminate the Scioto Bank as a competitor and would eliminate the competition pres-

ently existing between Scioto and First National. However, in view of the Scioto's very limited resources, the small amount of business it handles, and the range of banking alternatives which will still be open to customers, we conclude that the merger would not have any significantly adverse effect upon competition.

* * *

THE COMMERCIAL NATIONAL BANK OF SPARTANBURG, SPARTANBURG, S.C., AND THE FIRST NATIONAL BANK OF SOUTH CAROLINA OF COLUMBIA, COLUMBIA, S.C.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Commercial National Bank of Spartanburg, Spartanburg, S.C. (14211), with and the First National Bank of South Carolina of Columbia, Columbia, S.C. (13720), which had	\$35, 125, 953	9	.....
merged Dec. 31, 1964, under charter of the First National Bank of South Carolina of Columbia (13720), and under title "The First Commercial National Bank of South Carolina." The merged bank at the date of merger had	131, 858, 382	24	.....
.....	165, 050, 102	.....	33

COMPTROLLER'S DECISION

On October 12, 1964, the \$31.8 million Commercial National Bank of Spartanburg, Spartanburg, S.C., and the \$118.3 million First National Bank of South Carolina of Columbia, Columbia, S.C., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of the First Commercial National Bank of South Carolina.

Columbia, capital of South Carolina with a population of approximately 260,828, has the second largest market for exchange of agricultural products in the southeast. The city has experienced significant expansion in its economic development during the past 10 years as evidenced by a population increase of more than 40 percent, postal receipts increase of 120 percent and department store sale increase of approximately 60 percent. There has also been an influx of large industries. More than 49,000 persons are employed in manufacturing, trade, transportation, finance, insurance, and other business activities in the area.

The charter bank, organized in 1933, now operates 26 offices in 11 communities in various sections of the State. In addition to Columbia, the other large metropolitan area in which First National operates is Charleston with an area population of 254,758 located in the southeastern section of the State. The other towns in which First National operates range in population from

1,587 to 41,316. The economy of most of these areas is supported primarily by textile manufacturing, diversified industry, and agricultural activities. U.S. Government employment is an important economic factor in the Charleston and Columbia areas.

In applying the statutory criteria to the instant proposal, we conclude that it is in the public interest and the application is, therefore, approved.

DECEMBER 29, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

This is an application by the third largest commercial bank in the South Carolina to merge with a substantial independent bank in what would constitute its largest acquisition. The Charter Bank has an announced policy of expanding by merger and it owes the larger part of its recent growth to its acquisition of eight banks during the past decade.

The 4 largest banks in South Carolina have acquired some 27 banks during the past 10 years. This acquisition trend, which shows no signs of abating, has contributed to the very high degree to which the commercial banking resources of South Carolina are concentrated in the hands of the few dominant statewide institutions. This trend, which we have pointed out in prior reports, threatens the continued existence of independent banks and their significance as factors in competition.

The proposed merger would eliminate a nine-office bank, with deposits of \$28 million, as an independent

institution. It would contribute materially to the resources of the Charter Bank. It would also increase the competitive disadvantage of several smaller banks which now compete with branches of the Merging Bank.

Implicit in this proposed merger is the view that there is no future for independent banks in South Carolina. For if so large an independent as the Merging Bank may be acquired by the State's third largest bank, it is hard to see how the many smaller independents can be expected to constitute a vital competitive force or even to survive for very long. Indeed, the application

states that the necessary growth of banks "can be accomplished only through such mergers as this" (at p. 49).

In light of the history of bank mergers in South Carolina, this proposed merger may encourage still further acquisitions and thus aggravate the tendency toward monopoly in commercial banking in South Carolina.

For these reasons, it is our opinion that the consummation of the proposed merger would have a significantly adverse effect upon competition in commercial banking in South Carolina.

* * *

THE WINDSOR COUNTY NATIONAL BANK OF WINDSOR, WINDSOR, VT., AND VERMONT NATIONAL & SAVINGS BANK, BRATTLEBORO, VT.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Windsor County National Bank of Windsor, Windsor, Vt. (13685), with....	\$5, 659, 651	2	.....
and Vermont National & Savings Bank, Brattleboro, Brattleboro, Vt. (1430), which had.....	44, 284, 550	10	.....
merged Dec. 31, 1964, under charter of the latter bank (1430) and title "Vermont National Bank." The merged bank at the date of merger had..	49, 964, 477	.....	12

COMPTROLLER'S DECISION

On November 16, 1964, the \$44.6 million Vermont National & Savings Bank, Brattleboro, Vt., and the \$5.0 million Windsor County National Bank of Windsor, Windsor, Vt., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Brattleboro, with a population of 9,000 and situated between the Green Mountains and the Connecticut River, is the chief trading center of southeastern Vermont, southwestern New Hampshire and adjacent territory in Massachusetts. The retail trade area consists of 60,000 people supported by various manufacturing establishments including machine tools, leather, paper and wood products.

Windsor, with a population of 4,000, is located on the Connecticut River at the foot of Ascutney Mountain about 55 miles north of Brattleboro. The town serves a trade area of about 25,000 persons located in nearby Vermont and New Hampshire towns. The largest employers in the area are machinery and rubber products manufacturing plants and the Vermont State Prison.

The charter bank ranks fifth in size among the bank-

ing institutions serving the State of Vermont. With its main office in Brattleboro and nine branches, the bank serves the southern border of the State and an area extending northward along the Connecticut River to the town of Woodstock, a distance of some 65 miles. The charter bank is substantially smaller than the largest bank in Vermont, the \$103 million Burlington Savings Bank, Burlington, as well as the \$67 million Chittenden Trust Co., Burlington. After the merger is consummated, the resulting bank will still be smaller than the largest bank in Brattleboro, the \$54 million Vermont Bank & Trust Co. Competition for savings dollars also comes from savings and loan associations and credit unions.

The proposed merger will provide, along with the addition of progressive management, many banking services for the town of Windsor which are not available at the present time. These benefits will include increased capacity, the initiation of trust services and certain financing, such as large participation loans, consumer credit financing, business and mortgage loans not now offered by the merging bank.

Applying the statutory criteria to this proposal, this application is hereby approved.

DECEMBER 29, 1964.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Vermont National & Savings Bank of Brattleboro, Vt., fifth largest Vermont bank, with nine branches, including one at Windsor, and assets of \$44,571,000 proposes to merge the Windsor County National Bank of Windsor, Vt., with one branch and assets of \$5,021,000.

The proposed merger would eliminate a small independent bank and all existing competition in Wind-

sor, Vt., between it and the acquiring bank would jeopardize the ability of a small bank in Ludlow to continue to compete effectively, and would tend to encourage a trend toward concentration of banking in an area where approximately 25 small independent banks continue to function.

We conclude, therefore, that the proposed acquisition would have a serious adverse effect upon competition.

* * *

APPENDIX B

Statistical Tables

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Statistical Tables

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TABLE B-1.—*Comptrollers of the Currency, by dates of appointment and resignation, and states from which appointed*

<i>No.</i>	<i>Name</i>	<i>Date of appointment</i>	<i>Date of resignation</i>	<i>State</i>
1	McCulloch, Hugh	May 9, 1863	Mar. 8, 1865	Indiana
2	Clarke, Freeman	Mar. 21, 1865	July 24, 1866	New York
3	Hulburt, Hiland R.	Feb. 1, 1867	Apr. 3, 1872	Ohio
4	Knox, John Jay	Apr. 25, 1872	Apr. 30, 1884	Minnesota
5	Cannon, Henry W.	May 12, 1884	Mar. 1, 1886	Minnesota
6	Trenholm, William L.	Apr. 20, 1886	Apr. 30, 1889	South Carolina
7	Lacey, Edward S.	May 1, 1889	June 30, 1892	Michigan
8	Hepburn, A. Barton	Aug. 2, 1892	Apr. 25, 1893	New York
9	Eckels, James H.	Apr. 26, 1893	Dec. 31, 1897	Illinois
10	Dawes, Charles G.	Jan. 1, 1898	Sept. 30, 1901	Illinois
11	Ridgely, William Barret	Oct. 1, 1901	Mar. 28, 1908	Illinois
12	Murray, Lawrence O.	Apr. 27, 1908	Apr. 27, 1913 ¹	New York
13	Williams, John Skel.	Feb. 2, 1914	Mar. 2, 1921	Virginia
14	Crissinger, D. R.	Mar. 17, 1921	Apr. 30, 1923	Ohio
15	Dawes, Henry M.	May 1, 1923	Dec. 17, 1924	Illinois
16	McIntosh, Joseph W.	Dec. 20, 1924	Nov. 20, 1928	Illinois
17	Pole, John W.	Nov. 21, 1928	Sept. 20, 1932	Ohio
18	O'Connor, J. F. T.	May 11, 1933	Apr. 16, 1938	California
19	Delano, Preston	Oct. 24, 1938	Feb. 15, 1953	Massachusetts
20	Gidney, Ray M.	Apr. 16, 1953	Nov. 15, 1961	Ohio
21	Saxon, James J.	Nov. 16, 1961	.....	Illinois

¹ Term expired.

TABLE B-2.—*Administrative Assistants to the Comptroller of the Currency and Deputy Comptrollers of the Currency, by the dates of appointment and resignation, and native states*

No.	Name	Date of appointment	Date of resignation	State
ADMINISTRATIVE ASSISTANTS TO THE COMPTROLLER				
1	Larsen, Arnold E.	Dec. 24, 1961	July 1, 1962 ¹	Nebraska
2	Faulstich, Albert J.	July 2, 1962	.....	Louisiana
DEPUTY COMPTROLLERS OF THE CURRENCY				
1	Howard, Samuel T.	May 9, 1863	Aug. 1, 1865	New York
2	Hulburt, Hiland R.	Aug. 1, 1865	Jan. 31, 1867	Ohio
3	Knox, John Jay.	Mar. 12, 1867	Apr. 24, 1872	Minnesota
4	Langworthy, John S.	Aug. 8, 1872	Jan. 3, 1886	New York
5	Snyder, V. P.	Jan. 5, 1886	Jan. 3, 1887	New York
6	Abrahams, J. D.	Jan. 27, 1887	May 25, 1890	Virginia
7	Nixon, R. M.	Aug. 11, 1890	Mar. 16, 1893	Indiana
8	Tucker, Oliver P.	Apr. 7, 1893	Mar. 11, 1896	Kentucky
9	Coffin, George M.	Mar. 12, 1896	Aug. 31, 1898	South Carolina
10	Murray, Lawrence O.	Sept. 1, 1898	June 27, 1899	New York
11	Kane, Thomas P.	June 29, 1899	Mar. 2, 1923 ²	Dist. of Col.
12	Fowler, Willis J.	July 1, 1908	Feb. 14, 1927	Indiana
13	McIntosh, Joseph W.	May 21, 1923	Dec. 19, 1924	Illinois
14	Collins, Charles W.	July 1, 1923	June 30, 1927	Illinois
15	Stearns, E. W.	Jan. 6, 1925	Nov. 30, 1928	Virginia
16	Awalt, F. G.	July 1, 1927	Feb. 15, 1936	Maryland
17	Gough, E. H.	July 6, 1927	Oct. 16, 1941	Indiana
18	Proctor, John L.	Dec. 1, 1928	Jan. 23, 1933	Washington
19	Lyons, Gibbs.	Jan. 24, 1933	Jan. 15, 1938	Georgia
20	Prentiss, William, Jr.	Feb. 24, 1936	Jan. 15, 1938	California
21	Diggs, Marshall R.	Jan. 16, 1938	Sept. 30, 1938	Texas
22	Oppegard, G. J.	Jan. 16, 1938	Sept. 30, 1938	California
23	Upham, C. B.	Oct. 1, 1938	Dec. 31, 1948	Iowa
24	Mulroney, A. J.	May 1, 1939	Aug. 31, 1941	Iowa
25	McCandless, R. B.	July 7, 1941	Mar. 1, 1951	Iowa
26	Sedlacek, L. H.	Sept. 1, 1941	Sept. 30, 1944	Nebraska
27	Robertson, J. L.	Oct. 1, 1944	Feb. 17, 1952	Nebraska
28	Hudspeth, J. W.	Jan. 1, 1949	Aug. 31, 1950	Texas
29	Jennings, L. A.	Sept. 1, 1950	May 16, 1960	New York
30	Taylor, W. M.	Mar. 1, 1951	Apr. 1, 1962	Virginia
31	Garwood, G. W.	Feb. 18, 1952	Dec. 31, 1962	Colorado
32	Fleming, Chapman C.	Sept. 15, 1959	Aug. 31, 1962	Ohio
33	Haggard, Hollis S.	May 16, 1960	Aug. 3, 1962	Missouri
34	Camp, William B.	Apr. 2, 1962	.....	Texas
35	Redman, Clarence B.	Aug. 4, 1962	Oct. 26, 1963	Connecticut
36	Watson, Justin T.	Sept. 3, 1962	.....	Ohio
37	Miller, Dean E.	Dec. 23, 1962	.....	Iowa
38	DeShazo, Thomas G.	Jan. 1, 1963	.....	Virginia
39	Egerton R. Coleman	July 13, 1964	.....	Iowa
40	Blanchard, Richard J.	Sept. 1, 1964	.....	Massachusetts
41	Park, Radcliffe	Sept. 1, 1964	.....	Wisconsin

¹ Appointed Regional Comptroller of the Currency with headquarters in San Francisco, Calif.

² Died Mar. 2, 1923.

TABLE B-3.—Changes in the structure of the National Banking System, by States, since 1863: number of banks organized, consolidated, and merged; number of insolvencies, liquidations, and conversions; and national banks in existence, Dec. 31, 1964

State	Organ- ized 1863 through 1964	Consolidated and merged under 12 U.S.C. 215		Insolvent	In liqui- dation	12 U.S.C. 214		In ex- istence Dec. 31 1964
		Consoli- dations	Mergers			Converted to State banks	Merged or consolidated with State banks	
United States *	15, 466	678	209	2815	6, 701	57	227	4, 779
Alabama	193	4	2	45	62	0	0	80
Alaska	8	0	0	0	2	0	1	5
Arizona	32	1	0	6	21	0	0	4
Arkansas	158	1	0	39	55	0	0	63
California	590	19	17	65	383	2	13	91
Colorado	259	5	0	55	84	0	0	115
Connecticut	131	11	4	7	69	0	13	27
Delaware	32	0	0	1	18	0	8	5
District of Columbia	36	8	0	7	13	0	0	8
Florida	272	2	0	42	41	0	0	187
Georgia	196	8	0	42	87	4	0	55
Hawaii	7	1	0	0	4	0	0	2
Idaho	112	0	1	35	65	0	2	9
Illinois	959	19	2	227	296	2	1	412
Indiana	443	14	1	98	205	0	1	124
Iowa	559	4	0	205	243	6	0	101
Kansas	453	6	0	76	198	4	0	169
Kentucky	250	11	2	37	110	7	1	82
Louisiana	120	4	0	16	53	0	0	47
Maine	127	7	5	13	79	0	1	22
Maryland	155	3	10	17	69	0	7	49
Massachusetts	380	37	6	28	207	0	9	93
Michigan	346	11	3	77	156	0	3	96
Minnesota	510	8	0	116	192	1	0	193
Mississippi	86	5	0	16	34	0	0	31
Missouri	315	12	1	58	148	2	1	93
Montana	203	3	0	76	76	0	0	48
Nebraska	410	2	0	83	199	1	0	125
Nevada	17	1	0	4	8	0	1	3
New Hampshire	82	3	1	5	23	0	0	50
New Jersey	431	48	11	59	150	1	16	146
New Mexico	96	1	0	25	37	0	0	33
New York	1, 009	122	45	130	439	4	65	204
North Carolina	157	8	8	44	58	0	8	31
North Dakota	263	3	0	100	118	0	0	42
Ohio	710	32	7	112	333	1	4	221
Oklahoma	775	12	0	85	454	1	0	223
Oregon	150	2	2	31	102	0	2	11
Pennsylvania	1, 286	97	45	211	488	2	55	388
Rhode Island	67	3	0	2	58	0	0	4
South Carolina	131	8	7	43	49	0	0	24
South Dakota	221	13	0	93	81	1	0	33
Tennessee	217	8	0	36	94	2	2	75
Texas	1, 312	45	0	142	572	14	1	538
Utah	44	4	0	6	19	1	2	12
Vermont	85	3	2	17	29	1	6	27
Virginia	272	21	22	28	74	0	4	123
Washington	238	18	5	51	136	0	0	28
West Virginia	196	11	0	38	68	0	0	79
Wisconsin	287	9	0	54	115	0	0	109
Wyoming	76	0	0	12	26	0	0	38
Virgin Islands	1	0	0	0	0	0	0	1
Puerto Rico	1	0	0	0	1	0	0	0

* Includes Virgin Islands and Puerto Rico.

TABLE B-4.—*Applications for new national bank charters, approved and rejected, with name of bank and date of approval or rejection, calendar 1964, by States*

	Approved 1964	Rejected 1964		Approved 1964	Rejected 1964
<i>Alabama</i>			<i>California—Continued</i>		
City National Bank of Russellville, Russellville, Ala.	Feb. 22		Lincoln National Bank, Santa Rosa, Calif.	June 3	.....
Florence, Ala.		Mar. 5	Valley National Bank of Delano, Delano, Calif.	June 3	.....
Capitol National Bank of Montgomery, Montgomery, Ala.	Mar. 27		Santa Rosa, Calif.		June 3
Baldwin National Bank of Robertsedale, Robertsedale, Ala. (Conversion)	Mar. 31		Redding, Calif.		June 24
Shoals National Bank of Florence, Florence, Ala.	Apr. 15		Westminster National Bank, Westminster, Calif.	June 24	.....
City National Bank of Birmingham, Birmingham, Ala.	May 27		Sonoma, Calif.		June 29
Muscle Shoals National Bank, Muscle Shoals, Ala.	June 3		Bellflower National Bank, Bellflower, Calif.	July 2	.....
First National Bank of Aliceville, Aliceville, Ala.	Sept. 3		Mechanics National Bank, Huntington Park, Calif.	July 2	.....
Opp National Bank, Opp, Ala.	Sept. 4		San Francisco, Calif.		July 20
Lineville, Ala.		Sept. 29	Pacific Palisades, Calif.		Aug. 31
City National Bank of Gadsden, Gadsden, Ala.	Nov. 2		Fisherman's National Bank, San Francisco, Calif.	Aug. 31	.....
The National Bank of Mobile County, Prichard, Ala.	Dec. 4		Sacramento, Calif.		Sept. 3
Mobile, Ala.		Dec. 14	Sacramento, Calif.		Sept. 3
Tallahassee, Ala.		Dec. 16	Sacramento, Calif.		Sept. 3
Decatur, Ala.		Dec. 31	Los Angeles, Calif.		Sept. 3
			Los Angeles, Calif.		Sept. 3
<i>Arkansas</i>			Southland National Bank, Yucaipa, Calif.	Sept. 11	.....
First National Bank in Osceola, Osceola, Ark. (Conversion)	Feb. 22		Fullerton, Calif.		Sept. 22
Pine Bluff National Bank, Pine Bluff, Ark.	May 8		University National Bank, Fullerton, Calif.	Sept. 22	.....
First National Bank of Brinkley, Brinkley, Ark.	May 12		Los Angeles, Calif.		Sept. 29
Jacksonville, Ark.		June 3	First National Bank of Washington Township, Union City, Calif.	Sept. 29	.....
Sheridan, Ark.		July 22	Ukiah, Calif.		Sept. 29
<i>California</i>			Pan American National Bank of East Los Angeles, Los Angeles, Calif.	Sept. 29	.....
Riverside, Calif.		Jan. 14	Martinez, Calif.		Oct. 12
Pacific Industrial National Bank of South El Monte, South El Monte, Calif.	Jan. 15		Lakewood, Calif.		Nov. 6
San Joaquin Valley National Bank, Tulare, Calif.	Jan. 21		Republic National Bank, Los Angeles, Calif.	Dec. 4	.....
Indio, Calif.	Jan. 21		Victorville, Calif.		Dec. 4
Pasadena, Calif.	Jan. 22		Commercial and Farmers National Bank, Oxnard, Calif.	Dec. 4	.....
Visalia, Calif.	Jan. 22		Bank of Long Beach, National Association, Long Beach, Calif.	Dec. 10	.....
Bellflower, Calif.	Jan. 24		Signal Hill, Calif.		Dec. 10
Fremont, Calif.	Feb. 1		Santa Clarita National Bank, Newhall, Calif.	Dec. 10	.....
Sherman Oaks, Calif.		Feb. 8	Imperial Valley National Bank, El Centro, Calif.	Dec. 10	.....
Republic National Bank of San Diego, San Diego, Calif.	Feb. 15		Sonoma, Calif.		Dec. 10
Silverlake National Bank, Los Angeles, Calif.	Feb. 15		Stockton, Calif.		Dec. 11
Sunland, Calif.		Feb. 22	Oakland, Calif.		Dec. 11
Los Angeles, Calif.		Feb. 25	Visalia, Calif.		Dec. 11
Inyo-Mono National Bank, Bishop, Calif.	Feb. 25		Stockton, Calif.		Dec. 11
Thousand Oaks, Calif.		Mar. 13	Paramount, Calif.		Dec. 11
Riverside National Bank, Riverside, Calif.	Mar. 13		Los Angeles, Calif.		Dec. 11
Los Angeles, Calif.		Mar. 23	Los Angeles, Calif.		Dec. 11
Bakersfield National Bank, Bakersfield, Calif.	Mar. 30		San Bernardino, Calif.		Dec. 14
Commercial National Bank, Anaheim, Calif.	Mar. 30		San Francisco, Calif.		Dec. 14
Lodi National Bank, Lodi, Calif.	Mar. 30		Walnut, Calif.		Dec. 14
Concord National Bank, Concord, Calif.	Apr. 2		LaHabra, Calif.		Dec. 14
Santa Cruz, Calif.		Apr. 8	Los Angeles, Calif.		Dec. 14
Escondido National Bank, Escondido, Calif.	Apr. 21		Mountain View, Calif.		Dec. 16
Escondido, Calif.		Apr. 21	Hacienda Heights, Calif.		Dec. 16
Heritage National Bank, Westwood, Calif.	Apr. 23		Montebello, Calif.		Dec. 17
Westminster, Calif.		Apr. 29	Modesto, Calif.		Dec. 22
Commercial National Bank of San Leandro, San Leandro, Calif.	May 11		Casitas National Bank, Carpinteria, Calif.	Dec. 22	.....
Huntington Park, Calif.		May 14	San Pedro, Calif.		Dec. 29
Whittier, Calif.		June 1	San Pedro, Calif.		Dec. 29
National Bank of Whittier, Whittier, Calif.	June 1				
			<i>Colorado</i>		
			Delta, Colo.		Jan. 3
			The First National Bank of Bear Valley, Denver, Colo.	Jan. 27	.....
			National Bank of Delta, Delta, Colo.	Feb. 1	.....
			Leadville, Colo.		Apr. 7
			Colorado Springs, Colo.		Apr. 8

TABLE B-4.—Applications for new national bank charters, approved and rejected, with name of bank and date of approval or rejection, calendar 1964, by States—Continued

	Approved 1964	Rejected 1964		Approved 1964	Rejected 1964
<i>Colorado—Continued</i>			<i>Florida—Continued</i>		
Wheat Ridge, Colo.		Apr. 21	Manufacturers National Bank of Hialeah, Hialeah, Fla.	June 30	
Denver, Colo.		Apr. 30	West Palm Beach, Fla.		July 2
The Western National Bank of Colorado Springs, Colorado Springs, Colo.	May 11		Edgewater, Fla.		July 28
Englewood, Colo.		May 27	Volusia County National Bank at Ormond Beach, Ormond Beach, Fla.	July 31	
The East Colorado Springs National Bank, Colorado Springs, Colo.	June 24		University National Bank of Boca Raton, Boca Raton, Fla.	Aug. 18	
Colorado Springs, Colo.		June 24	First Bank & Trust Co. of Boca Raton, National Association, Boca Raton, Fla. (Conversion)	Aug. 18	
Metropolitan National Bank, Denver, Colo.	June 24		Interamerican National Bank at Sunny Isles, Sunny Isles, Fla.	Aug. 21	
Midtown National Bank, Pueblo, Colo.	July 7		Fort Lauderdale, Fla.		Sept. 4
Wheat Ridge, Colo.		July 17	Republic National Bank of Miami, Miami, Fla.	Sept. 4	
First National Bank of Southglenn, Arapahoe County, Colo.	July 27		Orlando, Fla.		Sept. 16
Breckenridge, Colo.		Aug. 31	Rockledge, Fla.		Sept. 22
Craig, Colo.		Aug. 31	Cocoa Beach, Fla.		Sept. 24
First National Bank of Estes Park, Estes Park, Colo.	Sept. 3		West Melbourne, Fla.		Oct. 6
Westlake First National Bank, Loveland, Colo.	Sept. 3		National Bank of West Melbourne, West Melbourne, Fla.	Oct. 6	
Loveland, Colo.		Sept. 10	Gainesville, Fla.		Oct. 14
Grand Valley, Colo.		Sept. 11	Fort Lauderdale, Fla.		Oct. 14
Pueblo, Colo.		Oct. 12	North Bay Village, Fla.		Oct. 30
Jefferson County, Colo.		Oct. 14	Highway #441, Dade County, Fla.		Dec. 7
Villa Italia, Colo.		Oct. 14	Cocoa Beach, Fla.		Dec. 10
Westminster, Colo.		Oct. 16	Brooksville, Fla.		Dec. 10
Edgewater, Colo.		Dec. 11	Orlando, Fla.		Dec. 11
Englewood, Colo.		Dec. 17	Fort Lauderdale, Fla.		Dec. 14
Denver, Colo.		Dec. 18	Unincorporated, Orange County, Fla.		Dec. 14
<i>Connecticut</i>			Fort Lauderdale, Fla.		Dec. 14
Rocky Hill, Conn.		Apr. 21	Miami, Fla.		Dec. 15
The Hamden National Bank, Hamden, Conn.	June 24		St. Petersburg, Fla.		Dec. 16
Citizens National Bank of Southington, Southington, Conn.	Oct. 12		Edgewater, Fla.		Dec. 17
The Constitution National Bank, Hart- ford, Conn.	Oct. 16		West of Lake Worth, Palm Beach Co., Fla.		Dec. 18
Manchester, Conn.		Dec. 10	Pensacola, Fla.		Dec. 22
East Hartford, Conn.		Dec. 17	Merritt Island, Fla.		Dec. 22
<i>District of Columbia</i>			Miami, Fla.		Dec. 29
United Community National Bank, Washington, D.C.	Feb. 1		Miami, Fla.		Dec. 30
Washington, D.C.		Dec. 15	Miami Beach, Fla.		Dec. 31
<i>Florida</i>			<i>Georgia</i>		
United National Bank, Miami, Fla.	Jan. 3		First National Bank of Perry, Perry, Ga. .	Mar. 19	
Port Richey, Fla.		Jan. 16	Roswell, Ga.		May 26
Miami, Fla.		Jan. 18	Jonesboro, Ga.		May 26
Lincoln National Bank of Miami, Miami, Fla.	Feb. 8		Tucker, Ga.		July 2
St. Petersburg, Fla.		Feb. 15	The First National Bank of Tucker, Tucker, Ga.	Dec. 4	
Crestview, Fla. (Conversion)		Feb. 22	Atlanta, Ga.		Dec. 4
Capital National Bank of Miami, Miami, Fla. (Conversion)	Mar. 6		Roswell, Ga.		Dec. 14
National Bank of Melbourne & Trust Co., Melbourne, Fla. (Conversion)	Mar. 10		<i>Illinois</i>		
Westchester National Bank of Dade County, Dade County, Fla.	Mar. 13		First National Bank of Mount Prospect, Mount Prospect, Ill. (Conversion)	Jan. 3	
The Second National Bank of North Miami, North Miami, Fla.	Mar. 19		Pesotum, Ill.		Jan. 16
Tampa, Fla.		Apr. 17	Midwest National Bank of Moline, Mo- line, Ill.	Feb. 22	
Homestead, Fla.		Apr. 30	American National Bank of Champaign, Champaign, Ill.	Mar. 13	
Sanford, Fla.		May 1	North Towne National Bank of Rockford, Rockford, Ill.	Mar. 21	
Hollywood, Fla.		May 15	Seaway National Bank of Chicago, Chi- cago, Ill.	May 11	
First National Bank of Princeton- Naranja, Princeton-Naranja, Fla.	May 26		The First National Bank of Western Springs, Western Springs, Ill. (Conver- sion)	May 11	
Ormond Beach, Fla.		June 3	Pekin, Ill.		May 11
Peoples National Bank of Bay Harbor Islands, Bay Harbor Islands, Fla.	June 4		Community National Bank in Mon- mouth, Monmouth, Ill.	May 26	
Port Richey, Fla.		June 24	Normal, Ill.		June 4
Sunny Isles area of Dade County, Fla.		June 25			

TABLE B-4.—*Applications for new national bank charters, approved and rejected, with name of bank and date of approval or rejection, calendar 1964, by States—Continued*

	Approved 1964	Rejected 1964		Approved 1964	Rejected 1964
<i>Illinois—Continued</i>			<i>Minnesota—Continued</i>		
Mid-West National Bank of Lake Forest, Lake Forest, Ill.	July 2	.....	Farmington, Minn. ....	.....	May 15
The First National Bank of Lake Bluff, Lake Bluff, Ill.	July 31	.....	Mankato, Minn. ....	.....	Dec. 14
First National Bank of Macomb, Ma- comb, Ill.	Aug. 18	.....	<i>Mississippi</i>		
Pekin National Bank, Pekin, Ill.	Aug. 31	.....	First National Bank of Clarksdale, Clarks- dale, Miss.	Jan. 27	.....
Berkeley, Ill. ....	.....	Dec. 18	First National Bank of Iuka, Iuka, Miss. .	Mar. 30	.....
First National Bank of Oak Lawn, Oak Lawn, Ill. (Conversion)	Dec. 18	.....	First National Bank of Greenwood, Green- wood, Miss.	Aug. 18	.....
Freeport, Ill.	Dec. 31	.....	Calhoun City, Miss. ....	.....	Dec. 14
<i>Indiana</i>			First Citizens National Bank, Tupelo, Miss. (Conversion)	Dec. 30	.....
First National Bank of Hartford City, Hartford City, Ind.	June 24	.....	<i>Missouri</i>		
Bank of Indiana, National Association, Gary, Ind. (Conversion)	Nov. 24	.....	The First National Bank of Sikeston, Sikeston, Mo. (Conversion)	Feb. 18	.....
<i>Iowa</i>			Security National Bank of Sikeston, Sikes- ton, Mo.	Mar. 19	.....
First National Bank, Ames, Iowa, (Con- version)	Dec. 16	.....	Gateway National Bank of St. Louis, St. Louis, Mo.	May 11	.....
<i>Kansas</i>			First National Bank of Annapolis, An- napolis, Mo.	May 13	.....
Salina, Kans. ....	.....	Apr. 21	Fredericktown, Mo. ....	.....	May 15
City National Bank of Pittsburg, Pittsburg, Kans.	Sept. 2	.....	First National Bank of Sullivan, Sul- livan, Mo.	July 20	.....
Sabetha, Kans.	Dec. 10	.....	First National Bank of Malden, Malden, Mo.	Aug. 31	.....
Overland Park, Kans.	Dec. 11	.....	Kansas City, Mo.	Sept. 2	.....
<i>Louisiana</i>			Southwest National Bank of Kansas City, Kansas City, Mo.	Sept. 2	.....
First National Bank of Denham Springs, Denham Springs, La.	Mar. 27	.....	Union, Mo.	Oct. 12	.....
Bogalusa, La.	Sept. 30	.....	Lee's Summit, Mo.	Oct. 12	.....
Morgan City, La.	Dec. 14	.....	Sunset Hills, Mo.	Oct. 14	.....
Luling, La.	Dec. 18	.....	Mercantile Trust Company National As- sociation, St. Louis, Mo. (Conversion) .	Nov. 13	.....
<i>Maryland</i>			St. Louis, Mo.	Dec. 4	.....
University National Bank, College Park, Md.	Apr. 22	.....	West Side National Bank, Unincorporated Area, St. Louis County, Mo.	Dec. 10	.....
The Old Line National Bank, Rockville, Md.	Aug. 21	.....	Aurora, Mo.	Dec. 11	.....
Takoma Park, Md.	Sept. 10	.....	Kansas City, Mo.	Dec. 11	.....
Greenbelt, Md.	Dec. 14	.....	<i>Montana</i>		
<i>Massachusetts</i>			Missoula, Mont.	Jan. 21	.....
Commonwealth National Bank, Boston, Mass.	Feb. 29	.....	First National Bank of Eureka, Eureka, Mont.	Apr. 8	.....
Harbor National Bank of Boston, Boston, Mass.	June 25	.....	First National Bank, West Yellowstone, Mont.	Aug. 21	.....
<i>Michigan</i>			West Yellowstone, Mont.	Aug. 21	.....
First National Bank of Wyoming, Wyoming, Mich. (Conversion)	Jan. 17	.....	Conrad, Mont.	Oct. 12	.....
Imlay City, Mich.	May 1	.....	Malta, Mont.	Dec. 30	.....
First National Bank of Fenton, Fenton, Mich.	June 24	.....	<i>Nebraska</i>		
Grand Valley National Bank, Grandville, Mich.	June 30	.....	City National Bank of Lincoln, Lincoln, Nebr.	Feb. 22	.....
City Bank & Trust Co., National Associ- ation, Jackson, Mich. (Conversion) .	July 10	.....	Security National Bank of Omaha, Omaha, Nebr.	Apr. 2	.....
Valley National Bank of Saginaw, Sagi- naw, Mich. (Conversion)	Aug. 17	.....	West Omaha National Bank, Omaha, Nebr.	Aug. 18	.....
Central National Bank of St. Johns, Ovid, Mich. (Conversion)	Aug. 31	.....	Sarpy County, Nebr.	Dec. 11	.....
Livonia National Bank, Livonia, Mich., (Conversion)	Oct. 15	.....	<i>Nevada</i>		
<i>Minnesota</i>			Las Vegas, Nev.	Apr. 2	.....
East Grand Forks, Minn.	Jan. 18	.....	Las Vegas, Nev.	June 29	.....
Valley National Bank of Le Sueur, Le Sueur, Minn. (Conversion)	Feb. 28	.....	Carson City, Nev.	July 20	.....
St. Louis Park, Minn.	May 11	.....	Carson City, Nev.	Sept. 2	.....
Lake City, Minn.	May 11	.....	<i>New Hampshire</i>		
			The Indian Head National Bank of Man- chester, Manchester, N.H. (Conver- sion)	June 30	.....
			<i>New Jersey</i>		
			Madison National Bank, Madison, N.J. .	Feb. 1	.....
			First National Bank of Scotch Plains, Scotch Plains, N.J.	Feb. 22	.....

TABLE B-4.—*Applications for new national bank charters, approved and rejected, with name of bank and date of approval or rejection, calendar 1964, by States—Continued*

	Approved 1964	Rejected 1964		Approved 1964	Rejected 1964
<i>New Jersey—Continued</i>			<i>Oklahoma—Continued</i>		
New Jersey National Bank & Trust Co., Asbury Park, N.J. (Conversion).....	Feb. 26	.....	Edmonds, Okla. ....	.....	Jan. 27
Eatontown National Bank, Eatontown, N.J.	Apr. 30	.....	Shawnee, Okla. ....	.....	Feb. 15
Eatontown, N.J. ....	.....	May 21	First National Bank, Henryetta, Henry- etta, Okla.	Feb. 15	.....
Raritan Valley National Bank, Edison Township, N.J.	May 27	.....	First National Bank, Sallisaw, Sallisaw, Okla.	Mar. 19	.....
Security National Bank, Newark, N.J.	May 28	.....	Nicomia Park, Okla. ....	.....	Apr. 13
First National Bank of Moorestown, Moorestown, N.J.	June 4	.....	Sand Springs, Okla. ....	.....	Apr. 13
North Jersey National Bank, Fort Lee, N.J.	Aug. 21	.....	Burns Flat, Okla. ....	.....	June 24
First National Bank of Bridgewater, Bridgewater Township, N.J.	Sept. 11	.....	Edmond, Okla. ....	.....	July 31
Englewood National Bank & Trust Co., Englewood, N.J.	Oct. 16	.....	Edmond, Okla. ....	.....	July 31
Springfield, N.J. ....	.....	Dec. 29	Edmond, Okla. ....	.....	July 31
Springfield, N.J. ....	.....	Dec. 29	Tulsa, Okla. ....	.....	Aug. 20
			Tulsa, Okla. ....	.....	Aug. 20
			McAlester, Okla. ....	.....	Aug. 21
			Oklahoma City, Okla. ....	.....	Aug. 31
			Muskogee, Okla. ....	.....	Aug. 31
			Oklahoma City, Okla. ....	.....	Sept. 3
			Poteau, Okla. ....	.....	Dec. 30
<i>New Mexico</i>			<i>Oregon</i>		
First National Bank of Rio Arriba Espanola, N. Mex. (Conversion).....	Mar. 23	.....	Great Western National Bank, Portland, Oreg.	July 20	.....
Valley National Bank, Espanola, N. Mex. Las Cruces, N. Mex.	May 11	.....		
Fidelity National Bank, Albuquerque, N. Mex.	Nov. 20	.....		
<i>New York</i>			<i>Pennsylvania</i>		
Clarence, N.Y. ....	.....	Jan. 18	Newtown, Pa. ....	.....	Sept. 9
Pioneer National Bank, New York, N.Y.	June 3	.....	Provident National Bank, Philadelphia, Pa. (Conversion).....	Oct. 7	.....
Rotterdam, N.Y. ....	.....	June 24	Bala-Cynwyd, Pa. ....	.....	Dec. 22
First National Bank of East Hampton, East Hampton, N.Y.	July 17	.....		
East Hampton, N.Y. ....	.....	July 17			
Garden City, N.Y. ....	.....	Aug. 18			
First National Bank of Rochester Rochester, N.Y.	Sept. 10	.....		
Bohemia, N.Y. ....	.....	Sept. 30			
Republic National Bank of New York, New York, N.Y.	Oct. 14	.....		
Brooklyn, N.Y. ....	.....	Dec. 29			
<i>North Dakota</i>			<i>South Carolina</i>		
First National Bank of Carrington, Carrington, N. Dak.	Mar. 19	.....	Fountain Inn, S. C. ....	.....	Apr. 21
The National Bank of Harvey, Harvey, N. Dak.	July 10	.....	Dillon, S. C. ....	.....	June 24
			Barnwell, S. C. ....	.....	Oct. 16
			Lexington, S. C. ....	.....	Dec. 22
<i>Ohio</i>					
Tower National Bank of Lima, Lima, Ohio.	Jan. 8	.....		
Progress National Bank of Toledo, Toledo, Ohio.	May 1	.....		
National Bank of Defiance, Defiance, Ohio.	June 1	.....		
Minerva, Ohio. ....	.....	July 10			
First National Bank, Bowling Green, Ohio (Conversion).....	Aug. 31	.....		
The Capital National Bank, Cleveland, Ohio (Conversion).....	Oct. 19	.....		
Minerva National Bank, Minerva, Ohio.	Dec. 4	.....		
The Central Security National Bank of Lorain County, Lorain, Ohio (Con- version).....	Dec. 15	.....		
<i>Oklahoma</i>					
Tulsa, Okla. ....	.....	Jan. 8			
McAlester, Okla. ....	.....	Jan. 14			
Ada, Okla. ....	.....	Jan. 16			
Ponca City, Okla. ....	.....	Jan. 20			
Jenks, Okla. ....	.....	Jan. 22			
Ardmore, Okla. ....	.....	Jan. 27			
Edmond, Okla. ....	.....	Jan. 27			
Ardmore, Okla. ....	.....	Jan. 27			

TABLE B-4.—Applications for new national bank charters, approved and rejected, with name of bank and date of approval or rejection, calendar 1964, by States—Continued

		Approved 1964	Rejected 1964			Approved 1964	Rejected 1964
<i>Texas—Continued</i>				<i>Washington—Continued</i>			
Westmoreland National Bank of Dallas, Dallas, Tex.		May 29		Othello First National Bank, Othello, Wash.		Apr. 22	
Spearmen, Tex.			June 24	Kennewick National Bank, Kennewick, Wash.		May 26	
Olney, Tex.			July 2	Renton, Wash.			July 22
Houston, Tex.			July 7	Bank of Vancouver, National Association, Vancouver, Wash.		July 31	
Jacinto City, Tex.			July 8	Ocean Shores, Wash.			Oct. 30
McAllen, Tex.			July 17	Tacoma, Wash.			Nov. 5
Floydada, Tex.			July 27	Highlands National Bank of Renton, Renton, Wash.		Dec. 4	
Colonial National Bank of Garland, Gar- land, Tex.		July 31		Central Bank of Tacoma, National Asso- ciation, Tacoma, Wash (Conversion)...		Dec. 16	
Dallas, Tex.			Aug. 20				
Irving, Tex.			Aug. 31				
Boerne, Tex.			Oct. 16				
Dallas, Tex.			Dec. 4				
Lubbock, Tex.			Dec. 7				
Lubbock, Tex.			Dec. 7				
Eagle Lake, Tex.			Dec. 14				
Houston, Tex.			Dec. 14				
LaMarque, Tex.			Dec. 14				
Pasadena, Tex.			Dec. 29				
<i>Utah</i>				<i>West Virginia</i>			
Wasatch National Bank, Murray, Utah.		Mar. 19		First National Bank of West Hamlin, West Hamlin, W.Va.		Apr. 8	
Sandy, Utah.			June 24	The First National Bank of Belle, Belle, W.Va.		May 11	
Citizens National Bank, Ogden, Utah.		Nov. 6		Charleston, W.Va.			Dec. 11
Holladay, Utah.			Dec. 10				
<i>Virginia</i>				<i>Wisconsin</i>			
Bailey's Crossroads, Va.			Apr. 15	Racine County National Bank, Franks- ville, Wis. (Conversion)...		July 10	
First National Bank of Norfolk, Norfolk, Va.		Apr. 29		First American National Bank of Wausau, Wausau, Wis. (Conversion)...		Sept. 25	
Winchester, Va.			July 10	Central National Bank of Stettin, Stettin, Wis.		Sept. 25	
Second National Bank of Richmond, Richmond, Va.		Oct. 30		Midland National Bank, Milwaukee, Wis.		Sept. 30	
Arlington, Va.			Dec. 11				
Metropolitan National Bank, Richmond, Va.		Dec. 18					
<i>Washington</i>				<i>Wyoming</i>			
Tacoma, Wash.			Apr. 8	Western National Bank of Casper, Casper, Wyo.		Jan. 8	
National Bank of Mason County, Shelton, Wash.		Apr. 13		Hilltop National Bank, Casper, Wyo.		Feb. 8	
				First National Bank at Douglas, Douglas, Wyo.		May 1	
				Western National Bank of Lovell, Lovell, Wyo.		June 3	
				University National Bank of Laramie, Laramie, Wyo.		June 30	
				Sheridan, Wyo.			July 17

TABLE B-5.—National banks chartered during calendar 1964: by charter number, title and location, States, and total capital account

Charter No.	Title and location of bank, by States	Total capital account
ALABAMA		
15339	Auburn National Bank of Auburn, Auburn 1.	\$800, 736. 76
15303	American National Bank of Birmingham, Birmingham.	600, 000. 00
15342	First National Bank of Butler, Butler.	500, 000. 00
15427	Shoals National Bank of Florence, Florence.	750, 000. 00
15267	Peoples National Bank of Huntsville, Huntsville.	800, 000. 00
15316	The American National Bank of Huntsville, Huntsville.	500, 000. 00
15441	Capital National Bank of Montgomery, Montgomery.	1, 000, 000. 00
15402	Baldwin National Bank of Robertsdaile, Robertsdaile 1.	397, 915. 76
Total: 8 banks.		5, 348, 652. 52
ARIZONA		
15364	Continental National Bank, Phoenix.	3, 270, 792. 60
ARKANSAS		
15387	First National Bank of Brinkley, Brinkley.	400, 000. 00
15313	First National Bank in Osceola, Osceola 1.	798, 722. 63
15257	Commercial National Bank of Texarkana, Texarkana.	625, 000. 00
Total: 3 banks.		1, 823, 722. 63

See footnote at end of table.

TABLE B-5.—National banks chartered during calendar 1964: by charter number, title and location, States, and total capital account—Continued

Charter No.	Title and location of bank, by States	Total capital account
CALIFORNIA		
15347	Alameda First National Bank, Alameda.....	\$1, 500, 000. 00
15361	Orange Empire National Bank, Anaheim.....	2, 000, 000. 00
15437	Bakersfield National Bank, Bakersfield.....	1, 500, 000. 00
15374	National Bank of Berkeley, Berkeley.....	1, 500, 000. 00
15398	Inyo-Mono National Bank, Bishop.....	750, 000. 00
15310	Peninsula National Bank of Burlingame, Burlingame.....	2, 500, 000. 00
15394	Concord National Bank, Concord.....	1, 500, 000. 00
15450	Valley National Bank of Delano, Delano.....	1, 000, 000. 00
15239	Gateway National Bank, El Segundo.....	2, 000, 000. 00
15369	Surety National Bank, Encino.....	2, 000, 000. 00
15453	Escondido National Bank, Escondido.....	1, 000, 000. 00
15329	Humboldt National Bank, Eureka.....	1, 000, 000. 00
15343	Hayward National Bank, Hayward.....	1, 000, 000. 00
15305	Livermore National Bank, Livermore.....	1, 250, 000. 00
15240	Pioneer National Bank, Los Angeles.....	2, 000, 000. 00
15388	Silverlake National Bank, Los Angeles.....	1, 500, 000. 00
15442	Hollywood National Bank, Los Angeles.....	1, 500, 000. 00
15323	Marina Del Rey National Bank, Marina Del Rey.....	1, 000, 000. 00
15235	Newport National Bank, Newport Beach.....	1, 500, 000. 00
15265	County National Bank, Orange.....	2, 250, 000. 00
15434	Commercial National Bank, Orange County (P.O. Buena Park).....	1, 500, 000. 00
15276	Palm Springs National Bank, Palm Springs.....	1, 250, 000. 00
15341	Sequoia National Bank of San Mateo County, Redwood City.....	1, 500, 000. 00
15349	Valley National Bank of Salinas, Salinas.....	1, 250, 000. 00
15366	Republic National Bank of San Diego, San Diego.....	3, 000, 000. 00
15330	Commonwealth National Bank of San Francisco, San Francisco.....	6, 000, 000. 00
15451	Commercial National Bank of San Leandro, San Leandro.....	2, 000, 000. 00
15241	San Luis Obispo National Bank, San Luis Obispo.....	1, 000, 000. 00
15290	Northern California National Bank of San Mateo, San Mateo.....	2, 500, 000. 00
15271	Los Padres National Bank, Santa Maria.....	1, 000, 000. 00
15408	Lincoln National Bank, Santa Rosa.....	1, 750, 000. 00
15320	Pacific Industrial National Bank of South El Monte, South El Monte.....	1, 000, 000. 00
15357	San Joaquin Valley National Bank, Tulare.....	1, 000, 000. 00
15336	Saddleback National Bank, Tustin.....	750, 000. 00
15412	Westminster National Bank, Westminster.....	1, 500, 000. 00
15463	Heritage National Bank, Westwood.....	2, 400, 000. 00
15443	National Bank of Whittier, Whittier.....	1, 500, 000. 00
15331	Oakwood National Bank, Woodland Hills.....	1, 000, 000. 00
Total: 38 banks.....		62, 150, 000. 00
COLORADO		
15245	Boulder National Bank, Boulder.....	510, 650. 00
15378	The East Colorado Springs National Bank, Colorado Springs.....	505, 000. 00
15383	The Western National Bank of Colorado Springs, Colorado Springs.....	525, 000. 00
15321	National Bank of Delta, Delta.....	309, 000. 00
15326	South Colorado National Bank, Denver.....	360, 000. 00
15332	The First National Bank of Bear Valley, Denver.....	522, 500. 00
15449	Metropolitan National Bank, Denver.....	900, 000. 00
15317	Mesa National Bank of Grand Junction, Grand Junction.....	540, 000. 00
15275	South Platte National Bank, La Salle.....	367, 500. 00
15433	First National Bank of Southglenn, Arapahoe County (P.O. Littleton).....	312, 500. 00
15436	Westlake First National Bank, Loveland.....	240, 000. 00
Total: 11 banks.....		5, 092, 150. 00
CONNECTICUT		
15439	The North Haven National Bank, North Haven.....	540, 000. 00
15294	Norwalk National Bank, Norwalk.....	500, 000. 00
15354	Orange National Bank, Orange.....	696, 000. 00
15363	Westport National Bank, Westport.....	450, 000. 00
Total: 4 banks.....		2, 186, 000. 00
DISTRICT OF COLUMBIA		
15382	United Community National Bank.....	1, 200, 000. 00

See footnote at end of table.

TABLE B-5.—*National banks chartered during calendar 1964: by charter number, title and location, States, and total capital account—Continued*

<i>Charter No.</i>	<i>Title and location of bank, by States</i>	<i>Total capital account</i>
FLORIDA		
15413	Peoples National Bank of Bay Harbor Islands, Bay Harbor Islands	\$420,000.00
15421	First Bank & Trust Co. of Boca Raton, National Association, Boca Raton ¹	1,189,645.77
15438	Boynton Beach First National Bank, Boynton Beach	500,000.00
15288	First National Bank of Cape Canaveral, Cape Canaveral	620,000.00
15425	Second City National Bank at Clearwater, Clearwater	500,000.00
15426	Third City National Bank at Clearwater, Clearwater	400,000.00
15270	The American National Bank in Cypress Gardens, Cypress Gardens	300,000.00
15337	Westchester National Bank of Dade County, Dade County—Coral Way at Galloway Road	600,000.00
15348	First National Bank of DeBary, DeBary	450,000.00
15448	Manufacturers National Bank of Hialeah, Hialeah	600,000.00
15237	The First National Bank of Maitland, Maitland	600,000.00
15318	Westside National Bank of Manatee County, Manatee County (P.O. Bradenton)	400,000.00
15311	National Bank of Melbourne & Trust Co., Melbourne ¹	1,801,419.41
15262	Five Point National Bank of Miami, Miami	1,000,000.00
15268	Fidelity National Bank of South Miami, South Miami	500,000.00
15278	Jefferson National Bank of Miami Beach, Miami Beach	1,000,000.00
15296	Capital National Bank of Miami, Miami ¹	2,964,401.01
15307	Lincoln National Bank of Miami, Miami	600,000.00
15411	United National Bank, Miami	3,000,000.00
15432	Okaloosa National Bank at Niceville, Niceville	400,000.00
15282	Halifax National Bank of Port Orange, Port Orange	525,000.00
15277	Northeast National Bank of St. Petersburg, St. Petersburg	500,000.00
15281	Liberty National Bank of St. Petersburg, St. Petersburg	500,000.00
15396	Second National Bank of Tampa, Tampa	500,000.00
15263	First National Bank of the Upper Keys, Tavernier	425,000.00
15287	Brevard National Bank, Titusville	600,000.00
Total: 26 banks		20,895,466.19
GEORGIA		
15373	First National Bank of Perry, Perry	300,000.00
ILLINOIS		
15368	American National Bank of Champaign, Champaign	350,000.00
15260	Columbia National Bank of Chicago, Chicago	750,000.00
15459	Seaway National Bank of Chicago, Chicago	1,000,000.00
15391	The Pershing National Bank of Decatur, Decatur	400,000.00
15371	First National Bank of Jacksonville, Jacksonville	350,000.00
15458	Midwest National Bank of Moline, Moline	350,000.00
15389	Community National Bank in Monmouth, Monmouth	450,000.00
15272	First National Bank of Mount Prospect, Mount Prospect ¹	528,132.23
15346	The First National Bank of Western Springs, Western Springs ¹	723,458.76
Total: 9 banks		4,901,590.99
INDIANA		
15455	Bank of Indiana, National Association, Gary ¹	2,090,079.29
IOWA		
15251	Community National Bank of Clear Lake, Clear Lake	350,000.00
KANSAS		
15306	Hays National Bank, Hays	500,000.00
15291	National Bank of Wichita, Wichita	500,000.00
Total: 2 banks		1,000,000.00
LOUISIANA		
15338	First National Bank of St. Bernard Parish, Arabi	450,000.00
15344	First National Bank of Denham Springs, Denham Springs	500,000.00
15279	Riverlands National Bank in Laplace, Laplace	300,000.00
Total: 3 banks		1,250,000.00

See footnote at end of table.

TABLE B-5.—*National banks chartered during calendar 1964: by charter number, title and location, States, and total capital account*

<i>Charter No.</i>	<i>Title and location of bank, by States</i>	<i>Total capital account</i>
MARYLAND		
15314	Aberdeen National Bank, Aberdeen.....	\$500,000.00
15285	Belair National Bank, Bowie.....	800,000.00
15365	University National Bank, College Park.....	1,000,000.00
15249	Chesapeake National Bank, Towson, Maryland, Towson.....	1,250,000.00
Total: 4 banks.....		3,550,000.00
MASSACHUSETTS		
15399	Commonwealth National Bank, Boston.....	3,400,000.00
MICHIGAN		
15446	First National Bank of Fenton, Fenton.....	700,000.00
15392	Grand Valley National Bank, Grandville.....	400,000.00
15367	City Bank & Trust Co., National Association, Jackson ¹	7,026,981.00
15444	Livonia National Bank, Livonia ¹	1,056,702.05
15274	National Bank of Rochester, Rochester.....	500,000.00
15403	Valley National Bank of Saginaw, Saginaw ¹	582,601.87
15420	Central National Bank of St. Johns, St. Johns ¹	511,000.32
15286	First National Bank of Wyoming, Wyoming ¹	549,571.00
Total: 8 banks.....		11,326,856.24
MINNESOTA		
15304	Valley National Bank of LeSueur, LeSueur ¹	430,473.52
15295	National City Bank of Minneapolis, Minneapolis.....	3,000,000.00
15309	First National Bank of Navarre, Navarre.....	200,000.00
15401	Citizens National Bank of Willmar, Willmar.....	250,000.00
Total: 4 banks.....		3,880,473.52
MISSISSIPPI		
15284	First National Bank of Clarksdale, Clarksdale.....	650,000.00
15386	First National Bank of Iuka, Iuka.....	300,000.00
Total: 2 banks.....		950,000.00
MISSOURI		
15454	First National Bank of Annapolis, Annapolis.....	300,000.00
15242	Dexter National Bank, Dexter.....	350,000.00
15299	Security National Bank of Joplin, Joplin.....	600,000.00
15261	Metropolitan National Bank, Kansas City.....	500,000.00
15377	First National Bank of Poplar Bluff, Poplar Bluff.....	612,500.00
15452	Mercantile Trust Co. National Association, St. Louis ¹	74,366,787.07
15362	The First National Bank of Pulaski County, St. Robert.....	300,000.00
15302	The First National Bank of Sikeston, Sikeston ¹	845,931.00
15457	Security National Bank of Sikeston, Sikeston.....	600,000.00
Total: 9 banks.....		78,475,218.07
MONTANA		
15397	First National Bank of Eureka, Eureka.....	150,000.00
NEBRASKA		
15376	City National Bank of Lincoln, Lincoln.....	750,000.00
15379	Security National Bank of Omaha, Omaha.....	1,000,000.00
15435	West Omaha National Bank, Omaha.....	500,000.00
15248	Plainview National Bank, Plainview ¹	385,592.28
Total: 4 banks.....		2,635,592.28

See footnote at end of table.

TABLE B-5.—*National banks chartered during calendar 1964: by charter number, title and location, States, and total capital account—Continued*

<i>Charter No.</i>	<i>Title and location of bank, by States</i>	<i>Total capital account</i>
NEW JERSEY		
15419	Eatontown National Bank, Eatontown.....	\$1,000,000.00
15430	Raritan Valley National Bank, Edison Township.....	1,000,000.00
15255	First Bank & Trust Co., National Association, Fords ¹	3,817,901.01
15360	Madison National Bank, Madison.....	700,000.00
15297	New Jersey National Bank & Trust Co., Neptune ¹	4,653,567.04
15327	First National Bank of Scotch Plains, Scotch Plains.....	850,000.00
15375	Peoples National Bank of Sparta, Sparta.....	500,000.00
Total: 7 banks.....		12,521,468.05
NEW MEXICO		
15259	First National Bank in Clayton, Clayton.....	400,000.00
15312	First National Bank of Rio Arriba, Espanola ¹	830,943.47
15395	Valley National Bank, Espanola.....	500,000.00
15256	Farmington National Bank, Farmington.....	500,000.00
Total: 4 banks.....		2,230,943.47
NEW YORK		
15464	First National Bank of East Hampton, East Hampton.....	600,000.00
15273	Century National Bank & Trust Co., New York.....	3,000,000.00
15428	Chelsea National Bank, New York.....	3,000,000.00
15447	Freedom National Bank of New York, N.Y.....	1,500,000.00
15400	Metropolitan National Bank of Syracuse, Syracuse.....	3,000,000.00
Total: 5 banks.....		11,100,000.00
NORTH DAKOTA		
15356	First National Bank of Carrington, Carrington.....	250,000.00
15460	The National Bank of Harvey, Harvey.....	150,000.00
15266	First National Bank of Southwest Fargo, Southwest Fargo.....	200,000.00
Total: 3 banks.....		600,000.00
OHIO		
15416	First National Bank, Bowling Green ¹	693,844.21
15423	The Capital National Bank, Cleveland ¹	3,174,538.44
15340	Tower National Bank of Lima, Lima.....	1,000,000.00
15456	The Central Security National Bank of Lorain County, Lorain ¹	2,406,879.61
Total: 4 banks.....		7,275,262.26
OKLAHOMA		
15462	First National Bank, Henryetta.....	300,000.00
15345	Cache Road National Bank of Lawton, Lawton.....	350,000.00
15308	Oklahoma National Bank of Norman, Norman.....	510,000.00
15333	Founders National Bank of Oklahoma City, Oklahoma City.....	1,020,000.00k
15355	Friendly National Bank in Southwest Oklahoma City, Oklahoma City.....	400,000.00
15358	Southwestern National Bank of Oklahoma City, Oklahoma City.....	600,000.00
15429	First National Bank, Sallisaw, Sallisaw.....	300,000.00
15246	University National Bank of Stillwater, Stillwater.....	400,000.00
15350	Republic National Bank of Tulsa, Tulsa.....	1,020,000.00
15415	Guaranty National Bank, Tulsa.....	600,000.00
15407	First National Bank of Weatherford, Weatherford.....	400,000.00
Total: 11 banks.....		5,900,000.00
PENNSYLVANIA		
15393	Lincoln National Bank, Philadelphia.....	1,500,000.00
15422	Provident National Bank, Philadelphia ¹	70,182,068.01
Total: 2 banks.....		71,682,068.01
TENNESSEE		
15417	First National County Bank, Spring City.....	300,000.00

See footnote at end of table.

TABLE B-5.—*National banks chartered during calendar 1964: by charter number, title and location, States, and total capital account—Continued*

<i>Charter No.</i>	<i>Title and location of bank, by States</i>	<i>Total capital account</i>
TEXAS		
15253	Abilene National Bank, Abilene	\$505,000.00
15252	Tascosa National Bank of Amarillo, Amarillo	600,000.00
15372	Great Plains National Bank, Amarillo	600,000.00
15269	Citizens National Bank of Beaumont, Beaumont	1,000,000.00
15431	Gulfway National Bank of Corpus Christi, Corpus Christi	500,000.00
15258	Commonwealth National Bank of Dallas, Dallas	759,375.00
15280	Citizens National Bank of Dallas, Dallas	1,020,000.00
15292	Inwood National Bank of Dallas, Dallas	615,000.00
15322	National Bank of Oak Cliff in Dallas, Dallas	520,000.00
15328	Liberty National Bank of Dallas, Dallas	520,000.00
15404	Westmoreland National Bank of Dallas, Dallas	520,000.00
15410	Colonial National Bank of Garland, Garland	622,500.00
15238	Westmont National Bank, Houston	500,000.00
15301	Union National Bank in Houston, Houston	1,000,000.00
15244	First National Bank of Ingleside, Ingleside	250,000.00
15298	Lone Star National Bank, Lone Star	250,000.00
15283	First National Bank of Richardson, Richardson	561,000.00
15319	Lackland National Bank of San Antonio, San Antonio	600,000.00
15384	Neches National Bank of Silsbee, Silsbee	400,000.00
15250	Peoples National Bank of Sulphur Springs, Sulphur Springs	500,000.00
15236	Randolph Field National Bank, Universal City	400,000.00
15440	Uvalde National Bank, Uvalde	410,000.00
15289	White Settlement National Bank, White Settlement	525,000.00
15370	Southwest National Bank of Wichita Falls, Wichita Falls	500,000.00
Total: 24 banks		13,677,875.00
UTAH		
15352	Draper National Bank, Draper	352,000.00
15243	American National Bank of Salt Lake City, Salt Lake City	600,000.00
Total: 2 banks		952,000.00
VIRGINIA		
15390	Monticello National Bank, Albemarle County (P.O. Charlottesville)	750,000.00
15254	Fidelity National Bank, Arlington	1,200,000.00
15353	Woodlawn National Bank, Fairfax County (P.O. Alexandria)	900,000.00
15334	American National Bank, Fredericksburg	600,000.00
15247	Grundy National Bank, Grundy	500,000.00
15315	Fairfield National Bank of Highland Springs, Highland Springs	300,000.00
15461	First National Bank of Norfolk, Norfolk	1,500,000.00
15293	Guardian National Bank of Fairfax County, Springfield	750,000.00
Total: 8 banks		6,500,000.00
WASHINGTON		
15351	American National Bank of Edmonds, Edmonds	300,000.00
15324	Timbermens National Bank of Hoquiam, Hoquiam	300,000.00
15445	Othello First National Bank, Othello	410,000.00
15264	First Union National Bank, Puyallup	400,000.00
15418	National Bank of Mason County, Shelton	410,000.00
Total: 5 banks		1,820,000.00
WEST VIRGINIA		
15385	The First National Bank of Belle, Belle	200,000.00
15414	First National Bank of Weirton, Weirton	500,000.00
15406	First National Bank of West Hamlin, West Hamlin	200,000.00
Total: 3 banks		900,000.00

See footnote at end of table.

TABLE B-5.—*National banks chartered during calendar 1964: by charter number, title and location, States, and total capital account—Continued*

<i>Charter No.</i>	<i>Title and location of bank, by States</i>	<i>Total capital account</i>
WISCONSIN		
15381	Brookfield National Bank, Brookfield.....	\$600,000.00
15380	Racine County National Bank, Franksville ¹	658,139.30
15325	First National Bank of Glendale, Glendale.....	600,000.00
15335	New London National Bank, New London.....	375,000.00
15424	First American National Bank of Wausau ¹	2,871,053.65
Total: 5 banks.....		5,104,192.95
WYOMING		
15300	Western National Bank of Casper, Casper.....	500,000.00
15359	Hilltop National Bank, Casper.....	350,000.00
15409	University National Bank of Laramie, Laramie.....	300,000.00
15405	Western National Bank of Lovell, Lovell.....	200,000.00
Total: 4 banks.....		1,350,000.00
BANKS FORMED BY FDIC UNDER SECTION 11 OF THE FEDERAL DEPOSIT INSURANCE ACT		
Deposit Insurance National Bank of Dell City, Dell City, Tex.		
Deposit Insurance National Bank of Newport News, Newport News, Va.		

¹ Conversion of State chartered bank.TABLE B-6.—*State chartered banks converted to national banks during calendar 1964, by title and location of bank, State, effective date, outstanding capital stock, surplus, undivided profits and reserves, and total assets*

<i>Charter No.</i>	<i>Title and location of bank</i>	<i>State</i>	<i>Effective date of charter 1964</i>	<i>Outstanding capital stock</i>	<i>Surplus, undivided profits, and reserves</i>	<i>Total assets</i>
Total: 27 banks.....				\$77,425,023.50	\$134,306,090	\$2,164,268,066
15248	Plainview National Bank, Plainview.....	Nebr.....	Jan. 21	100,000	284,025	3,079,905
15255	First Bank & Trust Co., National Association, Fords.....	N.J.....	Jan. 31	1,250,000	2,576,516	59,802,998
15272	First National Bank of Mount Prospect.....	Ill.....	Feb. 29	300,000	227,545	5,030,572
15286	First National Bank of Wyoming.....	Mich.....	Mar. 31	300,000	202,919	8,080,915
15296	Capital National Bank of Miami.....	Fla.....	Apr. 3	1,819,125	756,606	30,963,000
15297	New Jersey National Bank & Trust Co., Neptune.....	N.J.....	Apr. 7	1,580,020	3,074,120	66,222,816
15302	The First National Bank of Sikeston.....	Mo.....	Apr. 10	200,000	710,227	8,694,700
15304	Valley National Bank of Le Sueur.....	Minn.....	Apr. 14	100,000	297,094	4,972,254
15311	National Bank of Melbourne & Trust Co., Melbourne.....	Fla.....	Apr. 24	600,000	860,569	21,730,011
15312	First National Bank of Rio Arriba, Espanola.....	N.M.....	Apr. 30	300,000	560,387	10,998,248
15313	First National Bank in Osceola.....	Ark.....	May 1	200,000	590,906	9,488,812
15339	Auburn National Bank of Auburn.....	Ala.....	June 20	200,000	605,560	10,236,979
15346	The First National Bank of Western Springs.....	Ill.....	June 30	300,000	380,071	12,701,674
15367	City Bank & Trust Company, National Association, Jackson.....	Mich.....	Aug. 5	2,100,000	4,915,275	96,140,173
15380	Racine County National Bank, Franksville.....	Wis.....	Aug. 31	200,000	459,972	9,105,246
15402	Baldwin National Bank of Robertsedale.....	Ala.....	Oct. 10	100,000	300,060	3,359,615
15403	Valley National Bank of Saginaw.....	Mich.....	Oct. 14	250,000	318,495	10,052,312
15416	First National Bank, Bowling Green.....	Ohio.....	Oct. 31	275,000	413,973	8,690,195
15420	Central National Bank of St. Johns.....	Mich.....	Nov. 12	150,000	388,329	4,740,605
15421	First Bank & Trust Co. of Boca Raton, National Association.....	Fla.....	Nov. 9	510,000	747,021	19,360,843
15422	Provident National Bank, Philadelphia.....	Pa.....	Nov. 12	14,754,216	56,218,580	669,934,765
15423	The Capital National Bank, Cleveland.....	Ohio.....	Nov. 16	1,000,000	2,214,586	54,806,231
15424	First American National Bank of Wausau.....	Wis.....	Nov. 10	700,000	2,628,821	54,606,222
15444	Livonia National Bank, Livonia.....	Mich.....	Dec. 15	500,000	564,424	18,872,285
15452	Mercantile Trust Co. National Association, St. Louis.....	Mo.....	Dec. 24	47,736,662.50 ¹	51,494,610	881,297,805
15455	Bank of Indiana, National Association, Gary.....	Ind.....	Dec. 24	900,000	1,140,068	42,659,602
15456	The Central Security National Bank of Lorain County, Lorain.....	Ohio.....	Dec. 28	1,000,000	1,375,331	38,639,283

¹ Includes \$25 million capital notes and debentures.

TABLE B-7.—*National banks reported in voluntary liquidation during calendar 1964 with the names of succeeding banks, the dates of liquidation, and total capital accounts*

<i>Title and location of bank</i>	<i>Date of liquidation</i>	<i>Total capital accounts</i>
Total: 11 banks.....		\$7,999,332
Southern Hills National Bank, Tulsa, Okla. (15138), absorbed by Mercantile National Bank, Tulsa, Okla.	Nov. 29, 1963	74,561
The Second National Bank of Monmouth, Ill. (2205)	Jan. 14, 1964	520,970
The Bensonhurst National Bank of Brooklyn in New York, N.Y. (13080), absorbed by Chemical Bank New York Trust Co., New York.....	Feb. 25, 1964	3,308,364
The First National Bank of Sharpsville, Pa. (6829), absorbed by McDowell National Bank of Sharon, Pa.	Apr. 18, 1964	1,250,000
The Winchester National Bank, Winchester, N.H. (887), absorbed by the Cheshire National Bank of Keene, N.H.	Apr. 24, 1964	310,309
Tri-Cities National Bank, Pasco, Wash. (14919), absorbed by Old National Bank of Washington, Spokane, Wash.	June 30, 1964	552,380
The First National Bank of Hagerman, N. Mex. (7503), absorbed by the First National Bank of Roswell, N. Mex.	July 10, 1964	360,632
The First National Bank of Barnesboro, Pa. (5818), absorbed by the First National Bank of Ebensburg, Pa.	Dec. 12, 1964	800,000
The Farmers' National Bank of Liberty, Pa. (11127), absorbed by the First National Bank of Wellsboro, Wellsboro, Pa.	Dec. 14, 1964	269,933
The Pattison National Bank of Elkland, Pa. (5043), absorbed by the First National Bank of Wellsboro, Wellsboro, Pa.	Dec. 16, 1964	364,072
The First National Bank of Knoxville, Pa. (9978), absorbed by the First National Bank of Wellsboro, Wellsboro, Pa.	Dec. 16, 1964	188,111

¹ Simultaneously with the absorption, the First National Bank of Wellsboro changed its name to Northern National Bank & Trust Co.

TABLE B-8.—*National banks merged or consolidated with and into State banks during calendar 1964, with effective dates, and total capital accounts*

<i>Title and location of bank</i>	<i>Effective date, 1964</i>	<i>Total capital accounts</i>
Total: 15 banks.....		\$16,691,240
The First National Bank of Brewsters, N.Y. (2225), merged with and into the County Trust Co., White Plains, N.Y.	Jan. 10	457,762
The Hallwood National Bank, Hallwood, Va. (7659), merged with and into the Bank of Virginia, Richmond, Va.	Jan. 31	451,310
The First National Bank of Mount Vernon, N.Y. ¹ (5271), merged with and into Chemical Bank New York Trust Co., New York, N.Y.	Feb. 24	3,742,613
The First National Bank & Trust Co. of Roebling, N.J. (11620), merged with and into Bordentown Banking Co., Bordentown, N.J.	Mar. 26	644,431
The First National Bank of Riegelsville, Pa. (9202), merged with and into Girard Trust Corn Exchange Bank, Philadelphia, Pa., and under the title "Girard Trust Bank"	Mar. 21	718,981
The Youngsville National Bank, Youngsville, Pa. (14345), merged with and into Pennsylvania Bank & Trust Co., Titusville, Pa.	Apr. 15	514,769
National Bank of Maryland, Silver Spring, Md. (14846), merged with and into Citizens Bank of Maryland, Riverdale, Md.	May 1	826,594
The First National Bank of Park Ridge, N.J. (12195), merged with and into County Trust Co., Tenafly, N.J.	May 29	860,922
The First National Bank of Westboro, Mass. (421), consolidated with Guaranty Bank & Trust Co., Worcester, Mass.	June 30	758,257
The Elk County National Bank of Ridgway, Pa. (5014), merged with and into the St. Marys Trust Co., St. Marys, Pa., and under the title "Elk County Bank & Trust Co."	July 17	834,682
The First National Bank of Milltown, N.J. (10935), merged with and into the Edison Bank, Edison, N.J.	Aug. 14	1,006,189
Second National Bank of Philadelphia, Pa. (213), merged with and into Provident Tradersmens Bank & Trust Co., Philadelphia, Pa.	Aug. 16	3,662,611
Belfast National Bank, Belfast, N.Y. (9644), merged with and into the First Trust Co. of Allegany County, Wellsville, N.Y.	Oct. 14	269,620
The Citizens National Bank of Hampton, Va. (13775), merged with and into Citizens Marine Jefferson Bank, Newport News, Va., and under title "Citizens and Marine Bank"	Oct. 30	1,469,913
The First National Bank of Cairo, N.Y. (12586), merged with and into State Bank of Albany, N.Y.	Nov. 10	472,586

¹ With 1 local and 2 outside branches.

² With 4 local branches.

TABLE B-9.—*National banks converted into State banks, calendar 1964, with effective date, and total capital accounts*

<i>Title and location of bank</i>	<i>Effective date, 1964</i>	<i>Total capital accounts</i>
Total: 6 banks.....		\$2, 945, 652
Midway National Bank of Cedar Falls, Iowa (14946), converted into Midway Bank & Trust.....	Feb. 1	186, 937
The First National Bank of Monticello, Ga. (9346), converted into Bank of Monticello.....	Feb. 8	195, 372
The Harrisburg National Bank of Houston, Tex. (12840), converted into Harrisburg Bank.....	June 12	1, 440, 702
Deer Park National Bank, Deer Park, Tex. (14819), converted into Deer Park Bank.....	Oct. 15	520, 480
Clear Creek National Bank, Seabrook, Tex. (14983), converted into Clear Creek Bank.....	Oct. 15	334, 886
First National Bank of Kerens, Tex. (13656), converted into the First State Bank of Kerens.....	Nov. 30	267, 275

TABLE B-10.—*Purchases of State banks by national banks, calendar 1964, with title and location, effective dates of purchase, and total capital accounts of State banks*

<i>Title and location of bank</i>	<i>Effective date, 1964</i>	<i>Total capital accounts</i>
Total: 8 banks.....		\$3, 035, 904
The First National Bank of Wilkes-Barre, Pa. (30), purchased the White Haven Savings Bank, White Haven, Pa.....	Jan. 3	354, 844
The Michigan National Bank, Lansing, Mich. (14032), purchased the Grand Ledge State Bank.....		592, 000
and the Loan & Deposit State Bank, Grand Ledge, Mich.....	Mar. 14	405, 000
The First National Bank & Trust Co. of Kalamazoo, Mich. (191), purchased the Delton State Bank, Delton, Mich.....	Apr. 18	226, 088
Lafayette National Bank, Lafayette, Ind. (14175), purchased the Bank of Dayton, Ind.....	May 9	152, 273
Michigan National Bank, Lansing, Mich. (14032), purchased the Citizens Industrial Bank, Grand Rapids, Mich.....	June 15	503, 921
The National Bank of Commerce of Seattle, Wash. (4375), purchased the Bank of Endicott, Wash.....	June 19	226, 778
First Security Bank of Idaho, National Association, Boise, Idaho (14444), purchased the Farmers Bank, Kendrick, Idaho.....	Aug. 21	575, 000

TABLE B-11.—*Consolidations of national banks, or national and State banks, calendar 1964, with title and location, outstanding capital stock, surplus, undivided profits and reserves, and total assets*

<i>Title and location of bank</i>	<i>Outstanding capital stock</i>	<i>Surplus</i>	<i>Undivided profits and reserves</i>	<i>Total assets</i>
Total: 8 consolidations (after consummation)	\$54, 870, 350	\$94, 020, 680	\$25, 089, 055	\$2, 463, 804, 291
Texas National Bank of Houston, Houston, Tex. (10152), with.....	9, 000, 000	16, 000, 000	6, 302, 464	322, 646, 899
and the National Bank of Commerce of Houston, Houston, Tex. (10225), which had.....	15, 000, 000	19, 267, 280	3, 921, 031	503, 743, 098
consolidated Jan. 17, 1964, under charter of the latter bank (10225) and under title "Texas National Bank of Commerce of Houston." The consolidated bank at the date of consolidation had.....	24, 000, 000	35, 267, 280	10, 223, 496	826, 389, 997
Beaver County Trust Co., New Brighton, Pa., with.....	300, 000	500, 000	377, 168	8, 205, 160
and the Western Pennsylvania National Bank, McKeesport, Pa. (2222), which had.....	7, 753, 690	15, 246, 310	3, 266, 660	542, 121, 391
consolidated Feb. 7, 1964, under charter and title of the latter bank (2222). The consolidated bank at the date of consolidation had.....	8, 153, 690	15, 746, 310	3, 543, 835	548, 912, 688
Security Trust Co., Lynn, Mass., ¹ with.....	550, 000	1, 221, 000	856, 559	29, 783, 695
and the Danvers National Bank, Danvers, Mass. (7452), which had.....	350, 000	450, 000	276, 139	9, 477, 099
consolidated Feb. 21, 1964, under charter of the latter bank (7452), and under title of "Security-Danvers National Bank." The consolidated bank at the date of consolidation had.....	900, 000	1, 600, 000	1, 203, 698	39, 260, 794
Commonwealth Bank & Trust Co., Pittsburgh, ² Pa., with.....	3, 187, 500	8, 812, 500	2, 039, 410	164, 640, 486
and the Union National Bank of Pittsburgh, Pittsburgh, Pa. (705), which had.....	4, 316, 500	13, 183, 500	2, 561, 550	222, 879, 859
consolidated Feb. 28, 1964, under charter and title of the latter bank (705). The consolidated bank at the date of consolidation had.....	10, 000, 000	20, 000, 000	4, 100, 966	387, 520, 345
The First National Bank of Narrowsburg, Narrowsburg, N.Y. (12496), with.....	50, 000	200, 000	119, 180	4, 322, 809
and the First National Bank in Callicoon, Callicoon, N.Y. (13590), which had.....	100, 000	350, 000	80, 409	6, 122, 103
consolidated June 30, 1964, under charter of the latter bank (13590), and under title of "United National Bank." The consolidated bank at the date of consolidation had.....	350, 000	350, 000	199, 590	10, 444, 912
Citizens National Bank of Beaver Falls, Beaver ³ Falls, Pa. (14764), with.....	200, 000	200, 000	81, 462	6, 107, 963
and Western Pennsylvania National Bank, McKeesport, Pa. (2222), which had.....	8, 642, 910	16, 407, 090	4, 103, 069	530, 002, 302
consolidated Oct. 3, 1964, under charter and title of the latter bank (2222). The consolidated bank at the date of consolidation had.....	8, 892, 910	16, 607, 090	4, 134, 532	536, 110, 264
Calhoun State Bank, Homer, Mich., with.....	100, 000	250, 000	68, 214	3, 944, 140
and City Bank & Trust Co., National Association, Jackson, Mich. (15367), which had.....	2, 100, 000	3, 900, 000	1, 128, 325	100, 000, 237
consolidated Nov. 5, 1964, under charter and title of the latter bank (15367). The consolidated bank at the date of consolidation had.....	2, 245, 000	3, 900, 000	1, 401, 539	103, 944, 377
The First National Bank of Wise, Wise, Va. (10611), with.....	100, 000	100, 000	172, 893	3, 618, 827
and the First National Bank of Norton, Norton, Va. (6235), which had.....	160, 000	450, 000	177, 256	7, 606, 828
consolidated July 31, 1964, under the charter of the latter bank (6235) and under title "The Wise County National Bank." The consolidated bank at the date of consolidation had.....	328, 750	550, 000	281, 399	11, 220, 914

¹ With 2 local branches.

² With 4 local and 7 outside branches.

³ With 1.

TABLE B-12.—*Mergers of national banks, or national and State banks, calendar 1964, with title and location, outstanding capital stock, surplus, undivided profits and reserves, and total assets*

<i>Title and location of bank</i>	<i>Outstanding capital stock</i>	<i>Surplus</i>	<i>Undivided profits and reserves</i>	<i>Total assets</i>
Total: 69 mergers (after consummation).....	\$269, 917, 449	\$500, 733, 472	\$157, 678, 147	\$12, 367, 076, 645
The Citizens Bank, Westerville, Ohio, ¹ with.....	250, 000	300, 000	363, 955	9, 134, 215
and the City National Bank & Trust Co. of Columbus, Columbus, Ohio (7621), which had.....	6, 300, 000	6, 700, 000	3, 100, 000	217, 261, 957
merged Jan. 2, 1964, under the charter and title of the latter bank (7621). The merged bank at the date of merger had.....	6, 650, 000	7, 350, 000	3, 001, 272	224, 995, 630
Traders Bank & Trust Co., Hazleton, Pa., with.....	350, 000	450, 000	279, 156	14, 827, 693
and Northeastern Pennsylvania National Bank & Trust Co., Scranton, Pa. (77), which had.....	5, 562, 000	5, 638, 000	3, 664, 837	178, 100, 427
merged Jan. 3, 1964, under charter of the latter bank (77) and under title of "Northeastern Pennsylvania National Bank & Trust Co." The merged bank at the date of merger had.....	6, 066, 000	6, 000, 000	3, 877, 994	192, 928, 121
The Bank of Worcester, Worcester, N.Y., with.....	60, 000	120, 000	160, 821	2, 928, 713
and National Commercial Bank & Trust Co., Albany, N.Y. (1301), which had.....	7, 283, 205	17, 928, 925	4, 091, 725	460, 275, 112
merged Jan. 31, 1964, under the charter and title of the latter bank (1301). The merged bank at the date of merger had.....	7, 346, 205	17, 928, 925	4, 369, 546	463, 049, 981
The First National Bank of Lacona, Lacona, N.Y. (10175), with.....	50, 000	150, 000	98, 425	3, 095, 592
and the Merchants National Bank & Trust Co. of Syracuse, Syracuse, N.Y., (1342), which had.....	2, 553, 100	5, 000, 000	2, 446, 961	129, 903, 495
merged Jan. 31, 1964, under the charter and title of the latter bank (1342). The merged bank at the date of merger had.....	2, 643, 100	5, 110, 000	2, 538, 924	133, 304, 140
The Farmers & Merchants National Bank of Williamsburg Williamsburg, Pa. (9392), with.....	50, 000	125, 000	42, 956	2, 003, 046
and the First National Bank of Claysburg, Claysburg, Pa. (10232), which had.....	200, 000	400, 000	178, 972	9, 229, 370
merged Jan. 31, 1964, under charter of the latter bank (10232), and under title of "The Central Pennsylvania National Bank of Claysburg." The merged bank at the date of merger had.....	250, 000	525, 000	221, 929	11, 232, 417
Farmers Bank of Holland, Inc., Holland, Va., with.....	35, 000	185, 000	119, 488	2, 876, 156
and Seaboard Citizens National Bank, Norfolk, Va. (10194) which had.....	2, 375, 000	7, 625, 000	352, 918	103, 615, 510
merged Feb. 12, 1964, under the charter and title of the latter bank (10194). The merged bank at the date of merger had.....	2, 434, 500	7, 785, 500	473, 407	106, 102, 722
The First National Bank of New Bloomfield, New Bloomfield, Pa. (5133), with.....	50, 000	250, 000	185, 261	4, 847, 238
and the Harrisburg National Bank & Trust Co., Harrisburg, Pa. (580), which had.....	2, 830, 000	7, 170, 000	1, 510, 771	117, 908, 599
merged Feb. 14, 1964, under the charter and title of the latter bank (580). The merged bank at the date of merger had.....	2, 905, 000	7, 420, 000	2, 654, 528	122, 755, 833
First National Bank of Minoa, Minoa, N.Y. (13476), with.....	150, 000	300, 000	123, 567	6, 273, 433
and Lincoln National Bank & Trust Co. of Central New York, Syracuse, N.Y. (13393), which had.....	2, 843, 590	6, 000, 000	2, 566, 817	156, 033, 619
merged Feb. 28, 1964, under charter and title of the latter bank (13393). The merged bank at the date of merger had.....	3, 053, 590	6, 240, 000	2, 690, 385	162, 211, 424
The First National Bank of Pullman, Pullman, ² Wash. (4699), with.....	250, 000	750, 000	312, 582	15, 342, 275
and Old National Bank of Washington, Spokane, Spokane, Wash. (4668), which had.....	4, 125, 000	5, 875, 000	4, 857, 013	176, 873, 976
merged Feb. 28, 1964, under the charter and title of the latter bank (4668). The merged bank at the date of merger had.....	4, 662, 500	7, 337, 500	4, 169, 596	191, 719, 372
The Peoples Bank of Erie County, Hamburg, ³ N.Y., with.....	497, 000	564, 200	675, 687	22, 313, 663
and Liberty National Bank & Trust Co., Buffalo, N.Y. (15080), which had.....	4, 899, 040	10, 426, 250	3, 367, 293	297, 076, 017
merged Mar. 5, 1964, under the charter and title of the latter bank (15080). The merged bank at the date of merger had.....	5, 425, 860	10, 960, 630	4, 177, 517	319, 308, 335

See footnotes at end of table.

TABLE B-12.—*Mergers of national banks, or national and State banks, calendar 1964, with title and location, outstanding capital stock, surplus, undivided profits and reserves, and total assets—Continued*

<i>Title and location of bank</i>	<i>Outstanding capital stock</i>	<i>Surplus</i>	<i>Undivided profits and reserves</i>	<i>Total assets</i>
The First National Bank of Bicknell, Bicknell, Ind. (7155), with.....	\$60,000	\$105,000	\$135,094	\$2,398,048
Bicknell Trust & Savings Co., Bicknell, Ind., with....	35,000	65,000	37,843	1,697,597
The Citizens State Bank, Bicknell, Ind., with.....	35,000	85,000	41,913	1,072,072
and the American National Bank of Vincennes, Vincennes, Ind. (3864), which had.....	750,000	750,000	822,778	21,799,040
merged Mar. 21, 1964, under charter and title of the latter bank (3864). The merged bank at the date of merger had.....	880,000	880,000	1,162,330	26,591,805
Darlington County Bank & Trust Co., Darlington S.C., with.....	215,000	310,000	137,137	6,372,795
and the First National Bank of South Carolina of Columbia, Columbia, S.C. (13720), which had.....	2,192,370	4,807,630	1,439,166	105,971,091
merged Mar. 31, 1964, under charter and title of the latter bank (13720). The merged bank at the date of merger had.....	2,321,370	5,178,630	1,550,205	111,768,296
The New Market National Bank, Newmarket, N.H. (1330), with.....	75,000	165,000	44,697	3,640,775
and the Rockingham National Bank of Exeter, Exeter, N.H. (12889), which had.....	200,000	425,000	171,763	9,570,223
merged Apr. 3, 1964, under charter and title of the latter bank (12889). The merged bank at the date of merger had.....	275,000	590,000	216,460	13,210,998
The First National Bank of Buena Vista, Buena Vista, Va. (9890), with.....	120,000	280,000	52,867	4,995,320
and Virginia National Bank, Norfolk, Va. (9885), which had.....	8,084,825	20,812,775	4,498,463	394,470,103
merged Apr. 3, 1964, under charter and title of the latter bank (9885). The merged bank at the date of merger had.....	8,198,825	21,098,775	4,551,330	399,206,974
Southern Bank of Commerce, Danville, Va., with.....	100,000	200,000	23,658	2,912,664
and Virginia National Bank, Norfolk, Va. (9885), which had.....	8,014,825	20,582,775	4,474,805	391,628,739
merged Apr. 3, 1964, under charter and title of the latter bank (9885). The merged bank at the date of merger had.....	8,084,825	20,812,775	4,498,463	394,470,103
The First National Bank of Lebanon, Lebanon, Va. (6886), with.....	120,000	440,000	266,532	8,513,321
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had.....	5,752,490	10,685,010	1,698,937	205,164,466
merged Apr. 24, 1964, under charter and title of the latter bank (2737). The merged bank at the date of merger had.....	5,980,490	11,125,010	1,771,133	213,427,071
The First National Bank of Richlands, Richlands, Va. (10850), with.....	250,000	1,000,000	300,315	14,372,920
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had.....	5,314,990	9,685,010	1,740,736	191,263,269
merged Apr. 24, 1964, under charter and title of the latter bank (2737). The merged bank at the date of merger had.....	5,752,490	10,685,010	1,698,937	205,164,466
State Bank of Linwood, Linwood, Mich., with.....	150,000	150,000	106,039	3,542,358
and Peoples National Bank & Trust Co. of Bay City, Bay City, Mich. (14641), which had.....	2,977,500	3,600,000	1,477,323	99,150,775
merged Apr. 25, 1964, under charter and title of the latter bank (14641). The merged bank at the date of merger had.....	3,086,250	3,600,000	1,774,612	102,693,133
The Union National Bank of Mahanoy City, ⁶ Mahanoy City, Pa. (3997), with.....	312,500	500,000	44,843	13,951,362
and the Pennsylvania National Bank & Trust Co. of Pottsville, Pottsville, Pa. (1663), which had.....	800,000	1,000,000	340,685	37,526,608
merged May 8, 1964, under charter and title of the latter bank (1663). The merged bank at the date of merger had.....	1,050,000	1,500,000	448,028	51,477,970
The First National Bank of Blue Ridge Summit, Blue Ridge Summit, Pa. (12281), with.....	75,000	225,000	91,918	4,432,923
and First National Bank & Trust Co. in Waynesboro, Waynesboro, Pa. (11866), which had.....	900,000	1,700,000	598,231	19,757,539
merged May 9, 1964, under the charter and title of the latter bank (11866). The merged bank at the date of merger had.....	1,050,000	1,925,000	588,900	24,190,461

See footnotes at end of table.

TABLE B-12.—*Mergers of national banks, or national and State banks, calendar 1964, with title and location, outstanding capital stock, surplus, undivided profits and reserves, and total assets—Continued*

<i>Title and location of bank</i>	<i>Outstanding capital stock</i>	<i>Surplus</i>	<i>Undivided profits and reserves</i>	<i>Total assets</i>
Cherry Hill National Bank, Cherry Hill, N.J. ⁶ (14936), with and First Camden National Bank & Trust Co., Camden, N.J. (1209), which had.....	\$300,000 3,190,700	\$300,000 6,059,300	\$228,817 1,492,348	\$7,424,859 169,477,653
merged May 15, 1964, under charter and title of the latter bank (1209). The merged bank at the date of merger had.....	3,415,700	6,584,300	1,571,165	176,902,512
Woodbridge National Bank, Woodbridge, N.J. ⁶ (14378), with.....	500,000	1,000,000	392,603	24,786,119
and First Bank & Trust Co., National Association, Fords, N.J. ⁷ (15255), which had.....	1,250,000	2,250,000	1,631,413	65,568,994
merged May 15, 1964, under the charter and title of the latter bank (15255). The merged bank at the date of merger had.....	1,375,000 75,000	2,250,000 275,000	80,662 117,412	85,733,774 3,858,503
The Bank of Rowland, Rowland, N.C., with.....	1,000,000	1,622,000	378,634	32,695,056
and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had.....	1,142,500 150,000	1,829,500 300,000	496,046 128,138	35,908,303 5,611,686
merged May 23, 1964, under charter and title of the latter bank (10610). The merged bank at the date of merger had.....	3,136,650	9,385,350	1,129,832	170,155,052
Citizens Bank of Darlington, Darlington, S.C. ¹⁰ with.....	3,246,650 125,000	9,685,350 0	1,225,282 78,828	175,735,790 2,432,227
and the Citizens & Southern National Bank of South Carolina, Charleston, S.C. (14425), which had.....	3,114,650	9,385,350	1,123,115	167,853,862
merged May 23, 1964, under the charter and title of the latter bank (14425). The merged bank at the date of merger had.....	3,136,650 50,000	9,385,350 50,000	1,129,832 63,102	170,155,052 719,560
Salmon Falls Bank, Rollinsford, N.H. with.....	100,000	100,000	115,241	1,331,195
and the First National Bank of Somersworth, Somersworth, N.H. (1180), which had.....	150,000	150,000	178,343	2,050,756
merged May 29, 1964, under the charter of the latter bank (1180) and under the title "First Somersworth-Rollinsford National Bank." The merged bank at the date of merger had.....	1,050,000	1,050,000	1,333,074	64,555,815
The American National Bank of San Bernardino, ¹¹ San Bernardino, Calif. (10031), with.....	16,370,800	34,209,200	7,594,157	1,009,630,696
and the Bank of California, National Association, San Francisco, Calif. (9655), which had.....	17,890,800 50,000	37,109,200 250,000	6,080,061 195,159	1,074,572,714 4,559,586
merged June 26, 1964, under charter and title of the latter bank (9655). The merged bank at the date of merger had.....	3,094,230	7,100,000	2,918,683	155,725,087
The Macungie Bank, Macungie, Pa., with.....	3,226,830	7,350,000	3,031,242	160,284,674
and the First National Bank of Allentown, Allentown, Pa. (373), which had.....	50,000	150,000	83,841	1,842,728
merged June 30, 1964, under charter and title of the latter bank (373). The merged bank at the date of merger had.....	250,000	450,000	158,352	13,724,384
The Peoples National Bank of West Alexander, West Alexander, Pa. (8954), with.....	330,000	570,000	242,193	15,567,112
and the First National Bank of Fredericktown, Fredericktown, Pa. (5920), which had.....	1,000,000	1,500,000	464,007	40,947,905
merged June 30, 1964, under the charter and title of the latter bank (5920). The merged bank at the date of merger had.....	5,000,000	5,000,000	1,327,361	207,018,960
National Bank of Commerce of Chicago, Chicago, Ill. (14349), with.....	6,250,000 400,000	6,250,000 400,000	1,791,369 467,153	247,966,865 15,420,907
and Central National Bank in Chicago, Chicago, Ill. (14362), which had.....	1,800,000	3,200,000	2,218,124	114,521,893
merged July 18, 1964, under the charter and title of the latter bank (14362). The merged bank at the date of merger had.....	2,160,000	3,200,000	3,124,293	129,919,270
Allegan State Bank, Allegan, Mich., with.....				
and the First National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich. (191), which had.....				
merged July 18, 1964, under the charter and title of the latter bank (191). The merged bank at the date of merger had.....				

See footnotes at end of table.

TABLE B-12.—*Mergers of national banks, or national and State banks, calendar 1964, with title and location, outstanding capital stock, surplus, undivided profits and reserves, and total assets—Continued*

<i>Title and location of bank</i>	<i>Outstanding capital stock</i>	<i>Surplus</i>	<i>Undivided profits and reserves</i>	<i>Total assets</i>
The Community Bank, Dayton, Ohio, with..... and the National Bank of Dayton, Dayton, Ohio (1788), which had.....	\$100,000 2,625,000	\$100,000 3,600,000	\$71,124 1,350,378	\$4,105,543 101,172,802
merged July 18, 1964, under the charter and title of the latter bank (1788). The merged bank at the date of merger had.....	2,750,000	3,700,000	1,396,502	104,628,363
Industrial City Bank & Trust Co., ¹³ Worcester, Mass., which had.....	237,600	260,000	188,723	8,211,694
and the Mechanics National Bank of Worcester, Wor- cester, Mass. (1135), with.....	1,200,000	2,300,000	1,031,175	50,491,697
merged July 31, 1964, under the charter and title of the latter bank (1135). The merged bank at the date of merger had.....	1,410,370	2,589,630	1,217,497	58,703,392
Fair Lawn-Radburn Trust Co., Fair Lawn, ¹⁵ N.J., which had.....	600,000	1,200,000	530,818	26,365,293
and National Community Bank of Rutherford, Ruther- ford, N.J. (5005), with.....	3,637,500	4,000,000	2,445,728	139,946,077
merged July 31, 1964, under the charter and title of the latter bank (5005). The merged bank at the date of merger had.....	4,987,500	5,200,000	2,226,548	166,311,369
The Peoples-Farmers National Bank, Mifflin, ¹² Pennsylvania, Mifflin, Pa. (9678), with.....	100,000	400,000	100,227	5,545,885
and the Russell National Bank of Lewistown, Lewistown, Pa. (10506), which had.....	500,000	1,000,000	308,338	19,149,806
merged July 31, 1964, under the charter of the latter bank (10506) and title "The Russell National Bank." The merged bank at the date of merger had.....	680,000	1,400,000	328,565	24,669,926
The First National Bank of Waynesboro, ¹⁴ Waynesboro, Va. (7587), which had.....	200,000	450,000	299,571	12,138,496
and First & Merchants National Bank, Richmond, Va. (1111), with.....	12,162,300	17,837,700	7,847,357	445,919,279
merged July 31, 1964, under the charter and title of the latter bank (1111). The merged bank at the date of merger had.....	12,482,300	18,267,700	7,920,726	457,698,818
The Peoples National Bank of Rock Hill, Rock ¹⁶ Hill, S.C. (9407), which had.....	300,000	1,000,000	463,808	18,541,535
and the Citizens & Southern National Bank of South Carolina, Charleston, S.C. (14425), with.....	3,246,650	9,685,350	1,351,960	175,232,427
merged Aug. 1, 1964, under the charter and title of the latter bank (14425). The merged bank at the date of merger had.....	3,621,650	10,878,350	1,547,769	193,690,936
The Ashland National Bank, Ashland, Pa. (5615), with..... and Pennsylvania National Bank & Trust Co., Potts- ville, Pa. (1663), which had.....	125,000 1,050,000	350,000 1,500,000	125,272 590,014	5,125,778 52,012,755
merged Aug. 7, 1964, under charter and title of the latter bank (1663). The merged bank at the date of merger had.....	¹⁷ 1,100,000	1,500,000	416,383	56,164,629
The First National Bank of Mount Holly Springs, Mount Holly Springs, Pa. (8493), with.....	120,000	240,000	36,010	4,946,697
and Cumberland County National Bank & Trust Co., New Cumberland, Pa. (14542), which had.....	900,600	1,600,000	399,938	39,528,778
merged Aug. 7, 1964, under charter and title of the latter bank (14542). The merged bank at the date of merger had.....	1,140,000	1,860,000	295,949	44,475,475
The First National Bank of West Middlesex, West Middle- sex, Pa. (6913), with.....	50,000	150,000	163,794	3,724,634
and First National Bank of Mercer County, Greenville, Pa. (249), which had.....	800,000	1,000,000	693,435	33,646,698
merged Aug. 8, 1964, under the charter and title of the latter bank (249). The merged bank at the date of merger had.....	920,000	1,150,000	787,230	37,371,333
State Bank of Nappanee, Nappanee, Ind., with..... and the First National Bank of Elkhart, Elkhart, Ind. (206), which had.....	220,000 1,827,000	280,000 2,273,000	149,058 1,185,684	9,207,063 75,449,430
merged Aug. 15, 1964, under the charter of the latter bank (206) and title of "The First National Bank of Elkhart County." The merged bank at the date of merger had.....	2,201,000	2,553,000	1,180,742	84,656,493

See footnotes at end of table.

TABLE B-12.—*Mergers of national banks, or national and State banks, calendar 1964, with title and location, outstanding capital stock, surplus, undivided profits and reserves, and total assets—Continued*

<i>Title and location of bank</i>	<i>Outstanding capital stock</i>	<i>Surplus</i>	<i>Undivided profits and reserves</i>	<i>Total assets</i>
The Nashville Bank & Trust Co., ¹⁸ Nashville, Tenn., with and Third National Bank in Nashville, Nashville, Tenn. (13103), which had	\$1, 633, 300 6, 000, 000	\$1, 700, 000 14, 000, 000	\$1, 366, 897 3, 258, 547	\$47, 981, 502 382, 138, 104
merged Aug. 18, 1964, under the charter and title of the latter bank (13103). The merged bank at the date of merger had	6, 735, 000	16, 598, 300	4, 625, 445	428, 218, 003
The Georgetown National Bank, Georgetown, Ky. (8579), with	150, 000	200, 000	99, 536	5, 646, 609
and First National Bank & Trust Co., Georgetown, Ky. (2927), which had	300, 000	300, 000	201, 919	7, 812, 134
merged Aug. 29, 1964, under charter of the latter bank (2927), and under title "First Georgetown National Bank & Trust Co." The merged bank at the date of merger had	500, 000 250, 000	500, 000 75, 000	251, 453 111, 015	13, 438, 460 5, 228, 838
Pocatello National Bank, Pocatello, Idaho ¹⁹ (14859), with and the Idaho First National Bank, Boise, Idaho (1668), which had	6, 000, 000	9, 000, 000	4, 673, 957	292, 692, 820
merged Sept. 4, 1964, under charter and title of the latter bank (1668). The merged bank at the date of merger had	6, 097, 000 100, 000	9, 228, 000 600, 000	4, 824, 524 144, 705	297, 862, 393 5, 814, 623
The Branford Trust Co., Branford, Conn., with and the First New Haven National Bank, New Haven, Conn., which had	4, 722, 500	7, 700, 000	3, 373, 475	197, 335, 681
merged Sept. 30, 1964, under charter and title of the latter bank ²⁰ . The merged bank at the date of merger had	5, 082, 500 59, 160	7, 340, 000 185, 000	3, 518, 178 35, 793	203, 150, 304 2, 442, 073
Peoples Bank of Stuarts Draft, Inc., Stuarts Draft, Va., with and National Bank & Trust Co. at Charlottesville, Charlottesville, Va. (10618), which had	970, 365	2, 500, 000	1, 296, 249	56, 357, 858
merged Sept. 30, 1964, under charter of the latter bank (10618), and title "National Bank & Trust Co." The merged bank at the date of merger had	1, 029, 525	2, 685, 000	1, 332, 043	58, 772, 892
The Citizens National Bank & Trust Co. of Oneonta, ²⁰ Oneonta, N.Y. (8920), with	372, 600	530, 000	127, 128	13, 273, 644
and National Commercial Bank & Trust Co., Albany, N.Y. (1301), which had	7, 346, 205	19, 653, 795	4, 421, 092	455, 320, 050
merged Oct. 2, 1964, under charter and title of the latter bank (1301). The merged bank at the date of merger had	7, 765, 380	19, 653, 795	5, 031, 645	468, 482, 429
The Citizens National Bank of Corry, Corry, Pa. (4479), with	300, 000	500, 000	232, 714	10, 963, 243
and the Marine National Bank of Erie, Erie, Pa. (870), which had	700, 000	1, 900, 000	267, 980	43, 002, 848
merged Oct. 2, 1964, under charter of the latter bank (870), and with the title "Marine National Bank." The merged bank at the date of merger had	1, 000, 000 500, 000	2, 400, 000 150, 000	500, 694 147, 464	53, 966, 092 6, 210, 207
Spokane National Bank, Spokane, Wash. ²¹ (14866), with and National Bank of Washington, Tacoma, Wash. (3417), which had	5, 600, 000	6, 900, 000	4, 529, 258	247, 159, 412
merged Oct. 2, 1964, under charter and title of the latter bank (3417). The merged bank at the date of merger had	5, 858, 262 380, 000	7, 291, 737 1, 253, 000	4, 676, 722 288, 391	253, 369, 620 26, 034, 886
Community National Bank, Liberty, N.Y. ²² (10037), with and Marine Midland National Bank of Southeastern New York, Poughkeepsie, N.Y. (465), which had	1, 600, 000	3, 400, 000	1, 653, 543	104, 687, 940
merged Oct. 9, 1964, under charter and title of the latter bank (465). The merged bank at the date of merger had	2, 075, 000	4, 725, 000	1, 754, 343	130, 740, 826
The Citizens National Bank of Poland, Poland, N.Y. (9804), with	50, 000	150, 000	93, 823	2, 865, 897
and the Oneida National Bank & Trust Co. of Central New York, Utica, N.Y. (1392), which had	2, 495, 700	8, 000, 000	3, 093, 973	167, 647, 231
merged Oct. 16, 1964, under charter and title of the latter bank (1392). The merged bank at the date of merger had	2, 535, 700	8, 500, 000	2, 847, 797	170, 513, 128

See footnotes at end of table.

TABLE B-12.—*Mergers of national banks, or national and State banks, calendar 1964, with title and location, outstanding stock, surplus, undivided profits and reserves, and total assets—Continued*

<i>Title and location of bank</i>	<i>Outstanding capital stock</i>	<i>Surplus</i>	<i>Undivided profits and reserves</i>	<i>Total assets</i>
Tennessee Bank & Trust Co., Houston, Tex., with	\$2, 300, 000	\$2, 300, 000	\$928, 334	\$52, 341, 796
and Houston National Bank, Houston, Tex. (9353), which had	2, 862, 000	2, 862, 000	638, 326	89, 292, 080
merged Oct. 16, 1964, under charter and title of the latter bank (9353). The merged bank at the date of merger had	5, 162, 000	5, 162, 000	1, 566, 661	140, 745, 393
Marshall County Bank, Moundsville, W. Va., with	100, 000	170, 000	60, 958	2, 512, 703
and First National Bank at Moundsville, Moundsville, W. Va. (14142), which had	150, 000	150, 000	159, 333	5, 946, 175
merged Oct. 17, 1964, under charter and title of the latter bank (14142). The merged bank at the date of merger had	150, 000	150, 000	159, 701	8, 556, 138
First Security Bank of Twin Falls, Twin Falls, Idaho, with	250, 000	135, 000	96, 973	3, 865, 088
and First Security Bank of Idaho, National Association, Boise, Idaho (14444), which had	6, 657, 000	9, 843, 000	4, 470, 586	264, 478, 563
merged Oct. 23, 1964, under charter and title of the latter bank (14444). The merged bank at the date of merger had	6, 804, 500	10, 195, 500	4, 452, 559	268, 343, 651
The Bank of Appomattox, Appomattox, Va. ²³ , with	75, 000	150, 000	122, 757	3, 948, 099
and the Fidelity National Bank, Lynchburg, Va. (1522), which had	1, 925, 000	3, 075, 000	436, 443	78, 109, 431
merged Oct. 24, 1964, under charter and title of the latter bank (1522). The merged bank at the date of merger had	2, 025, 000	3, 225, 000	534, 200	81, 778, 300
The Christiana National Bank, Christiana, Pa. (7078), with	60, 000	160, 000	66, 663	2, 636, 838
and Lancaster County Farmers National Bank, Lancaster, Pa. (683), which had	2, 470, 320	5, 529, 680	1, 658, 726	95, 940, 893
merged Oct. 27, 1964, under charter and title of the latter bank (683). The merged bank at the date of merger had	2, 536, 320	5, 963, 680	1, 445, 389	98, 577, 731
The Cargill Trust Co., Putnam, ²⁴ Conn., with	100, 000	400, 000	96, 959	8, 561, 750
and Hartford National Bank & Trust Co., Hartford, Conn. (1338), which had	13, 600, 000	31, 400, 000	11, 513, 080	587, 874, 261
merged Nov. 10, 1964, under charter and title of the latter bank (1338). The merged bank at the date of merger had	13, 740, 000	31, 400, 000	11, 970, 040	596, 436, 011
The Guilford Trust Co., Guilford, ²⁵ Conn., with	180, 000	320, 000	107, 851	6, 911, 120
and the Second National Bank of New Haven, New Haven, Conn. (227), which had	2, 959, 662	4, 598, 375	1, 399, 508	117, 886, 797
merged Nov. 16, 1964, under charter and title of the latter bank (227). The merged bank at the date of merger had	3, 372, 162	4, 685, 875	1, 384, 445	124, 816, 331
Citizens State Bank, Aliquippa, Pa., with	300, 000	300, 000	126, 927	4, 168, 838
and Western Pennsylvania National Bank, McKeesport, Pa. (2222), which had	8, 892, 910	16, 607, 090	3, 711, 920	548, 630, 678
merged Nov. 21, 1964, under the charter and title of the latter bank (2222). The merged bank at the date of merger had	9, 132, 910	16, 967, 090	3, 838, 847	552, 799, 516
The National Bank of Lake Ronkonkoma, Lake Ronkonkoma, N.Y. (13130), with	275, 000	475, 000	279, 395	15, 536, 617
and the Peoples National Bank of Long Island, Patchogue, N.Y. (12788), which had	474, 675	1, 500, 000	621, 371	35, 452, 546
merged Dec. 4, 1964, under the charter and title of the latter bank (12788). The merged bank at the date of merger had	680, 925	1, 975, 000	969, 517	50, 989, 163
Highstown Trust Co., East Windsor ²⁶ Township, N.J., with	250, 000	600, 000	282, 980	23, 547, 545
and First Trenton National Bank, Trenton, N.J. (1327), which had	4, 725, 000	7, 275, 000	4, 268, 765	225, 260, 467
merged Dec. 11, 1964, under the charter and title of the latter bank (1327). The merged bank at the date of merger had	5, 047, 500	7, 952, 500	4, 401, 746	248, 808, 012
First National Bank & Trust Co. of ²⁷ Hanover, Hanover, Pa. (187), with	1, 000, 000	2, 000, 000	775, 465	30, 166, 156
and National Bank & Trust Co. of Central Pennsylvania, York, Pa. (694), which had	5, 667, 020	6, 832, 980	3, 762, 046	165, 853, 937
merged Dec. 14, 1964, under charter and title of the latter bank (694). The merged bank at the date of merger had	7, 067, 020	8, 832, 980	4, 137, 511	196, 020, 093

See footnotes at end of table.

TABLE B-12.—*Mergers of national banks, or national and State banks, calendar 1964, with title and location, outstanding capital stock, surplus, undivided profits and reserves, and total assets—Continued*

<i>Title and location of bank</i>	<i>Outstanding capital stock</i>	<i>Surplus</i>	<i>Undivided profits and reserves</i>	<i>Total assets</i>
The Citizens National Bank of Covington, Covington, Va. (5326), with.....	\$125,000	\$1,000,000	\$106,145	\$15,231,684
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had.....	6,279,510	11,125,010	2,240,043	245,641,387
merged Dec. 15, 1964, under the charter and title of the latter bank (2737). The merged bank at the date of merger had.....	6,779,510	12,125,010	1,971,188	260,492,687
The Farmers National Bank of Bloomsburg, Bloomsburg, Pa. (4543), with.....	100,000	600,000	263,868	8,629,066
and Miners National Bank of Wilkes-Barre, Wilkes-Barre, Pa. (13852), which had.....	2,775,000	5,000,000	2,548,086	107,470,802
merged Dec. 16, 1964, under charter and title of the latter bank (13852). The merged bank at the date of merger had.....	3,025,000	6,000,000	2,134,515	116,099,867
The Garden State National Bank of Teaneck, Teaneck, N.J. (12402), with.....	500,000	1,100,000	547,737	37,758,612
and National Community Bank of Rutherford, Rutherford, N.J. (5005), which had.....	4,987,500	5,200,000	1,953,636	172,029,741
merged Dec. 18, 1964, under the charter and title of the latter bank (5005). The merged bank at the date of merger had.....	6,237,500	6,800,000	1,160,204	209,631,312
The First National Bank in Gadsden, Gadsden, Ala. (13728), with.....	500,000	500,000	768,232	18,672,359
and State National Bank of Alabama, Decatur, Ala. (14414), which had.....	2,000,000	4,000,600	2,192,856	117,934,892
merged Dec. 19, 1964, under charter and title of the latter bank (14414). The merged bank at the date of merger had.....	2,500,000	4,500,000	2,961,192	136,357,300
The Sciota Bank, Commercial Point, Ohio, with.....	25,000	25,000	16,141	593,387
and the First National Bank of Circleville, Circleville, Ohio (118), which had.....	209,150	400,000	191,521	9,526,219
merged Dec. 29, 1964, under the charter and title of the latter bank (118). The merged bank at the date of merger had.....	227,650	400,000	239,162	10,119,606
The Commercial National Bank of Spartanburg, ¹² Spartanburg, S.C. (14211), with.....	825,000	1,300,000	563,146	35,125,953
and the First National Bank of South Carolina of Columbia, Columbia, S.C. (13720), which had.....	2,553,505	5,446,495	1,399,673	131,858,382
merged Dec. 31, 1964, under charter of the First National Bank of South Carolina of Columbia (13720), and under title "The First Commercial National Bank of South Carolina." The merged bank at the date of merger had.....	3,234,130	6,765,870	1,605,730	165,050,102
The Windsor County National Bank of Windsor, ¹³ Windsor, Vt. (13685), with.....	100,000	100,000	434,055	5,659,651
and Vermont National & Savings Bank, Brattleboro, Brattleboro, Vt. (1430), which had.....	¹⁴ 1,554,000	1,096,000	386,042	44,284,550
merged Dec. 31, 1964, under charter of the latter bank (1430), and title "Vermont National Bank." The merged bank at the date of merger had.....	¹⁵ 1,784,000	1,196,000	678,801	49,964,477

¹² With 1 outside branch.

^{13,14,15} With 1 outside office.

¹⁶ With 2 outside offices.

¹⁷ Includes the sale of 12,500 additional shares of common stock, par \$10.

¹⁸ With 2 outside offices.

¹⁹ With 1 outside office.

²⁰ With 1 local office.

²¹ With 7 local offices.

²² With 1 local office.

²³ With 1 local and 1 outside office.

²⁴ With 1 local office.

²⁵ With 3 local branches.

¹⁶ With 2 local branches.

¹⁷ Includes the sale of 5,000 additional shares of common stock, par \$10.

^{18,19,20,21} With 1 local branch.

²² With 2 local branches.

²³ With 1 local branch.

²⁴ With 1 outside branch.

²⁵ With 1 local branch.

²⁶ With 2 outside branches.

²⁷ With 1 outside branch.

²⁸ With 8 outside branches.

²⁹ With 1 outside branch.

³⁰ Includes \$704,000 preferred capital stock.

TABLE B-13.—Number of domestic branches of national banks opened for business, calendar 1964, by States, banks, and type of branch

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
	Total.....	252	530	782
ALABAMA				
11753	The Commercial National Bank of Anniston.....	1		1
3041	The First National Bank of Anniston.....		1	1
3185	The First National Bank of Birmingham.....	1	1	2
6380	First National Bank of Decatur.....	1		1
14414	State National Bank of Alabama, Decatur.....	1		1
5249	The First National Bank of Dothan.....	1		1
4067	The First National Bank of Huntsville.....	1		1
15402	Baldwin National Bank of Robertsedale.....		1	1
ARIZONA				
3728	First National Bank of Arizona, Phoenix.....	1	2	3
14324	The Valley National Bank of Arizona, Phoenix.....	2	7	9
ARKANSAS				
7346	The First National Bank of Fayetteville.....	1		1
14606	First National Bank of Jonesboro.....	1		1
14000	The Commercial National Bank of Little Rock.....	1		1
13949	The First National Bank in Little Rock.....	2		2
13958	Union National Bank of Little Rock.....	2		2
15313	First National Bank in Osceola.....		2	2
10004	National Bank of Commerce of Paragould.....	1		1
12156	The Peoples National Bank of Stuttgart.....	1		1
7138	The State National Bank of Texarkana.....	1		1
CALIFORNIA				
14670	Community National Bank of Kern County, Bakersfield.....	1		1
13348	Beverly Hills National Bank, Beverly Hills.....	1		1
14695	City National Bank, Beverly Hills.....		1	1
15089	First National Bank of Daly City.....		1	1
15239	Gateway National Bank, El Segundo.....		1	1
14823	Valley National Bank, Glendale.....	1		1
14632	First National Bank of Long Beach.....	1		1
2491	Security First National Bank, Los Angeles.....	2	13	15
14997	Wilshire National Bank, Los Angeles.....		1	1
15323	Civic National Bank, Marina Del Rey.....		1	1
6919	Central Valley National Bank, Oakland.....		3	3
6268	First National Bank and Trust Company, Ontario.....		1	1
8181	The First National Bank of Orange County, Orange.....		1	1
14998	Security National Bank of Monterey County, Pacific Grove.....		2	2
15276	Palm Springs National Bank, Palm Springs.....		1	1
15174	Sierra National Bank, Petaluma.....		1	1
10391	United States National Bank, San Diego.....	1	3	4
13044	Bank of America National Trust and Savings Association, San Francisco.....		23	23
9655	The Bank of California, National Association, San Francisco.....		4	4
1741	Crocker-Citizens National Bank, San Francisco.....	3	25	28
*14939	Golden Gate National Bank, San Francisco.....	1		1
2158	The First National Bank of San Jose.....		1	1
15047	Redwood National Bank, San Rafael.....		1	1
14891	Santa Barbara National Bank, Santa Barbara.....	1		1
15217	Tahoe National Bank, Stateline.....		1	1
15149	Tiburon National Bank, Tiburon.....		1	1
13178	The First National Bank of Vista.....	1		2
15092	Security National Bank of Contra Costa, Walnut Creek.....		1	1
*14980	San Francisco National Bank, San Francisco.....	1	4	5
CONNECTICUT				
335	The Connecticut National Bank, Bridgeport.....	2	2	4
4	The State National Bank of Connecticut, Bridgeport.....	1		1

* 1 Branch also authorized for a Nonnational Bank in the District of Columbia.

TABLE B-13.—Number of domestic branches of national banks opened for business, calendar 1964, by States, banks, and type of branch—Continued

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
	CONNECTICUT—continued			
1338	Hartford National Bank & Trust Co., Hartford.....		4	4
2	The First New Haven National Bank, New Haven.....	1	1	2
227	The Second National Bank of New Haven.....		2	2
13704	The Trademans National Bank of New Haven.....		1	1
15040	Lincoln National Bank of Stamford.....	1		1
780	The Waterbury National Bank, Waterbury.....		1	1
	DISTRICT OF COLUMBIA *			
15013	District of Columbia National Bank, Washington.....	2		2
2038	The First National Bank of Washington.....	1		1
15127	Public National Bank, Washington.....	2		2
5046	The Riggs National Bank of Washington, D.C.....	2		2
	GEORGIA			
1639	The National Bank of Athens.....	1		1
1559	The First National Bank of Atlanta.....		1	1
13550	The National Bank of Fitzgerald.....	1		1
13068	The Citizens and Southern National Bank, Savannah.....		3	3
	HAWAII			
14911	Hawaii National Bank, Honolulu.....	1		1
	IDAHO			
14444	First Security Bank of Idaho, National Association, Boise.....		3	3
1668	The Idaho First National Bank, Boise.....		3	3
	INDIANA			
152	The First National Bank of Danville.....		1	1
206	The First National Bank of Elkhart County, Elkhart.....		1	1
2188	The Citizens National Bank of Evansville.....	1		1
13818	Fort Wayne National Bank, Fort Wayne.....	1		1
15455	Bank of Indiana, National Association, Gary.....	3	2	5
14468	Gary National Bank, Gary.....		1	1
14379	The Calumet National Bank of Hammond.....	1		1
14529	Mercantile National Bank of Hammond.....		1	1
13759	American Fletcher National Bank & Trust Co., Indianapolis.....	1		1
869	Merchants National Bank & Trust Co. of Indianapolis.....	2		2
14519	First National Bank, Kokomo.....	1		1
14175	Lafayette National Bank, Lafayette.....		2	2
14921	American National Bank & Trust Co. of Muncie.....		1	1
1988	The Second National Bank of Richmond.....	1		1
4800	The Farmers National Bank of Shelbyville.....		1	1
47	Terre Haute First National Bank, Terre Haute.....	1		1
3864	The American National Bank of Vincennes.....		1	1
13888	The First National Bank in Wabash.....	1		1
14382	First National Bank of Warsaw.....	1		1
2043	The Washington National Bank, Washington.....	1		1
	IOWA			
2841	The Centerville National Bank, Centerville.....	1		1
15133	First National Bank of Davenport.....	1		1
15085	East Des Moines National Bank, Des Moines.....	1		1
13785	The Montgomery County National Bank of Red Oak.....	1		1
	KENTUCKY			
718	The First National Bank & Trust Co. of Covington.....	1		1
2927	First Georgetown National Bank & Trust Co., Georgetown.....	1		1

* 1 branch also authorized for a Nonnational Bank in the District of Columbia.

TABLE B-13.—*Number of domestic branches of national banks opened for business, calendar 1964, by States, banks, and type of branch—Continued*

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
KENTUCKY—continued				
12295	The Harlan National Bank, Harlan.....		1	1
14840	Citizens Union National Bank & Trust Co., Lexington.....		1	1
2901	The Second National Bank & Trust Co. of Lexington.....		1	1
14320	Liberty National Bank & Trust Co. of Louisville.....	1	2	3
4765	The Newport National Bank, Newport.....	1		1
LOUISIANA				
9834	Louisiana National Bank of Baton Rouge.....	1	1	2
13732	First National Bank of Jefferson Parish, Gretna.....		1	1
14753	The National Bank of Commerce in Jefferson Parish.....		1	1
5049	The First National Bank of Lafayette.....	1		1
14849	The Lakeside National Bank of Lake Charles.....	1		1
14477	National American Bank of New Orleans.....	1		1
13345	LaFourche National Bank of Thibodaux.....		1	1
14685	First National Bank of West Monroe.....		1	1
MAINE				
2260	First-Manufacturers National Bank of Lewiston and Auburn, Lewiston.....		1	1
MARYLAND				
1244	The Farmers National Bank of Annapolis.....	1		1
1413	The First National Bank of Maryland, Baltimore.....		2	2
13745	Maryland National Bank, Baltimore.....		1	1
15102	National City Bank of Baltimore.....	1		1
14864	State National Bank of Bethesda.....		1	1
15051	The Central National Bank of Maryland, Hillandale.....		1	1
4364	The Citizens National Bank of Laurel.....	1	1	2
15098	Citizens National Bank of Southern Maryland, Lexington Park.....		1	1
7064	The First National Bank of North East.....		1	1
5623	The First National Bank of Oakland.....		1	1
13776	The Garrett National Bank in Oakland.....	1	1	2
14937	American National Bank of Maryland, Silver Spring.....	1	1	2
15154	Peoples National Bank of Maryland, Suitland.....		1	1
14985	Metropolitan National Bank, Wheaton.....		2	2
MASSACHUSETTS				
11868	The Arlington National Bank, Arlington.....		1	1
15052	Suburban National Bank of Arlington.....	1		1
200	The First National Bank of Boston.....	2		2
5155	The National Shawmut Bank of Boston.....	1		1
475	New England Merchants National Bank of Boston.....	1		1
779	Plymouth-Home National Bank, Brockton.....		1	1
14087	The Lincoln National Bank of Chelsea.....		1	1
11510	The Everett National Bank, Everett.....	1		1
614	Middlesex County National Bank, Everett.....		2	2
1129	Merrimack Valley National Bank, Haverhill.....	1		1
2618	The Hudson National Bank, Hudson.....		1	1
6077	Union National Bank, Lowell.....		1	1
7452	Security-Danvers National Bank, Lynn.....	2	1	3
14834	First National Bank of Natick.....	1		1
736	First National Bank of Cape Cod, Orleans.....		1	1
1082	First Agricultural National Bank of Berkshire County, Pittsfield.....	1		1
14798	South Shore National Bank, Quincy.....		2	2
15005	Hampshire National Bank of South Hadley.....	1		1
308	Third National Bank of Hampden County, Springfield.....	1		1
416	The First-Machinists National Bank of Taunton.....		1	1
7297	The Wellesley National Bank, Wellesley.....		1	1
1022	Blackstone Valley National Bank of Whitinsville.....		1	1
1135	The Mechanics National Bank of Worcester.....	2	1	3
14850	Worcester County National Bank, Worcester.....	1	1	2
516	The First National Bank of Yarmouth, Yarmouth Port.....		1	1

TABLE B-13.—Number of domestic branches of national banks opened for business, calendar 1964, by States, banks, and type of branch—Continued

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
MICHIGAN				
14641	Peoples National Bank & Trust Co. of Bay City.....		1	1
13833	Farmers & Merchants National Bank in Benton Harbor.....		1	1
14881	First National Bank of Big Rapids.....	1		1
14925	City National Bank of Detroit.....	1	3	4
13738	Manufacturers National Bank of Detroit.....		5	5
14948	Michigan Bank, National Association, Detroit.....		3	3
13671	National Bank of Detroit.....	3	4	7
15367	City Bank & Trust Co., National Association, Jackson.....	4	4	8
13820	The American National Bank & Trust Co. of Kalamazoo.....	2	1	3
191	The First National Bank & Trust Co. of Kalamazoo.....	1	3	4
15234	First National Bank of Lake City.....		1	1
14032	Michigan National Bank, Lansing.....		2	2
15444	Livonia National Bank, Livonia.....	3		3
15420	Central National Bank of St. Johns.....		1	1
15167	National Bank of Southfield.....	1		1
14523	First National Bank, Sturgis.....	1		1
600	The First National Bank of Three Rivers.....	1		1
15286	First National Bank of Wyoming.....	1		1
13807	The National Bank of Ypsilanti.....	2		2
MISSISSIPPI				
15284	First National Bank of Clarksdale.....	1		1
14538	National Bank of Commerce of Corinth.....	1		1
14487	Gulf National Bank of Gulfport.....		1	1
3258	First National Bank of Vicksburg.....	1		1
12587	The Delta National Bank of Yazoo City.....	1	1	2
MISSOURI				
1770	The Boone County National Bank of Columbia.....	1		1
2919	The Third National Bank of Sedalia.....	1		1
NEVADA				
7038	First National Bank of Nevada, Reno, Nev.....		2	2
NEW HAMPSHIRE				
2447	The Mechanics National Bank of Concord.....		1	1
1353	Strafford National Bank, Dover.....	1		1
12889	The Rockingham National Bank of Exeter.....		1	1
13764	Farmington National Bank, Farmington.....		1	1
559	The Cheshire National Bank of Keeue.....		1	1
1645	The Laconia National Bank, Laconia.....	1		1
4037	The Peoples National Bank of Laconia.....	1		1
574	The Amoskeag National Bank of Manchester.....	1		1
1059	The Manchester National Bank, Manchester.....	1		1
1310	The Indian Head National Bank of Nashua.....		1	1
2240	The Second National Bank of Nashua.....	2		2
19	The First National Bank of Portsmouth.....		1	1
1180	First Somersworth-Rollinsford National Bank, Somersworth.....		1	1
1333	The Citizens' National Bank of Tilton.....		1	1
NEW JERSEY				
13363	First Merchants National Bank, Asbury Park.....		1	1
3866	The First National Bank of Somerset County, N.J., Bound Brook.....		1	1
1209	First Camden National Bank & Trust Company, Camden.....		1	1
14936	Cherry Hill National Bank, Cherry Hill Township.....	1		1
1114	First Clinton National Bank, Clinton.....		1	1
3168	The First National Bank of Cranbury.....		1	1
4365	Citizens National Bank of Englewood.....	1	1	2
2331	The Flemington National Bank & Trust Co., Flemington.....		1	1
892	The Hunterdon County National Bank of Flemington.....	1		1

TABLE B-13.—Number of domestic branches of national banks opened for business, calendar 1964, by States, banks, and type of branch—Continued

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
NEW JERSEY—continued				
15255	First Bank & Trust Co., National Association, Fords		3	3
14457	Haddonfield National Bank, Haddonfield		1	1
8227	The Hardyston National Bank of Hamburg		1	1
8627	The First National Bank & Trust Co. of Kearny	1		1
12022	Peoples National Bank of Camden County, Laurel Springs		1	1
15360	Madison National Bank, Madison	1		1
15023	The Short Hills National Bank, Millburn Township	1		1
1113	The First National Iron Bank of Morristown		1	1
15297	New Jersey National Bank & Trust Co., Neptune		8	8
1316	National Newark & Essex Bank, Newark	1		1
925	The Sussex & Merchants National Bank of Newton	1		2
5981	The First National Bank & Trust Co., of Paulsboro		1	1
1239	The Phillipsburg National Bank & Trust Co., Phillipsburg		1	1
2257	The Monmouth County National Bank, Red Bank		1	1
5005	National Community Bank of Rutherford		6	6
3922	The City National Bank & Trust Co. of Salem		1	1
15375	Peoples National Bank of Sparta		1	1
6692	Citizens National Bank of Morris County, Succasunna		1	1
2509	The First National Bank of Toms River, N.J.		1	1
1327	First Trenton National Bank, Trenton		3	3
7265	The First National Bank of Williamstown		1	1
NEW MEXICO				
6597	The First National Bank of Belen		1	1
8397	First National Bank of Curry County, Clovis		1	1
15312	First National Bank of Rio Arriba, Espanola		3	3
14628	First National Bank of Hobbs	1		1
5220	The First National Bank of Roswell		2	2
NEW YORK				
1301	National Commercial Bank & Trust Co., Albany		5	5
202	First-City National Bank of Binghamton, N.Y.	1		1
15080	Liberty National Bank & Trust Co., Buffalo		3	3
12586	The First National Bank of Cairo		1	1
13590	United National Bank, Callicoon		1	1
8531	The St. Lawrence County National Bank, Canton		1	1
12746	Northern Westchester National Bank, Chappaqua		2	2
11511	Tinker National Bank, East Setauket		1	1
13004	The Endicott National Bank, Endicott		1	1
12987	The Hampton Bays National Bank, Hampton Bays		1	1
6587	Security National Bank of Long Island, Huntington		4	4
10855	The Kerhonkson National Bank, Kerhonkson		1	1
955	The State of New York National Bank, Kingston	1		1
4925	The Sullivan County National Bank of Liberty		1	1
13956	County National Bank, Middletown		3	3
14951	County National Bank of Long Island, Mineola		1	1
12997	Franklin National Bank, Mineola		7	7
13955	First Westchester National Bank, New Rochelle		1	1
1461	First National City Bank, New York	8	6	14
7703	The Meadow Brook National Bank, New York		1	1
15029	Royal National Bank of New York	1		2
9716	The North Creek National Bank, North Creek		1	1
14734	Tappan Zee National Bank, Nyack		1	1
12788	The Peoples National Bank of Long Island, Patchogue		1	1
981	The Stissing National Bank of Pine Plains		1	1
465	Marine Midland National Bank of Southeastern New York, Poughkeepsie		2	2
1226	The Mohawk National Bank of Schenectady		1	1
5390	The First National Bank of Spring Valley		1	1
5846	Rockland National Bank, Suffern		3	3
13393	Lincoln National Bank & Trust Co. of Central New York, Syracuse		2	2
1342	The Merchants National Bank & Trust Co. of Syracuse		2	2
963	The Union National Bank of Troy		1	1
1392	The Oneida National Bank & Trust Co. of Central New York, Utica		1	1

TABLE B-13.—Number of domestic branches of national banks opened for business, calendar 1964, by States, banks, and type of branch—Continued

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
NEW YORK—continued				
11881	Valley National Bank of Long Island, Valley Stream.....		2	2
10155	The Valley National Bank, Walkill, N.Y.....		1	1
10525	National Bank of Westchester, White Plains.....		1	1
NORTH CAROLINA				
9164	First Union National Bank of North Carolina, Charlotte.....		4	4
13761	North Carolina National Bank, Charlotte.....	1	4	5
4597	First National Bank of Catawba County, Hickory.....	1		1
14676	First National Bank of Eastern North Carolina, Jacksonville.....		4	4
12259	The First National Bank of Leaksville.....		1	1
10610	Southern National Bank of North Carolina, Lumberton.....		3	3
5450	The First National Bank of Morganton.....		1	1
4947	The First National Bank of Anson County, Wadesboro.....		1	1
NORTH DAKOTA				
13398	The Dakota National Bank of Bismarck.....	1		1
13790	First National Bank in Grand Forks.....	1		1
OHIO				
183	The First National Bank of Ashland.....		1	1
975	The Farmers National Bank & Trust Co. of Ashtabula.....		2	2
13996	Farmers & Merchants National Bank in Bellaire.....	1		1
128	The First National Bank of Chillicothe.....	1		1
118	The First National Bank of Circleville.....		1	1
15423	The Capital National Bank, Cleveland.....	1	3	4
4318	Central National Bank of Cleveland.....	2	2	4
786	The National City Bank of Cleveland.....		1	1
14761	Society National Bank of Cleveland.....		1	1
7621	The City National Bank & Trust Co. of Columbus.....	2	1	3
7745	The Huntington National Bank of Columbus.....	2		2
1788	The National Bank of Dayton.....	1		1
10	The Third National Bank & Trust Co. of Dayton, Ohio.....		1	1
2604	The Winters National Bank & Trust Co. of Dayton.....		1	1
652	The Portage County National Bank of Kent.....		1	1
13767	First National Bank & Trust Co. of Lima.....		1	1
15456	The Central Security National Bank of Lorain County, Lorain.....	4	2	6
14290	The Lorain National Bank, Lorain.....	1		1
9179	The Park National Bank of Newark.....	1		1
5370	The First National Bank & Trust Co. of Ravenna.....	1	1	1
350	The Second National Bank of Ravenna.....	1	1	2
2488	The First Central National Bank of St. Paris.....		1	1
3535	The Peoples' National Bank of Wapakoneta.....	1		1
OKLAHOMA				
14546	Fort Sill National Bank, Fort Sill.....	1		1
15333	Founders National Bank of Oklahoma City.....	1		1
OREGON				
15163	Emerald National Bank, Bethel-Danebo.....		1	1
1553	First National Bank of Oregon, Portland.....	1	3	4
4514	United States National Bank of Oregon, Portland.....		3	3
14860	First National Bank of Roseburg.....	1		1
PENNSYLVANIA				
373	The First National Bank of Allentown.....		1	1
11896	The National Deposit Bank of Arnold.....		1	1
14284	The First National Bank in Bedford.....	1		1
2137	The National Bank of Boyertown.....		1	1

TABLE B-13.—*Number of domestic branches of national banks opened for business, calendar 1964, by States, banks, and type of branch—Continued*

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
PENNSYLVANIA—continued				
10232	The Central Pennsylvania National Bank of Claysburg.....		1	1
575	The National Bank of Chester Valley, Coatesville.....	1		1
5019	DuBois Deposit National Bank, DuBois.....	1		1
5084	The First National Bank of Ebensburg.....		1	1
870	Marine National Bank, Erie.....		1	1
14051	First National Bank of Export.....		1	1
5920	The First National Bank of Fredericktown.....		1	1
5454	The Freedom National Bank, Freedom.....		1	1
14055	First National Bank in Greensburg.....	1		1
249	First National Bank of Mercer County, Greenville.....		3	3
580	The Harrisburg National Bank & Trust Co., Harrisburg.....	1	1	2
31	First-Grange National Bank of Huntingdon.....	1		1
683	Lancaster County Farmers National Bank, Lancaster.....		1	1
5502	The First National Bank of Leechburg.....	1		1
10506	The Russell National Bank, Lewistown.....		1	1
4625	The National Bank of McKeesport.....		1	1
2222	Western Pennsylvania National Bank, McKeesport.....		7	7
5496	The First National Bank of Milford.....		1	1
2223	County National Bank of Montrose.....		2	2
5077	Nazareth National Bank & Trust Co., Nazareth.....		1	1
14542	Cumberland County National Bank & Trust Co., New Cumberland.....		2	2
723	Central-Penn National Bank of Philadelphia.....		3	3
539	The Philadelphia National Bank, Philadelphia.....		2	2
15422	Provident National Bank, Philadelphia.....	17	11	28
6301	Mellon National Bank & Trust Co., Pittsburgh.....	2	4	6
252	Pittsburgh National Bank, Pittsburgh.....		9	9
705	The Union National Bank of Pittsburgh.....	5	8	13
1663	Pennsylvania National Bank & Trust Co., Pottsville.....		2	2
77	Northeastern Pennsylvania National Bank & Trust Co., Scranton.....		1	1
8764	The McDowell National Bank of Sharon.....		3	3
12261	The Peoples National Bank of State College.....	1		1
11866	First National Bank & Trust Co., Waynesboro.....		1	1
328	Northern National Bank & Trust Co., Wellsboro.....		3	3
13852	Miners National Bank of Wilkes-Barre.....		1	1
694	National Bank & Trust Co. of Central Pennsylvania, York.....		2	2
RHODE ISLAND				
1302	Industrial National Bank of Rhode Island, Providence.....		1	1
SOUTH CAROLINA				
14425	The Citizens & Southern National Bank of South Carolina, Charleston.....	1	7	8
2044	The South Carolina National Bank of Charleston.....		2	2
13720	The First Commercial National Bank of South Carolina, Columbia.....		2	2
15229	First State National Bank, Jackson.....		1	1
14950	The First National Bank of Laurens.....	1		1
14341	The Davis National Bank of Mullins.....	1		1
15025	First National Bank of St. George.....		1	1
9533	The First National Bank of Sharon.....		1	1
TENNESSEE				
3341	The First National Bank of Athens.....		1	1
14760	First National Bank of Clinton.....		1	1
14710	First Farmers & Merchants National Bank of Columbia.....	1		1
8443	The Harpeth National Bank of Franklin.....		1	1
13635	The Hamilton National Bank of Johnson City.....	1		1
14279	The Blount National Bank of Maryville.....		1	1
336	The First National Bank of Memphis.....	1	4	5
13681	National Bank of Commerce in Memphis.....	1		1
13349	Union Planters National Bank of Memphis.....	2		2
8025	The Hamilton National Bank of Morristown.....	1		1
9319	The First National Bank of Mount Pleasant.....		1	1

TABLE B-13.—Number of domestic branches of national banks opened for business, calendar 1964, by States, banks, and type of branch—Continued

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
TENNESSEE—continued				
13103	Third National Bank in Nashville.....	2		2
15056	The First National Bank of Rutherford.....		1	1
4020	The Traders National Bank of Tullahoma.....	1		1
UTAH				
7685	The First National Bank of Layton.....	1		1
2597	First Security Bank of Utah, National Association, Ogden.....		2	2
4341	Zions First National Bank.....	1	1	2
VERMONT				
7267	The Bradford National Bank, Bradford.....		1	1
1430	Vermont National Bank, Brattleboro.....		1	1
2274	The Randolph National Bank, Randolph.....		2	2
3484	The First National Bank of White River Junction.....	1	1	2
VIRGINIA				
15172	The Colonial National Bank of Alexandria.....	1		1
14893	Mount Vernon National Bank & Trust Co. of Fairfax County, Annandale.....		1	1
14904	Security National Bank, Baileys Crossroads.....		1	1
10618	National Bank & Trust Co., Charlottesville.....	1	1	2
14180	The Mountain National Bank of Clifton Forge.....	1	1	1
4503	The Covington National Bank, Covington.....	1		1
5394	The Second National Bank of Culpeper.....	1		1
6389	The National Bank of Fairfax.....	1		1
15221	National Bank of Commerce of Fairfax County, Falls Church.....	1	2	3
8791	The First National Bank of Galax.....	1		1
9861	The Farmers and Merchants National Bank of Hamilton.....		1	1
5261	The Rockingham National Bank of Harrisonburg.....	1		1
14325	Citizens National Bank of Herndon.....		1	1
1522	The Fidelity National Bank, Lynchburg.....		2	2
5032	The National Bank of Manassas.....	1		1
10194	Seaboard Citizens National Bank, Norfolk.....		2	2
9885	Virginia National Bank, Norfolk.....		3	3
6235	The Wise County National Bank, Norton.....	1		1
6782	The First and Merchants National Bank of Radford.....		1	1
10857	The Richlands National Bank, Richlands.....	1		1
1111	First and Merchants National Bank, Richmond.....		1	1
15027	Richmond National Bank & Trust Co., Richmond.....	1		1
11817	The Colonial-American National Bank of Roanoke.....	1	1	2
2737	The First National Exchange Bank of Virginia, Roanoke.....		4	4
14965	First National Bank of Vienna.....	1		1
WASHINGTON				
14919	Tri-Cities National Bank, Pasco.....	1		1
6074	First National Bank in Port Angeles.....		1	1
4375	The National Bank of Commerce of Seattle.....	4	4	8
13230	The Pacific National Bank of Seattle.....	1		1
14394	Peoples National Bank of Washington in Seattle.....		1	1
11280	Seattle-First National Bank, Seattle.....	3	5	8
4668	Old National Bank of Washington, Spokane.....		3	3
3417	National Bank of Washington, Tacoma.....	2	1	3
12292	The Puget Sound National Bank of Tacoma.....		1	1
14502	Guaranty National Bank of White Center.....		1	1
WISCONSIN				
15380	Racine County National Bank, Franksville.....		1	1
14460	The First National Bank in Menomonie.....	1		1

TABLE B-14.—Number of domestic branches of national banks closed, calendar 1964, by states, banks, and type of branch

Charter No.	Title and location of bank	Branches closed		
		Local	Other than local	Total
	Total: 33 banks	24	26	50
	CALIFORNIA			
6919	Central Valley National Bank, Oakland		1	1
10391	United States National Bank, San Diego		1	1
13044	Bank of America National Trust and Savings Association, San Francisco		2	2
	GEORGIA			
1559	The First National Bank of Atlanta	1		1
13068	The Citizens and Southern National Bank, Savannah		2	2
	KENTUCKY			
3832	The First and Farmers National Bank of Somerset	1		1
	LOUISIANA			
13689	The National Bank of Commerce in New Orleans	1		1
	MARYLAND			
1413	The First National Bank of Maryland, Baltimore		2	2
13776	The Garrett National Bank in Oakland		1	1
14846	National Bank of Maryland, Silver Spring		1	1
	MASSACHUSETTS			
779	Plymouth-Home National Bank, Brockton		1	1
	MICHIGAN			
13820	The American National Bank and Trust Company of Kalamazoo	1		1
	MISSOURI			
9042	The American National Bank of St. Joseph	1		1
6272	The Tootle-Enright National Bank, Saint Joseph	1		1
	NEBRASKA			
14340	Commercial National Bank & Trust Company, Grand Island	1		1
	NEW JERSEY			
12195	The First National Bank of Park Ridge		2	2
	NEW MEXICO			
7503	The First National Bank of Hagerman		1	1
13438	Hot Springs N/B, Truth or Consequences	1		1
	NEW YORK			
15080	Liberty National Bank and Trust Company, Buffalo	1		1
12586	The First National Bank of Cairo		2	2
5271	The First National Bank of Mount Vernon	1	2	3
13080	The Bensonhurst National Bank of Brooklyn in New York	1	1	1
1461	First National City Bank, New York	1		1
	NORTH CAROLINA			
13761	North Carolina National Bank, Charlotte	1	3	4

TABLE B-14.—*Number of domestic branches of national banks closed, calendar 1964, by states, banks, and type of branch—Continued*

Charter No.	Title and location of bank	Branches closed		
		Local	Other than local	Total
	OHIO			
7744	The Athens National Bank, Athens	1		1
	PENNSYLVANIA			
1233	Easton National Bank & Trust Co., Easton	1		1
213	Second National Bank of Philadelphia	4		4
77	Northeastern Pennsylvania National Bank & Trust Co., Scranton		1	1
	RHODE ISLAND			
1302	Industrial National Bank of Rhode Island, Providence		1	1
	SOUTH CAROLINA			
14425	The Citizens & Southern National Bank of South Carolina, Charleston		1	1
	TENNESSEE			
13681	National Bank of Commerce in Memphis	1		1
3614	The First National Bank of Sparta	1		1
	VERMONT			
3484	The First National Bank of White River Junction		1	1
	VIRGINIA			
13775	The Citizens National Bank of Hampton	3	1	4

TABLE B-15.—Principal assets and liabilities of national banks, by deposit size, December 1963 and 1964

[Dollar amounts in millions]

	Number of banks	Loans and securities				Cash, bal- ances with other banks, including reserves with Fed- eral Re- serve banks	Real es- tate assets	Total assets	Capital stock†	Surplus, undivided profits, and reserves	Deposits		
		Total	Loans and discounts* and Fed- eral funds sold	U.S. Govern- ment obligations, direct and guaranteed	Other bonds and securities						Total	Demand	Time and Savings
1963													
Total.....	4, 615	\$135, 990	\$83, 388	\$33, 384	\$19, 218	\$28, 635	\$2, 595	\$170, 233	\$4, 029	\$9, 519	\$150, 823	\$89, 389	\$61, 434
Banks with deposits of—													
Less than \$1.0.....	132	88	47	36	5	32	3	123	15	17	91	68	23
\$1.0 to \$1.9.....	388	565	305	214	45	122	12	702	37	66	593	385	207
\$2.0 to \$4.9.....	1, 316	4, 205	2, 209	1, 489	507	801	80	5, 100	139	394	4, 526	2, 704	1, 822
\$5.0 to \$9.9.....	1, 145	7, 585	3, 984	2, 516	1, 084	1, 331	140	9, 082	205	610	8, 166	4, 604	3, 562
\$10.0 to \$24.9.....	935	13, 379	7, 233	4, 144	2, 003	2, 260	274	16, 037	363	946	14, 450	7, 977	6, 472
\$25.0 to \$49.9.....	329	10, 579	5, 831	3, 226	1, 521	1, 773	224	12, 739	303	693	11, 456	6, 470	4, 985
\$50.0 to \$99.9.....	167	10, 854	6, 176	3, 171	1, 507	1, 917	208	13, 257	315	704	11, 895	7, 019	4, 876
\$100.0 to \$499.9.....	164	31, 966	20, 328	7, 550	4, 088	7, 673	678	41, 052	965	2, 212	36, 552	23, 720	12, 832
Over \$500.0.....	39	56, 769	37, 275	11, 037	8, 457	12, 726	976	72, 143	1, 688	3, 877	63, 095	36, 441	26, 654
1964													
Total.....	4, 773	149, 944	95, 577	33, 537	20, 830	34, 066	2, 789	190, 113	4, 790	10, 258	169, 617	98, 660	70, 957
Banks with deposits of—													
Less than \$1.0.....	114	79	44	32	3	26	5	112	15	18	78	57	20
\$1.0 to \$1.9.....	394	572	323	209	40	133	15	725	44	70	604	391	213
\$2.0 to \$4.9.....	1, 303	4, 107	2, 276	1, 370	462	830	82	5, 048	163	372	4, 466	2, 619	1, 847
\$5.0 to \$9.9.....	1, 181	7, 707	4, 229	2, 393	1, 085	1, 433	150	9, 342	216	585	8, 437	4, 659	3, 778
\$10.0 to \$24.9.....	1, 029	14, 662	8, 341	4, 128	2, 194	2, 671	301	17, 801	409	1, 008	16, 100	8, 768	7, 332
\$25.0 to \$49.9.....	339	10, 715	6, 209	2, 891	1, 615	1, 929	220	13, 039	304	669	11, 778	6, 524	5, 254
\$50.0 to \$99.9.....	185	11, 502	6, 696	3, 136	1, 670	2, 311	227	14, 210	342	728	12, 831	7, 307	5, 524
\$100.0 to \$499.9.....	176	32, 328	20, 969	7, 147	4, 211	8, 223	655	41, 793	1, 058	2, 107	37, 600	23, 712	13, 888
Over \$500.0.....	52	68, 271	46, 491	12, 231	9, 549	16, 509	1, 133	88, 042	2, 239	4, 701	77, 723	44, 622	33, 101

*Includes rediscounts and overdrafts.

†Includes capital notes and debentures.

NOTE: Data may not add to totals because of rounding.

TABLE B-16.—*Dates of reports of condition of national banks, 1914-1964*

[For dates of previous calls, see AR report for 1920, vol. 2, table No. 42, p. 150]

<i>Year</i>	<i>Jan.</i>	<i>Feb.</i>	<i>Mar.</i>	<i>Apr.</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>Aug.</i>	<i>Sept.</i>	<i>Oct.</i>	<i>Nov.</i>	<i>Dec.</i>
1914.....	13		4			30			12	31		31
1915.....			4		1	23			2		10	31
1916.....			7		1	30			12		17	27
1917.....			5		1	20			11		20	31
1918.....			4		10	29		31			1	31
1919.....			4		12	30			12		17	31
1920.....		28			4	30			8		15	29
1921.....		21		28		30			6			31
1922.....			10		5	30			15			29
1923.....				3		30			14			31
1924.....			31			30				10		31
1925.....				6		30			28			31
1926.....				12		30						31
1927.....			23			30				10		31
1928.....		28				30				3		31
1929.....			27			29				4		31
1930.....			27			30			24			31
1931.....			25			30			29			31
1932.....						30			30			31
1933.....						30				25		30
1934.....			5			30				17		31
1935.....			4			29					1	31
1936.....			4			30						31
1937.....			31			30						31
1938.....			7			30			28			31
1939.....			29			30				2		30
1940.....			26			29						31
1941.....				4		30			24			31
1942.....				4		30						31
1943.....						30				18		31
1944.....				13		30						30
1945.....			20			30						31
1946.....						29			30			31
1947.....						30				6		31
1948.....				12		30						31
1949.....				11		30					1	31
1950.....				24		30				4		30
1951.....				9		30				10		31
1952.....			31			30			5			31
1953.....				20		30			30			31
1954.....				15		30				7		31
1955.....				11		30				5		31
1956.....				10		30			26			31
1957.....			14			6				11		31
1958.....			4			23			24			31
1959.....			12			10				6		31
1960.....			15			15				3		31
1961.....				12		30			27			30
1962.....			26			30			28			28
1963.....			18			29			30			20
1964.....				15		30				1		31

NOTES

Act of Feb. 25, 1863, provided for reports of condition on the 1st of each quarter before commencement of business.

Act of June 3, 1864—1st Monday of January, April, July, and October, before commencement of business, on form prescribed by Comptroller (in addition to reports on 1st Tuesday of each month showing condition at commencement of business in respect to certain items; i.e., loans, specie, deposits, and circulation).

Act of Mar. 3, 1869, not less than 5 reports per year, on form prescribed by Comptroller, at close of business on any past date by him specified.

Act of Dec. 28, 1922, minimum number of calls reduced from 5 to 3 per year.

Act of Feb. 25, 1927, authorized a vice president or an assistant cashier designated by the board of directors to verify reports of condition in absence of president and cashier.

Act of June 16, 1933, requires each national bank to furnish and publish not less than 3 reports each year of affiliates other than member banks, as of dates identical with those for which the Comptroller shall during such year require reports of condition of the bank. The report of each affiliate shall contain such information as in the judgment of the Comptroller shall be necessary to disclose fully the relations between the affiliate and the bank and to enable the Comptroller to inform himself as to the effect of such relations upon the affairs of the bank.

Sec. 21(a) of the Banking Act of 1933 provided, in part, that after June 16, 1934, it would be unlawful for any private

bank not under state supervision to continue the transaction of business unless it submitted to periodic examination by the Comptroller of the Currency or the Federal Reserve bank of the district, and made and published periodic reports of conditions the same as required of national banks under sec. 5211, U.S.R.S. Sec. 21(a) of the Banking Act of 1933, however, was amended by sec. 303 of the Banking Act of 1935, approved Aug. 23, 1935, under the provisions of which private banks are no longer required to submit to examination by the Comptroller or Federal Reserve bank, nor are they required to make to the Comptroller and publish periodic reports of condition. (5 calls for reports of condition of private banks were made by the Comptroller, the first one for June 30, 1934, and the last one for June 29, 1935.)

Sec. 7(a)(3) of the Federal Deposit Insurance Act (Title 12, U.S.C., sec. 1817(a)) of July 14, 1960, provides, in part, that, effective Jan. 1, 1961, each insured national bank shall make to the Comptroller of the Currency 4 reports of condition annually upon dates to be selected by the Comptroller, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Directors of the Federal Deposit Insurance Corporation, or a majority thereof. 2 dates shall be selected within the semiannual period of January to June, inclusive, and 2 within the semiannual period of July to December, inclusive. Sec. 161 of Title 12 also provides that the Comptroller of the Currency may call for additional reports of condition, in such form and containing such information as he may prescribe, on dates to be fixed by him, and may call for special reports from any particular association whenever in his judgment the same are necessary for use in the performance of his supervisory duties.

TABLE B-17.—*Number, total, and principal assets, liabilities, and capital accounts of national banks, by States, June 30, 1964*

[Dollar amounts in millions]

State	Number of banks	ASSETS								
		Total assets	Cash assets [§]	U.S. Government obligations, net Δ	State and local securities, net Δ	Other bonds, notes, net Δ	Loans and discounts, net Δ	Federal funds sold	Direct lease financing	Fixed assets
United States†.....	4,702	\$175,107	\$29,513	\$31,551	\$17,591	\$2,191	\$88,519	\$761	\$47	\$2,683
Alabama.....	78	2,117	394	422	229	22	994	11	0	33
Alaska.....	5	235	39	58	13	7	109	0	0	7
Arizona.....	3	1,464	182	181	88	14	935	10	0	33
Arkansas.....	62	960	187	166	118	16	451	3	(\dagger)	15
California.....	71	24,931	3,773	3,463	2,304	260	14,218	39	33	431
Colorado.....	110	2,054	386	374	126	6	1,086	11	(\dagger)	48
Connecticut.....	24	1,598	259	192	221	4	871	7	(\dagger)	34
Delaware.....	5	22	3	6	1	(\dagger)	11	0	0	1
District of Columbia.....	7	1,243	243	303	66	5	585	14	0	20
Florida.....	177	4,495	890	1,062	363	85	1,925	15	(\dagger)	120
Georgia.....	54	2,300	509	316	168	16	1,223	6	1	45
Hawaii.....	2	367	47	64	35	1	204	0	0	12
Idaho.....	10	602	79	107	49	4	348	0	0	11
Illinois.....	407	16,514	2,601	3,355	1,839	413	7,836	65	(\dagger)	120
Indiana.....	123	3,914	734	922	309	63	1,771	37	1	51
Iowa.....	101	1,355	302	283	114	19	612	0	(\dagger)	18
Kansas.....	169	1,724	304	405	195	25	757	10	(\dagger)	20
Kentucky.....	83	1,321	246	302	123	19	692	5	(\dagger)	17
Louisiana.....	47	2,452	484	562	224	16	1,097	18	1	30
Maine.....	22	424	60	70	36	3	243	1	0	9
Maryland.....	48	1,758	312	332	144	18	879	30	0	27
Massachusetts.....	22	4,901	932	698	337	16	2,723	57	(\dagger)	57
Michigan.....	90	7,013	1,096	1,533	840	28	3,348	20	5	78
Minnesota.....	192	3,849	711	743	308	81	1,894	15	1	64
Mississippi.....	30	551	101	109	65	4	257	0	0	13
Missouri.....	88	2,824	622	516	258	18	1,325	32	(\dagger)	34
Montana.....	47	562	81	119	46	11	289	0	(\dagger)	11
Nebraska.....	122	1,462	282	258	107	20	767	0	(\dagger)	19
Nevada.....	3	446	54	68	42	(\dagger)	257	1	0	18
New Hampshire.....	50	407	66	66	28	1	234	1	0	8
New Jersey.....	144	5,825	775	1,110	792	124	2,878	25	1	78
New Mexico.....	33	667	119	163	36	3	314	18	0	11
New York.....	207	18,162	2,975	2,741	2,125	152	9,315	38	1	240
North Carolina.....	31	1,569	296	180	122	38	863	26	0	29
North Dakota.....	40	489	57	121	47	14	235	0	(\dagger)	11
Ohio.....	218	8,017	1,288	1,622	777	97	4,035	44	(\dagger)	103
Oklahoma.....	216	2,957	616	625	230	42	1,365	13	1	50
Oregon.....	11	2,276	303	385	195	10	1,307	0	(\dagger)	50
Pennsylvania.....	401	12,329	1,756	2,272	1,925	162	5,819	95	1	159
Rhode Island.....	4	672	62	68	155	4	365	4	0	8
South Carolina.....	26	855	163	168	56	12	426	7	0	18
South Dakota.....	33	548	67	132	36	10	287	0	0	10
Tennessee.....	74	3,318	636	586	307	35	1,674	14	0	44
Texas.....	534	12,709	2,649	2,198	1,104	152	6,154	47	(\dagger)	282
Utah.....	11	619	104	68	56	5	372	2	0	10
Vermont.....	28	256	28	52	18	2	150	1	0	4
Virginia.....	124	2,800	413	491	248	41	1,537	5	(\dagger)	48
Washington.....	27	3,213	532	566	264	36	1,708	9	0	57
West Virginia.....	76	912	146	279	66	10	392	1	0	14
Wisconsin.....	106	2,643	484	576	209	46	1,253	7	(\dagger)	44
Wyoming.....	35	384	61	89	24	3	195	0	(\dagger)	10
Virgin Islands.....	1	26	2	5	1	0	18	0	0	(\dagger)
District of Columbia—all*.....	14	2,189	386	532	97	10	1,106	16	0	29

* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

§ Cash balances with other banks and cash items in process of collection.

Δ Net of valuation reserves.

NOTE: Data may not add to totals because of rounding.

† Includes Virgin Islands.

‡ Less than \$500,000.

TABLE B-17.—*Number, total, and principal assets, liabilities, and capital accounts of national banks, by States, June 30, 1964—Continued*

[Dollar amounts in millions]

State	LIABILITIES						
	Total liabilities	Total deposits	Demand deposits, total	Time and savings deposits, total	Demand deposits, IPC §	Time deposits, IPC §	Federal funds purchased
United States†	\$160,810	\$155,980	\$89,681	\$66,299	\$66,030	\$60,999	\$787
Alabama	1,938	1,901	1,220	681	909	649	(†)
Alaska	222	220	128	92	90	59	0
Arizona	1,351	1,312	699	613	534	586	0
Arkansas	882	871	587	284	424	276	2
California	23,211	22,417	10,187	12,230	8,210	10,841	59
Colorado	1,886	1,852	1,060	792	816	715	7
Connecticut	1,466	1,406	951	455	778	407	3
Delaware	20	20	10	10	10	10	0
District of Columbia	1,148	1,119	777	343	673	330	5
Florida	4,120	4,012	2,593	1,420	1,915	1,268	20
Georgia	2,096	1,994	1,453	541	1,008	485	47
Hawaii	336	331	185	146	122	120	0
Idaho	558	549	313	236	229	235	0
Illinois	15,168	14,802	8,428	6,374	5,981	5,989	116
Indiana	3,601	3,486	2,247	1,239	1,535	1,207	26
Iowa	1,245	1,221	817	405	549	395	16
Kansas	1,565	1,538	1,067	471	695	435	12
Kentucky	1,200	1,184	826	359	658	340	0
Louisiana	2,238	2,202	1,567	635	1,061	567	5
Maine	383	369	215	155	178	153	3
Maryland	1,617	1,574	1,005	569	746	532	7
Massachusetts	4,424	4,242	3,164	1,077	2,321	1,020	18
Michigan	6,564	6,418	3,179	3,239	2,284	2,901	4
Minnesota	3,542	3,434	2,025	1,410	1,294	1,350	44
Mississippi	506	493	325	168	216	161	6
Missouri	2,582	2,536	1,783	752	1,230	720	15
Montana	523	505	280	225	215	214	3
Nebraska	1,331	1,303	938	364	665	356	12
Nevada	411	399	232	168	169	156	0
New Hampshire	366	351	248	103	192	95	3
New Jersey	5,404	5,250	2,708	2,541	2,176	2,462	12
New Mexico	618	610	398	213	278	187	0
New York	16,583	15,589	8,830	6,759	6,348	6,194	146
North Carolina	1,425	1,354	915	439	681	366	28
North Dakota	1,454	442	233	209	188	198	2
Ohio	7,349	7,166	4,046	3,120	2,957	2,973	18
Oklahoma	2,665	2,629	1,816	812	1,248	775	6
Oregon	2,100	2,054	1,031	1,023	826	930	0
Pennsylvania	11,164	10,881	5,497	5,384	4,268	5,028	25
Rhode Island	621	605	248	357	187	345	0
South Carolina	784	752	614	138	486	125	1
South Dakota	508	498	273	225	203	201	(†)
Tennessee	3,066	3,001	1,749	1,252	1,094	1,143	4
Texas	11,607	11,347	7,390	3,957	5,300	3,369	101
Utah	567	556	267	289	205	269	2
Vermont	234	228	85	144	72	142	(†)
Virginia	2,554	2,488	1,359	1,129	1,054	1,062	8
Washington	2,965	2,899	1,701	1,199	1,263	1,190	2
West Virginia	822	807	483	324	360	322	1
Wisconsin	2,444	2,396	1,335	1,061	988	999	1
Wyoming	351	344	186	158	132	139	2
Virgin Islands	24	22	9	14	7	10	0
District of Columbia—all*	2,029	1,979	1,336	643	1,176	624	5

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

†Includes Virgin Islands.

‡Less than \$500,000.

§IPC deposits are those of individuals, partnerships, and corporations.

NOTE: Data may not add to totals because of rounding.

TABLE B-17.—*Number, total, and principal assets, liabilities, and capital accounts of national banks, by States, June 30, 1964—Continued*

[Dollar amounts in millions]

State	CAPITAL ACCOUNTS						
	Total capital accounts	Debtentures	Preferred stock	Common stock	Surplus	Undivided profits	Reserves
United States†	\$14, 297	\$304	\$28	\$4, 162	\$6, 950	\$2, 491	\$362
Alabama	179	0	0	54	76	36	12
Alaska	12	(†)	0	5	4	3	1
Arizona	113	14	0	27	55	14	3
Arkansas	78	0	0	24	34	19	2
California	1, 719	122	0	458	803	328	10
Colorado	168	0	0	57	74	36	1
Connecticut	132	0	0	39	69	23	1
Delaware	2	0	0	1	1	(†)	(†)
District of Columbia	95	0	0	28	49	15	3
Florida	375	0	(†)	145	170	49	11
Georgia	204	20	0	45	90	27	22
Hawaii	31	0	0	9	14	6	2
Idaho	43	0	0	14	20	7	2
Illinois	1, 346	4	0	483	643	174	42
Indiana	313	0	0	82	161	62	8
Iowa	110	0	0	31	51	26	2
Kansas	159	0	1	49	72	36	2
Kentucky	121	0	0	30	62	26	3
Louisiana	214	0	3	51	127	32	1
Maine	41	0	0	15	15	10	1
Maryland	141	2	0	36	75	22	5
Massachusetts	476	0	0	114	280	75	7
Michigan	449	3	3	127	225	82	9
Minnesota	308	0	0	89	145	69	5
Mississippi	46	0	0	12	31	3	(†)
Missouri	242	0	0	74	111	50	7
Montana	40	0	0	15	16	8	(†)
Nebraska	131	0	0	38	56	34	3
Nevada	34	0	0	17	14	3	(†)
New Hampshire	41	0	0	8	22	9	2
New Jersey	421	1	(†)	127	217	67	9
New Mexico	49	0	0	18	18	4	9
New York	1, 578	50	20	427	705	273	102
North Carolina	144	15	0	37	71	20	1
North Dakota	35	0	0	12	15	8	1
Ohio	668	2	(†)	195	358	111	3
Oklahoma	292	18	0	80	113	76	4
Oregon	175	0	0	59	66	51	(†)
Pennsylvania	1, 165	17	(†)	277	676	183	13
Rhode Island	51	0	0	14	26	11	0
South Carolina	72	0	(†)	17	41	12	1
South Dakota	40	(†)	0	14	16	9	(†)
Tennessee	252	(†)	(†)	70	133	43	6
Texas	1, 103	36	0	390	482	166	29
Utah	52	0	0	15	26	9	2
Vermont	22	0	1	7	9	5	1
Virginia	246	0	0	73	132	39	2
Washington	248	0	0	76	111	59	1
West Virginia	90	0	0	22	44	19	5
Wisconsin	199	0	0	50	108	35	7
Wyoming	32	0	0	6	18	8	1
Virgin Islands	2	0	0	(†)	1	(†)	0
District of Columbia—all*	161	0	0	43	88	24	6

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

† Includes Virgin Islands.

‡ Less than \$500,000.

NOTE: Data may not add to totals because of rounding.

TABLE B-18.—*Number, total, and principal assets, liabilities, and capital accounts of national banks, by States, Dec. 31, 1964*

[Dollar amounts in millions]

State	Number of banks	ASSETS								
		Total assets	Cash assets\$	U.S. Government obligations, net Δ	State and local securities, net Δ	Other bonds, notes, net Δ	Loans and discounts, net Δ	Federal funds sold	Direct lease financing	Fixed assets
United States†.....	4, 773	\$190, 113	\$34, 066	\$33, 537	\$18, 592	\$2, 237	\$95, 577	\$821	\$81	\$2, 789
Alabama.....	80	2, 263	412	473	246	24	1, 047	13	0	35
Alaska.....	5	256	42	61	21	9	113	2	0	8
Arizona.....	4	1, 605	230	166	102	39	989	20	(†)	34
Arkansas.....	63	1, 060	226	176	128	19	489	1	(†)	16
California.....	90	26, 120	4, 068	3, 675	2, 227	214	15, 005	11	49	437
Colorado.....	115	2, 154	407	400	140	8	1, 121	17	1	44
Connecticut.....	27	1, 728	305	222	230	4	920	(†)	1	35
Delaware.....	5	24	3	6	(†)	1	12	0	0	1
District of Columbia.....	8	1, 305	252	324	66	3	626	3	0	21
Florida.....	187	4, 934	1, 132	1, 068	377	83	2, 097	15	(†)	127
Georgia.....	55	2, 429	548	338	151	17	1, 309	2	2	48
Hawaii.....	2	376	58	54	35	1	210	0	0	12
Idaho.....	9	661	97	129	53	8	358	(†)	0	12
Illinois.....	410	17, 909	2, 916	3, 536	1, 876	372	8, 671	59	4	125
Indiana.....	124	4, 290	820	973	333	67	1, 981	35	1	52
Iowa.....	101	1, 470	327	317	120	23	653	5	(†)	18
Kansas.....	169	1, 848	328	439	199	30	818	7	(†)	20
Kentucky.....	82	1, 505	335	315	136	23	670	0	(†)	19
Louisiana.....	47	2, 699	588	568	249	12	1, 206	22	1	32
Maine.....	22	444	70	77	38	3	242	3	0	9
Maryland.....	49	1, 846	332	369	152	24	923	12	0	21
Massachusetts.....	93	5, 260	999	866	317	14	2, 847	35	(†)	62
Michigan.....	96	7, 615	1, 183	1, 592	874	31	3, 739	40	4	86
Minnesota.....	193	4, 113	842	760	356	85	1, 975	0	2	61
Mississippi.....	31	583	108	112	66	4	276	(†)	0	13
Missouri.....	91	4, 088	981	664	384	30	1, 909	47	(†)	38
Montana.....	48	592	86	130	52	10	298	0	(†)	12
Nebraska.....	125	1, 640	358	295	136	28	793	(†)	(†)	20
Nevada.....	3	464	67	78	43	(†)	253	0	0	17
New Hampshire.....	50	432	72	70	24	1	248	8	0	8
New Jersey.....	146	6, 229	830	1, 174	839	121	3, 091	44	2	86
New Mexico.....	33	686	117	152	37	4	326	36	(†)	11
New York.....	203	19, 570	3, 408	2, 746	2, 257	161	10, 107	87	4	239
North Carolina.....	31	1, 764	382	253	146	34	896	8	0	30
North Dakota.....	41	521	64	124	56	12	248	1	(†)	11
Ohio.....	221	8, 697	1, 432	1, 790	881	91	4, 276	70	(†)	106
Oklahoma.....	222	3, 194	734	630	243	45	1, 465	9	1	51
Oregon.....	11	2, 530	425	413	198	57	1, 334	10	(†)	52
Pennsylvania.....	387	13, 626	2, 057	2, 384	2, 081	148	6, 609	53	6	173
Rhode Island.....	4	738	72	87	166	4	391	4	0	8
South Carolina.....	25	944	191	184	58	19	462	5	0	19
South Dakota.....	33	583	81	147	41	11	287	1	0	11
Tennessee.....	75	3, 645	770	658	332	32	1, 773	9	0	47
Texas.....	539	13, 992	3, 265	2, 341	1, 154	171	6, 551	67	(†)	306
Utah.....	12	661	125	57	68	6	391	1	0	10
Vermont.....	28	266	32	51	17	3	155	2	0	4
Virginia.....	123	3, 063	486	545	264	52	1, 616	35	(†)	50
Washington.....	28	3, 371	600	573	279	26	1, 773	10	0	59
West Virginia.....	79	980	164	293	75	10	409	10	0	15
Wisconsin.....	109	2, 891	560	576	242	39	1, 404	1	(†)	48
Wyoming.....	38	421	78	101	25	4	197	4	(†)	10
Virgin Islands.....	1	28	3	5	1	0	20	0	0	(†)
District of Columbia—all*.....	15	2, 310	423	547	99	9	1, 183	4	0	29

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

†Includes Virgin Islands.

‡Less than \$500,000.

\$Cash, balances with other banks, and cash items in process of collection.

ΔNet of valuation reserves.

NOTE: Data may not add to totals because of rounding.

TABLE B-18.—*Number, total, and principal assets, liabilities, and capital accounts of national banks, by States, Dec. 31 1964—Continued*

[Dollar amounts in millions]

State	LIABILITIES						
	Total liabilities	Total deposits	Demand deposits, total	Time and savings deposits, total	Demand deposits, IPC §	Time deposits, IPC §	Federal funds purchased
United States†.....	\$175,065	\$169,617	\$98,660	\$70,957	\$74,200	\$64,763	\$827
Alabama.....	2,077	2,038	1,314	724	992	694	0
Alaska.....	244	241	130	112	103	69	0
Arizona.....	1,476	1,437	763	674	587	649	0
Arkansas.....	977	966	662	304	480	292	0
California.....	24,325	23,459	10,728	12,732	8,776	11,180	55
Colorado.....	1,978	1,941	1,127	814	895	739	7
Connecticut.....	1,590	1,514	1,019	495	860	442	2
Delaware.....	21	21	10	10	10	10	0
District of Columbia.....	1,206	1,180	800	380	710	367	0
Florida.....	4,532	4,427	2,924	1,503	2,065	1,321	25
Georgia.....	2,203	2,140	1,556	584	1,100	527	0
Hawaii.....	343	337	185	152	125	120	0
Idaho.....	617	607	359	248	267	247	0
Illinois.....	16,514	16,118	9,161	6,958	6,734	6,539	104
Indiana.....	3,967	3,829	2,461	1,368	1,787	1,330	35
Iowa.....	1,357	1,346	930	417	644	408	0
Kansas.....	1,683	1,667	1,162	506	766	468	0
Kentucky.....	1,381	1,365	976	389	773	363	0
Louisiana.....	2,480	2,437	1,736	701	1,189	611	9
Maine.....	401	387	229	158	189	156	0
Maryland.....	1,694	1,652	1,065	588	834	542	2
Massachusetts.....	4,769	4,483	3,417	1,066	2,511	971	23
Michigan.....	7,117	6,950	3,434	3,516	2,674	3,124	0
Minnesota.....	3,796	3,720	2,219	1,501	1,503	1,432	10
Mississippi.....	536	528	361	167	248	161	(‡)
Missouri.....	3,739	3,650	2,597	1,053	1,714	981	32
Montana.....	551	538	299	239	235	226	0
Nebraska.....	1,503	1,469	1,074	395	740	387	(‡)
Nevada.....	428	418	242	177	176	166	1
New Hampshire.....	390	369	267	102	206	98	1
New Jersey.....	5,778	5,606	2,971	2,635	2,443	2,555	13
New Mexico.....	636	630	405	225	301	195	0
New York.....	17,950	16,856	9,457	7,399	6,993	6,664	187
North Carolina.....	1,618	1,568	1,058	509	818	401	0
North Dakota.....	484	475	254	221	213	212	0
Ohio.....	7,984	7,784	4,384	3,400	3,382	3,236	19
Oklahoma.....	2,894	2,852	1,992	860	1,446	817	9
Oregon.....	2,352	2,290	1,124	1,166	888	996	0
Pennsylvania.....	12,370	11,958	6,133	5,825	4,999	5,355	118
Rhode Island.....	685	646	255	391	208	360	20
South Carolina.....	870	837	699	138	560	123	0
South Dakota.....	541	531	293	238	235	215	0
Tennessee.....	3,381	3,293	2,028	1,265	1,308	1,150	17
Texas.....	12,867	12,539	8,417	4,122	5,900	3,518	128
Utah.....	607	596	312	284	221	263	2
Vermont.....	243	237	91	145	77	144	0
Virginia.....	2,811	2,738	1,540	1,198	1,207	1,120	4
Washington.....	3,116	3,034	1,769	1,265	1,390	1,257	6
West Virginia.....	887	871	526	346	398	344	0
Wisconsin.....	2,682	2,632	1,517	1,115	1,163	1,061	0
Wyoming.....	386	380	218	162	152	143	0
Virgin Islands.....	26	24	9	15	7	11	0
District of Columbia—all*..	2,143	2,090	1,391	699	1,252	680	6

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

†Includes Virgin Islands.

‡Less than \$500,000.

§IPC deposits are those of individuals, partnerships, and corporations.

NOTE: Data may not add to totals because of rounding.

TABLE B-18.—*Number, total, and principal assets, liabilities, and capital accounts of national banks, by States, Dec. 31, 1964—Continued*

[Dollar amounts in millions]

State	CAPITAL ACCOUNTS						
	Total capital accounts	Debentures	Preferred stock	Common stock	Surplus	Undivided profits	Reserves
United States†.....	\$15,048	\$475	\$28	\$4,286	\$7,207	\$2,657	\$393
Alabama.....	185	0	0	57	77	39	13
Alaska.....	13	(‡)	0	5	4	3	1
Arizona.....	130	26	0	28	56	16	3
Arkansas.....	83	1	0	26	36	19	2
California.....	1,795	142	0	475	812	357	10
Colorado.....	176	3	0	59	76	37	2
Connecticut.....	138	0	0	41	76	20	1
Delaware.....	2	0	0	1	1	(‡)	(‡)
District of Columbia.....	99	0	0	29	50	17	3
Florida.....	402	13	(‡)	150	178	50	11
Georgia.....	226	37	0	46	91	29	23
Hawaii.....	33	0	0	9	14	8	2
Idaho.....	45	0	0	14	23	5	2
Illinois.....	1,395	9	0	487	656	200	43
Indiana.....	323	0	0	83	170	62	8
Iowa.....	113	0	0	31	54	26	2
Kansas.....	165	0	1	49	74	38	3
Kentucky.....	124	0	0	30	63	27	3
Louisiana.....	219	(‡)	3	52	129	34	1
Maine.....	42	0	0	16	15	11	1
Maryland.....	152	2	0	37	77	31	6
Massachusetts.....	491	0	0	116	288	78	8
Michigan.....	499	31	3	132	234	88	11
Minnesota.....	317	0	0	89	149	73	5
Mississippi.....	47	0	0	12	33	1	(‡)
Missouri.....	350	25	0	98	152	68	7
Montana.....	42	0	0	15	16	10	(‡)
Nebraska.....	137	0	0	40	57	37	4
Nevada.....	35	0	0	17	15	4	(‡)
New Hampshire.....	42	0	0	8	22	10	2
New Jersey.....	452	16	(‡)	132	224	69	11
New Mexico.....	49	0	0	18	18	1	11
New York.....	1,620	60	20	432	714	288	107
North Carolina.....	146	15	0	37	74	19	1
North Dakota.....	36	0	0	12	15	8	1
Ohio.....	713	22	(‡)	202	367	118	4
Oklahoma.....	300	18	0	83	118	77	4
Oregon.....	178	0	0	59	66	53	(‡)
Pennsylvania.....	1,255	17	(‡)	293	727	204	15
Rhode Island.....	52	0	0	14	30	9	0
South Carolina.....	74	0	(‡)	18	42	13	1
South Dakota.....	42	(‡)	0	15	17	9	(‡)
Tennessee.....	264	(‡)	(‡)	73	141	43	7
Texas.....	1,125	36	0	395	494	167	32
Utah.....	53	0	0	15	30	6	2
Vermont.....	23	(‡)	1	7	9	5	1
Virginia.....	253	0	0	77	134	39	3
Washington.....	255	0	0	77	112	65	2
West Virginia.....	93	0	0	22	47	18	5
Wisconsin.....	209	1	0	51	111	38	8
Wyoming.....	35	1	0	6	18	9	1
Virgin Islands.....	2	0	0	(‡)	1	1	0
District of Columbia—all*..	167	0	0	44	91	26	6

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

†Includes Virgin Islands.

‡Less than \$500,000.

NOTE: Data may not add to totals because of rounding.

TABLE B-19.—Selected loans and discounts of national banks, by States, Dec. 31, 1964

[Dollar amounts in millions]

State	Loans secured by real estate	Loans to financial institutions	Loans to purchase or carry securities	Loans and discounts		Personal loans to individuals Δ	Other loans	Loans and discounts gross	Reserve	Loans and discounts net
				Loans to farmers	Commercial and industrial loans					
United States†.....	\$24, 065	\$7, 098	\$2, 878	\$3, 683	\$34, 164	\$22, 715	\$2, 975	\$97, 577	\$2, 000	\$95, 577
Alabama.....	171	68	23	40	363	360	51	1, 076	29	1, 047
Alaska.....	48	0	(‡)	(‡)	38	32	1	118	5	113
Arizona.....	266	59	10	162	270	226	5	998	9	989
Arkansas.....	108	18	6	53	159	146	5	496	7	489
California.....	5, 160	1, 185	189	503	4, 977	2, 921	336	15, 271	266	15, 005
Colorado.....	245	91	23	149	327	291	13	1, 139	18	1, 121
Connecticut.....	280	22	18	3	271	300	46	939	19	920
Delaware.....	5	0	0	1	2	4	(‡)	12	(‡)	12
District of Columbia.....	217	77	8	(‡)	196	118	21	637	11	626
Florida.....	438	121	63	41	750	688	31	2, 133	36	2, 097
Georgia.....	218	93	16	20	504	450	26	1, 327	17	1, 309
Hawaii.....	90	2	4	8	47	49	11	211	2	210
Idaho.....	131	12	7	54	74	84	3	366	7	358
Illinois.....	1, 388	1, 018	530	223	3, 943	1, 457	390	8, 948	277	8, 671
Indiana.....	601	141	75	49	507	579	65	2, 016	35	1, 981
Iowa.....	169	33	10	147	152	141	15	667	14	653
Kansas.....	118	60	8	190	258	190	6	829	11	818
Kentucky.....	172	47	11	45	189	200	17	681	11	670
Louisiana.....	175	96	57	23	541	302	30	1, 223	17	1, 206
Maine.....	76	9	3	9	74	72	4	246	4	242
Maryland.....	272	73	22	16	273	258	22	936	13	923
Massachusetts.....	411	282	36	5	1, 408	691	89	2, 921	74	2, 847
Michigan.....	1, 340	266	80	35	898	1, 067	122	3, 808	69	3, 739
Minnesota.....	508	188	68	110	677	398	50	2, 000	26	1, 975
Mississippi.....	54	8	6	14	94	89	17	283	6	276
Missouri.....	384	192	81	83	624	515	56	1, 935	27	1, 909
Montana.....	82	5	1	62	73	79	2	304	6	298
Nebraska.....	89	31	21	273	221	154	18	807	14	793
Nevada.....	90	7	(‡)	7	80	70	1	255	1	253
New Hampshire.....	59	10	2	4	85	85	7	252	4	248
New Jersey.....	1, 283	119	132	12	704	861	60	3, 170	79	3, 091
New Mexico.....	68	10	5	32	119	95	6	336	10	326
New York.....	2, 164	910	569	76	4, 409	1, 908	353	10, 387	280	10, 107
North Carolina.....	129	41	15	15	383	312	19	913	17	896
North Dakota.....	83	3	2	60	54	51	3	255	7	248
Ohio.....	1, 345	242	129	64	1, 085	1, 320	175	4, 360	85	4, 276
Oklahoma.....	244	94	26	128	602	334	59	1, 487	22	1, 465
Oregon.....	363	99	8	77	506	281	12	1, 346	12	1, 334
Pennsylvania.....	1, 956	336	141	99	2, 393	1, 529	297	6, 752	143	6, 609
Rhode Island.....	200	17	(‡)	(‡)	100	59	21	397	6	391
South Carolina.....	65	25	25	10	149	175	22	471	9	462
South Dakota.....	75	10	1	94	58	56	3	298	11	287
Tennessee.....	249	172	56	50	686	569	30	1, 811	38	1, 773
Texas.....	653	423	286	377	3, 126	1, 565	250	6, 680	129	6, 551
Utah.....	150	31	16	21	102	69	6	395	4	391
Vermont.....	73	1	1	8	28	44	2	157	2	155
Virginia.....	454	67	21	45	444	581	26	1, 638	23	1, 616
Washington.....	456	158	15	112	619	380	68	1, 809	35	1, 773
West Virginia.....	147	13	5	6	89	153	5	418	9	409
Wisconsin.....	469	108	44	33	377	314	98	1, 441	37	1, 404
Wyoming.....	63	2	2	38	55	40	1	200	3	197
Virgin Islands.....	15	0	0	0	3	2	(‡)	20	(‡)	20
District of Columbia—all*.....	363	164	18	(‡)	312	305	34	1, 197	13	1, 183

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

† Includes Virgin Islands.

‡ Less than \$500,000.

Δ Excludes business and farm loans.

NOTE: Data may not add to totals because of rounding.

TABLE B-20.—Selected U.S. Government obligations held by national banks, by States, Dec. 31, 1964

[Dollar amount in millions]

State	U.S. Government Obligations Δ							
	Treasury bills	Treasury notes	U.S. non-marketable bonds	Other U.S. bonds maturing within 1 year	Other U.S. bonds maturing 1-4.9 years	Other U.S. bonds maturing 5.0-9.9 years	U.S. bonds maturing after 10 years	Securities guaranteed by U.S. Government
United States†.....	\$6, 708	\$10, 043	\$150	\$991	\$7, 747	\$7, 318	\$512	\$89
Alabama.....	104	180	2	17	115	52	2	1
Alaska.....	18	7	2	2	12	19	1	0
Arizona.....	46	31	(†)	20	41	24	0	4
Arkansas.....	38	44	1	4	40	45	3	1
California.....	879	994	1	57	612	1, 078	43	13
Colorado.....	121	110	1	19	98	47	3	(†)
Connecticut.....	65	97	1	1	28	29	(†)	(†)
Delaware.....	1	1	(†)	(†)	2	2	0	0
District of Columbia.....	67	61	6	6	120	62	1	(†)
Florida.....	172	324	2	59	189	308	9	3
Georgia.....	90	102	1	16	90	37	1	0
Hawaii.....	3	22	0	(†)	25	4	0	0
Idaho.....	36	62	(†)	(†)	28	2	(†)	1
Illinois.....	685	901	15	113	900	846	71	5
Indiana.....	163	345	4	44	259	153	5	(†)
Iowa.....	63	94	2	8	96	53	1	(†)
Kansas.....	98	124	3	20	113	75	6	(†)
Kentucky.....	69	99	1	6	93	45	3	(†)
Louisiana.....	53	256	1	4	158	82	12	1
Maine.....	23	29	1	1	10	12	(†)	(†)
Maryland.....	62	153	2	13	83	53	2	0
Massachusetts.....	323	273	5	8	98	154	4	1
Michigan.....	230	429	7	98	480	278	64	7
Minnesota.....	103	181	3	13	204	246	8	1
Mississippi.....	12	33	1	4	35	26	1	(†)
Missouri.....	272	151	2	12	135	86	4	2
Montana.....	25	23	(†)	3	38	39	1	(†)
Nebraska.....	60	86	1	11	79	55	3	(†)
Nevada.....	12	10	(†)	15	15	26	0	0
New Hampshire.....	18	19	(†)	1	20	11	1	(†)
New Jersey.....	177	265	8	24	351	305	41	2
New Mexico.....	20	40	1	7	49	29	2	3
New York.....	596	976	6	46	437	638	37	11
North Carolina.....	65	78	1	2	54	52	1	0
North Dakota.....	12	25	1	2	39	45	1	(†)
Ohio.....	471	586	6	43	314	345	23	3
Oklahoma.....	114	192	3	15	178	120	8	(†)
Oregon.....	60	54	1	26	107	163	2	(†)
Pennsylvania.....	358	798	11	44	514	585	72	2
Rhode Island.....	25	2	(†)	0	45	14	1	0
South Carolina.....	27	38	3	22	59	33	(†)	(†)
South Dakota.....	29	40	1	4	37	36	1	(†)
Tennessee.....	102	253	2	20	190	87	4	1
Texas.....	387	699	8	57	571	548	46	24
Utah.....	6	35	(†)	(†)	5	11	0	(†)
Vermont.....	9	11	1	1	15	11	4	(†)
Virginia.....	126	183	4	10	139	81	3	(†)
Washington.....	28	216	2	57	173	90	7	(†)
West Virginia.....	44	72	2	8	87	72	7	1
Wisconsin.....	112	212	2	15	140	91	4	1
Wyoming.....	27	25	1	12	24	12	2	(†)
Virgin Islands.....	(†)	2	(†)	0	2	1	0	0
District of Columbia—all*.....	94	143	7	12	200	89	1	(†)

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

†Includes Virgin Islands.

‡Less than \$500,000.

Δ Each category is net of valuation reserves.

NOTE: Data may not add to totals because of rounding.

TABLE B-21.—*Bank trust assets and income by States*

State	Accounts where national banks* exercise investment responsibility				Trust Department Income in 1964		
	Number of banks having accounts	Employee benefit accounts (\$ millions)	Other trust accounts (\$ millions)	Total trust accounts (\$ millions)	National† banks (\$ thousands)	All insured commercial banks (\$ thousands)	National banks as a percent of total
United States.....	1,564	\$20,782	\$54,443	\$75,225	\$310,797	\$640,071	48.6
Alabama.....	28	113	681	794	2,906	3,076	94.5
Alaska.....	4	2	4	6	72	72	100.0
Arizona.....	2	16	361	378	2,052	2,512	81.7
Arkansas.....	24	9	215	224	656	759	86.4
California.....	16	1,458	4,819	6,277	42,015	58,510	71.8
Colorado.....	25	100	936	1,036	5,200	5,485	94.8
Connecticut.....	13	205	1,402	1,607	6,917	15,647	44.2
Delaware.....	1	0	(†)	(†)	0	6,897	0
District of Columbia.....	6	173	969	1,142	5,927	5,927	100.0
Florida.....	62	153	1,754	1,907	8,573	10,515	81.5
Georgia.....	22	119	770	889	4,618	7,815	59.1
Idaho.....	1	6	22	28	239	284	84.2
Illinois.....	131	3,670	5,143	8,813	36,209	56,642	63.9
Indiana.....	93	220	1,518	1,739	6,090	8,088	75.3
Iowa.....	37	33	256	288	1,640	2,791	58.8
Kansas.....	35	28	272	299	1,260	1,375	91.6
Kentucky.....	52	23	237	261	1,455	5,388	27.0
Louisiana.....	18	55	169	224	1,247	1,524	81.8
Maine.....	15	15	180	195	1,078	1,910	56.4
Maryland.....	10	55	375	431	2,324	3,712	62.6
Massachusetts.....	60	1,802	3,867	5,670	22,109	33,226	66.5
Michigan.....	28	2,114	1,561	3,675	9,656	17,566	55.0
Minnesota.....	19	474	1,235	1,709	8,354	8,478	98.5
Mississippi.....	16	2	53	57	245	793	30.9
Missouri.....	26	520	1,661	2,181	8,054	10,549	76.3
Montana.....	10	2	38	40	156	452	34.5
Nebraska.....	13	48	373	421	2,246	2,283	98.4
Nevada.....	2	4	79	83	794	891	80.9
New Hampshire.....	20	5	124	130	445	515	86.4
New Jersey.....	85	112	989	1,101	8,416	15,090	55.8
New Mexico.....	12	5	99	104	670	698	96.0
New York.....	84	3,365	4,870	8,234	29,195	201,025	14.5
North Carolina.....	18	102	497	599	2,462	6,890	35.7
North Dakota.....	6	5	36	41	363	364	99.7
Ohio.....	50	867	2,809	3,677	12,084	26,748	45.2
Oklahoma.....	32	119	397	516	2,311	2,378	99.7
Oregon.....	2	62	521	582	3,499	3,668	95.6
Pennsylvania.....	156	3,357	7,411	10,768	32,405	58,591	55.3
Rhode Island.....	2	68	261	328	1,605	5,052	31.8
South Carolina.....	11	62	291	353	1,257	1,418	88.6
South Dakota.....	9	8	43	50	359	402	89.3
Tennessee.....	26	75	1,554	1,629	3,496	4,299	81.3
Texas.....	125	719	2,695	3,414	14,692	15,851	92.7
Utah.....	2	47	88	135	683	1,613	42.3
Vermont.....	12	3	37	41	210	532	39.5
Virginia.....	57	109	1,143	1,252	5,000	7,009	71.3
Washington.....	10	118	908	1,026	5,368	5,908	90.9
West Virginia.....	31	11	240	251	1,034	1,885	54.9
Wisconsin.....	33	143	447	590	2,902	6,678	43.5
Wyoming.....	12	1	33	34	189	200	94.5

* National bank figures on trust assets include national and nonnational banks in the District of Columbia and the assets of some affiliates of national banks that submitted data to the Office of the Comptroller of the Currency.

† National bank trust income covers the same banks as the asset figures, including full-year trust income for banks converting to national status in 1964.

‡ Less than \$500,000.

TABLE B-22.—Common trust funds by States, 1963 and 1964*

State	Number of banks with common trust funds		Number of common trust funds		Number of account participations		Total assets of funds (\$ millions)		1963-64 increase in assets (percent)
	1963	1964	1963	1964	1963	1964	1963	1964	
Alabama.....	4	5	4	6	794	1,373	14.0	15.8	12.9
Alaska.....	0	0	0	0	0	0	0	0	0
Arizona.....	4	5	9	11	949	1,889	34.5	50.8	47.2
Arkansas.....	3	3	3	3	571	675	5.9	7.8	32.2
California.....	11	11	21	27	14,030	17,693	276.5	375.3	35.7
Colorado.....	11	11	18	22	4,385	5,315	106.8	134.7	26.1
Connecticut.....	10	10	15	15	3,804	4,070	108.7	126.1	16.0
Delaware.....	3	3	4	4	2,166	2,200	79.0	85.0	7.6
District of Columbia.....	4	4	6	6	2,061	2,227	54.9	68.5	24.8
Florida.....	14	15	22	24	2,258	2,715	37.8	52.5	38.9
Georgia.....	6	6	11	12	3,220	4,277	73.3	92.1	25.6
Hawaii.....	3	3	6	7	975	1,063	16.4	19.6	19.5
Idaho.....	1	1	1	1	27	71	.3	.7	133.3
Illinois.....	10	10	18	26	4,584	6,832	172.3	274.9	59.5
Indiana.....	9	9	9	9	1,571	1,676	24.8	29.3	18.1
Iowa.....	1	2	1	2	83	170	1.1	1.6	45.5
Kansas.....	2	3	4	6	264	375	3.5	6.2	77.1
Kentucky.....	5	6	8	8	1,856	1,906	21.1	28.8	36.5
Louisiana.....	1	1	1	1	122	171	2.0	2.7	35.0
Maine.....	6	6	12	12	1,800	2,200	38.5	51.3	33.2
Maryland.....	6	6	13	14	5,000	5,843	96.9	132.3	36.5
Massachusetts.....	19	19	35	36	9,650	10,877	349.1	435.3	24.7
Michigan.....	12	13	20	26	3,286	4,901	43.1	96.0	122.7
Minnesota.....	8	8	18	20	3,002	3,902	51.2	69.3	35.4
Mississippi.....	2	2	2	2	482	527	5.6	6.8	21.4
Missouri.....	9	9	19	21	7,405	8,815	178.8	225.2	26.0
Montana.....	2	2	4	4	336	426	3.3	4.9	48.5
Nebraska.....	3	3	5	5	723	858	16.3	20.1	23.3
Nevada.....	1	1	2	2	285	297	3.3	5.1	54.5
New Hampshire.....	4	4	5	7	217	361	8.8	12.9	46.6
New Jersey.....	13	13	25	25	6,219	7,052	73.5	87.8	19.5
New Mexico.....	2	2	3	3	696	795	9.9	13.5	36.4
New York.....	22	23	70	73	21,001	24,351	898.7	1,152.4	28.2
North Carolina.....	8	9	11	15	3,214	6,663	99.1	129.7	30.9
North Dakota.....	1	1	3	3	227	255	1.9	2.2	15.8
Ohio.....	21	22	41	43	5,812	7,300	162.6	207.5	27.6
Oklahoma.....	3	4	6	10	588	838	15.2	21.2	39.5
Oregon.....	4	4	7	10	3,197	3,956	60.8	74.2	22.0
Pennsylvania.....	57	63	98	105	49,746	53,114	985.0	1,154.2	17.2
Rhode Island.....	3	3	8	8	1,296	1,361	29.8	35.1	17.8
South Carolina.....	3	3	7	7	1,267	1,551	14.6	17.7	21.2
South Dakota.....	4	5	7	9	348	529	2.5	4.4	76.0
Tennessee.....	9	9	10	12	1,756	2,069	30.3	63.5	109.6
Texas.....	18	22	22	30	3,717	5,114	75.7	107.9	42.5
Utah.....	4	4	8	8	1,500	1,700	14.5	18.6	28.3
Vermont.....	6	6	9	9	578	625	6.2	7.2	16.1
Virginia.....	19	21	33	37	5,600	6,751	91.4	140.7	53.9
Washington.....	3	5	7	12	3,532	4,268	60.6	84.9	40.1
West Virginia.....	6	7	7	7	794	865	9.5	11.7	23.2
Wisconsin.....	11	12	16	23	4,340	5,080	70.2	88.2	25.6
Wyoming.....	0	0	0	0	0	0	0	0	0
Total United States.....	391	419	693	788	191,334	228,142	4,539.8	5,854.2	29.0

*These figures were derived from a survey of banks and trust companies operating common trust funds. Data are for the last valuation date in 1964 and 1963.

TABLE B-23.—Current operating revenue, expenses, and dividends of national banks, by major categories and States, year ended Dec. 31, 1964

[Dollar amounts in millions]

State	Number of banks§	Current operating revenue								
		Interest and dividends on securities		Interest and discount on loans	Service charges and other fees on bank loans	Service charges on deposit accounts	Other service charges, commissions, fees and collection and exchange charges	Trust department	Other current operating revenue	Total current operating revenue
		U.S. Government obligations	Other securities							
United States†.....	4, 773	\$1, 190	\$602	\$5, 232	\$94	\$441	\$133	\$290	\$165	\$8, 148
Alabama.....	80	16	8	63	1	7	2	3	1	101
Alaska.....	5	2	1	8	1	1	1	(¹)	(¹)	14
Arizona.....	4	6	3	60	2	6	2	2	1	82
Arkansas.....	63	6	4	28	(¹)	2	1	1	(¹)	43
California.....	90	134	78	867	25	94	19	42	29	1, 289
Colorado.....	115	15	4	66	1	7	2	5	1	102
Connecticut.....	27	8	6	55	1	6	1	7	1	84
Delaware.....	5	(¹)	(¹)	1	(¹)	(¹)	(¹)	0	(¹)	1
District of Columbia.....	8	12	2	34	1	3	1	2	1	55
Florida.....	187	39	14	120	3	15	3	9	3	205
Georgia.....	55	12	5	78	2	10	3	5	1	116
Hawaii.....	2	2	1	13	(¹)	1	(¹)	0	(¹)	18
Idaho.....	9	4	2	22	1	3	1	(¹)	(¹)	33
Illinois.....	410	126	68	424	5	21	10	36	13	703
Indiana.....	124	35	11	107	1	9	3	6	3	176
Iowa.....	101	11	4	37	(¹)	3	1	2	1	59
Kansas.....	169	16	7	45	(¹)	5	1	1	1	76
Kentucky.....	82	11	5	37	1	3	(¹)	1	1	59
Louisiana.....	47	20	7	64	1	6	2	1	2	103
Maine.....	22	3	1	15	(¹)	1	(¹)	1	(¹)	22
Maryland.....	49	13	5	51	2	4	1	2	1	79
Massachusetts.....	93	27	10	156	3	14	10	12	9	242
Michigan.....	96	56	26	195	2	13	5	10	5	311
Minnesota.....	193	28	12	109	1	9	6	8	2	177
Mississippi.....	31	4	2	16	(¹)	2	1	(¹)	(¹)	26
Missouri.....	91	20	8	74	1	4	1	5	2	115
Montana.....	48	9	2	17	(¹)	2	1	(¹)	2	29
Nebraska.....	125	10	4	45	(¹)	4	1	2	1	67
Nevada.....	3	3	1	16	1	1	(¹)	1	(¹)	24

See footnotes at end of table.

TABLE B-23.—*Current operating revenue, expenses, and dividends of national banks, by major categories and States, year ended Dec. 31, 1964—Continued*

[Dollar amounts in millions]

State	Number of banks §	Current operating revenue								
		Interest and dividends on securities		Interest and discount on loans	Service charges and other fees on bank loans	Service charges on deposit accounts	Other service charges, commissions, fees and collection and exchange charges	Trust department	Other current operating revenue	Total current operating revenue
		U.S. Government obligations	Other securities							
New Hampshire.....	50	3	1	15	(†)	2	(†)	(†)	(†)	22
New Jersey.....	146	41	27	169	3	17	3	8	4	272
New Mexico.....	33	6	1	21	(†)	2	1	1	1	33
New York.....	203	100	72	531	9	34	10	29	38	823
North Carolina.....	31	8	5	53	2	5	3	2	1	79
North Dakota.....	41	5	2	15	(†)	2	1	(†)	(†)	25
Ohio.....	221	63	28	229	3	18	4	12	5	362
Oklahoma.....	222	23	8	86	1	8	2	2	2	132
Oregon.....	11	13	6	81	1	10	1	3	2	118
Pennsylvania.....	387	85	63	339	4	18	6	28	9	554
Rhode Island.....	4	3	5	21	(†)	2	1	2	(†)	33
South Carolina.....	25	6	2	27	(†)	3	1	1	1	42
South Dakota.....	33	5	2	19	(†)	2	1	(†)	(†)	29
Tennessee.....	75	22	10	100	1	6	2	3	2	147
Texas.....	539	82	39	362	6	22	8	15	8	542
Utah.....	12	3	2	23	1	2	1	1	(†)	32
Vermont.....	28	2	1	9	(†)	1	(†)	(†)	(†)	13
Virginia.....	123	19	9	95	2	8	2	5	2	141
Washington.....	28	21	9	107	2	14	3	5	3	165
West Virginia.....	79	11	2	25	(†)	1	1	1	1	41
Wisconsin.....	109	22	8	70	1	5	2	3	3	112
Wyoming.....	38	3	1	13	(†)	1	1	(†)	(†)	19
Virgin Islands.....	1	(†)	(†)	1	(†)	(†)	(†)	0	(†)	2
District of Columbia—all*...	15	20	3	64	1	6	1	6	1	103

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

†Includes Virgin Islands.

‡Less than \$500,000.

§Number of banks as of end of year, but figures of income, expenses, etc., include banks which were in operation a part of the year but were inactive at the close of the year.

NOTE: Data may not add to totals because of rounding.

TABLE B-23.—Current operating revenue, expenses, and dividends of national banks, by major categories and States, year ended Dec. 31, 1964—Continued

[Dollar amounts in millions]

State	Current operating expenses												
	Salaries and wages				Officer and employee benefits (pensions, hospitalization, social security, insurance, etc.)	Fees paid to directors and members of executive, discount, and other committees	Interest on time and savings deposits	Interest and discount on borrowed money	Net occupancy expense of bank premises	Furniture and equipment (depreciation, rents, servicing, uncapitalized costs, etc.)	Other current operating expenses	Total current operating expenses	Net current operating earnings○
	Officers		Employees other than officers										
	Amount	Number§	Amount	Number△									
United States†.....	\$665	62, 775	\$1, 211	300, 976	\$266	\$33	\$2, 263	\$20	\$351	\$206	\$890	\$5, 905	\$2, 243
Alabama.....	9	873	15	4, 371	(†) 3	(†)	24	(†)	3	2	12	70	31
Alaska.....	2	114	3	534	(†)	(†)	3	(†)	1	1	2	11	3
Arizona.....	7	692	14	3, 517	3	(†)	23	(†)	4	3	9	63	19
Arkansas.....	5	494	6	1, 751	1	(†)	10	(†)	2	1	6	31	13
California.....	97	9, 579	207	46, 226	41	1	429	2	57	34	106	974	314
Colorado.....	10	971	15	3, 845	3	1	28	(†)	5	3	12	79	24
Connecticut.....	8	727	16	3, 938	4	(†)	15	(†)	5	3	10	63	22
Delaware.....	(†)	21	(†)	62	(†)	(†)	(†)	0	(†)	(†)	(†)	1	(†)
District of Columbia.....	5	358	8	1, 838	1	(†)	11	(†)	2	2	6	35	20
Florida.....	20	1, 922	35	9, 515	6	1	47	1	9	8	28	155	51
Georgia.....	11	1, 004	20	5, 490	5	1	18	(†)	7	4	18	84	32
Hawaii.....	2	134	3	627	1	(†)	5	0	1	1	2	13	5
Idaho.....	3	301	5	1, 420	1	(†)	8	(†)	1	1	3	22	11
Illinois.....	47	3, 870	92	20, 991	24	3	225	2	23	13	66	495	208
Indiana.....	17	1, 527	27	7, 113	6	1	38	(†)	8	5	24	126	50
Iowa.....	7	695	8	2, 269	2	(†)	13	(†)	3	2	8	43	16
Kansas.....	10	995	9	2, 545	2	1	16	(†)	3	2	8	51	26
Kentucky.....	6	681	8	2, 494	2	(†)	11	(†)	3	2	7	40	19
Louisiana.....	9	717	16	4, 079	3	1	21	(†)	5	3	15	72	31
Maine.....	2	231	4	1, 056	1	(†)	5	(†)	1	1	3	16	6

Maryland.....	6	639	13	3,587	3	(†)	18	(†)	4	2	10	57	22
Massachusetts.....	20	1,702	43	10,443	9	1	34	1	12	7	28	155	87
Michigan.....	17	1,390	47	12,080	11	1	111	1	13	7	33	240	71
Minnesota.....	16	1,535	25	6,540	6	1	48	(†)	8	5	20	129	48
Mississippi.....	2	254	4	1,007	1	(†)	5	(†)	1	1	4	18	8
Missouri.....	10	1,064	18	5,741	4	1	25	(†)	5	3	13	78	37
Montana.....	3	313	4	1,028	1	(†)	7	(†)	1	1	4	21	8
Nebraska.....	9	834	9	2,524	2	1	12	(†)	3	2	9	47	20
Nevada.....	2	252	4	920	1	(†)	5	0	2	1	2	17	7
New Hampshire.....	2	269	3	965	1	(†)	4	(†)	1	1	3	16	6
New Jersey.....	21	1,914	45	11,498	9	2	78	1	14	7	30	207	65
New Mexico.....	3	331	5	1,487	1	(†)	7	(†)	1	1	5	25	9
New York.....	50	4,110	120	25,765	32	2	256	1	40	16	83	602	222
North Carolina.....	8	797	13	3,780	3	(†)	15	(†)	4	3	10	56	23
North Dakota.....	3	281	3	882	1	(†)	7	(†)	1	1	3	18	7
Ohio.....	27	2,319	52	12,980	9	2	97	(†)	13	8	46	254	43
Oklahoma.....	15	1,573	17	4,581	4	1	29	(†)	5	3	15	89	29
Oregon.....	12	1,301	18	4,366	4	(†)	36	(†)	5	3	11	89	29
Pennsylvania.....	40	4,074	74	19,431	18	4	171	1	22	13	62	405	148
Rhode Island.....	2	184	4	1,188	2	(†)	14	(†)	1	1	3	27	6
South Carolina.....	5	532	9	2,562	2	(†)	3	(†)	2	2	6	28	14
South Dakota.....	3	352	4	1,010	1	(†)	8	(†)	1	1	3	21	9
Tennessee.....	11	1,111	20	5,401	4	(†)	44	(†)	6	4	16	106	41
Texas.....	51	4,895	64	16,895	14	3	137	5	23	13	71	381	160
Utah.....	2	228	4	1,080	1	(†)	10	(†)	1	1	3	22	10
Vermont.....	1	148	2	531	(†)	(†)	5	(†)	1	(†)	1	11	3
Virginia.....	13	1,360	20	5,717	4	1	37	(†)	5	4	17	101	40
Washington.....	15	1,470	29	6,693	5	(†)	41	(†)	8	5	16	120	45
West Virginia.....	4	410	5	1,481	1	(†)	10	(†)	1	1	5	27	14
Wisconsin.....	10	995	15	4,376	3	1	32	(†)	5	3	12	81	30
Wyoming.....	2	222	3	685	1	(†)	5	(†)	1	1	2	14	5
Virgin Islands.....	(†)	10	(†)	71	(†)	(†)	(†)	(†)	(†)	(†)	(†)	1	(†)
District of Columbia—all*.....	8	605	15	3,522	2	1	21	(†)	5	2	12	67	36

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

†Includes Virgin Islands.

‡Less than \$500,000.

\$Number at end of period. Excludes building officers.

△Number of employees at end of period. Excludes building employees.

○Total current operating revenue less total current operating expenses.

NOTE: Data may not add to totals because of rounding.

TABLE B-23.—Current operating revenue, expenses, and dividends of national banks, by major categories and states, year ended Dec. 31, 1964—Continued
 [Dollar amounts in millions]

State	Recoveries, transfers from valuation reserves, and profits §							Losses, chargeoffs, and transfers to valuation reserves Δ						
	On securities			On loans		All other	Total recoveries transfers from valuation reserves, and profits	On securities			On loans		All other	Total losses, chargeoffs, and transfers to valuation reserves
	Profits on securities sold or redeemed	Recoveries	Transfers from valuation reserves	Recoveries	Transfers from valuation reserves			Losses on securities sold	Chargeoffs on securities not sold	Transfers to valuation reserves	Losses and chargeoffs	Transfers to valuation reserves		
United States†.....	\$43	\$2	\$39	\$8	\$19	\$58	\$169	\$50	\$4	\$41	\$13	\$366	\$82	\$557
Alabama.....	1	(1)	(1)	(1)	(1)	(1)	2	(1)	(1)	(1)	(1)	5	1	7
Alaska.....	(1)	0	0	0	0	(1)	(1)	(1)	0	0	0	1	(1)	1
Arizona.....	1	0	(1)	0	0	(1)	1	(1)	0	(1)	0	4	(1)	4
Arkansas.....	(1)	(1)	(1)	(1)	(1)	(1)	1	(1)	(1)	(1)	(1)	2	1	3
California.....	4	(1)	3	(1)	(1)	2	10	(1)	(1)	11	(1)	52	17	87
Colorado.....	(1)	0	(1)	(1)	(1)	(1)	1	1	(1)	(1)	1	3	1	5
Connecticut.....	(1)	0	(1)	(1)	(1)	1	1	1	0	(1)	(1)	3	2	6
Delaware.....	(1)	0	0	(1)	0	(1)	(1)	0	(1)	0	(1)	0	(1)	(1)
District of Columbia.....	(1)	0	0	(1)	(1)	(1)	(1)	1	0	0	(1)	1	(1)	2
Florida.....	1	(1)	(1)	1	(1)	(1)	3	1	(1)	(1)	1	9	1	12
Georgia.....	(1)	(1)	(1)	(1)	(1)	3	3	1	(1)	(1)	(1)	3	1	5
Hawaii.....	(1)	0	0	0	0	1	1	(1)	0	0	0	(1)	(1)	1
Idaho.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0	(1)	1	(1)	2
Illinois.....	6	(1)	15	1	1	1	24	5	(1)	9	1	57	6	77
Indiana.....	1	(1)	2	1	(1)	1	4	1	(1)	2	(1)	6	3	13
Iowa.....	(1)	(1)	(1)	(1)	(1)	1	2	(1)	(1)	(1)	(1)	2	1	3
Kansas.....	(1)	(1)	(1)	(1)	(1)	(1)	1	(1)	(1)	(1)	1	2	1	4
Kentucky.....	(1)	(1)	(1)	(1)	(1)	(1)	1	(1)	(1)	(1)	(1)	2	1	3
Louisiana.....	2	(1)	(1)	(1)	(1)	(1)	3	(1)	(1)	1	(1)	3	1	6
Maine.....	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	1	(1)	1

Maryland.....	(†) 4	(†)	(†) 9	(†)	(†) 1	7	7	(†) 2	(†)	(†) 1	(†) 1	3	1	3
Massachusetts.....	(†) 1	(†)	(†)	(†)	(†) 3	8	22	(†) 2	(†)	(†) 1	(†)	15	9	27
Michigan.....	(†) 1	(†)	(†)	(†)	(†) 1	5	4	(†) 1	(†)	(†) 1	(†)	15	4	21
Minnesota.....	(†) 1	(†)	(†)	(†)	(†) 1	2	(†) 4	(†) 1	(†)	(†) 1	(†)	4	1	6
Mississippi.....	(†) 1	(†)	(†) 1	(†)	(†) 1	(†) 1	(†) 4	(†) 1	(†)	(†) 1	(†)	1	(†) 1	2
Missouri.....	(†) 1	(†)	(†)	(†)	(†) 1	(†) 1	1	(†) 1	(†)	(†) 1	(†)	3	1	6
Montana.....	(†) 1	(†)	(†)	(†)	(†) 1	(†) 1	2	(†) 1	(†)	(†) 1	(†)	1	(†) 1	2
Nebraska.....	(†) 1	(†)	(†)	(†)	(†) 1	(†) 1	(†) 2	(†) 1	(†)	(†) 1	(†)	2	1	4
Nevada.....	(†) 1	(†) 0	(†)	(†) 0	(†) 0	(†) 0	(†) 1	(†) 0	(†) 1	(†) 0	(†) 1	1	1	2
New Hampshire.....	(†) 1	(†)	(†) 0	(†)	(†) 1	(†) 1	1	(†) 1	(†)	(†) 1	(†)	1	(†) 1	1
New Jersey.....	(†) 2	(†)	(†)	(†)	(†) 1	(†) 1	4	(†) 1	(†)	(†) 1	(†)	16	2	20
New Mexico.....	(†) 2	(†)	(†)	(†)	(†) 3	(†) 5	11	(†) 6	(†)	(†) 1	(†)	3	(†) 5	3
New York.....	(†) 2	(†)	(†)	(†)	(†) 3	(†) 5	2	(†) 6	(†)	(†) 1	(†)	42	1	55
North Carolina.....	(†) 1	(†)	(†)	(†)	(†) 1	(†) 1	(†) 4	(†) 3	(†)	(†) 1	(†)	3	1	4
North Dakota.....	(†) 1	(†)	(†) 1	(†)	(†) 1	(†) 1	2	(†) 3	(†)	(†) 1	(†)	11	(†) 2	1
Ohio.....	(†) 1	(†)	(†)	(†)	(†) 1	(†) 2	4	(†) 3	(†)	(†) 1	(†)	7	1	17
Oklahoma.....	(†) 1	(†)	(†) 1	(†) 1	(†) 0	(†) 1	2	(†) 2	(†) 0	(†) 1	(†) 2	3	1	10
Oregon.....	(†) 1	(†) 0	(†) 1	(†)	(†) 0	(†) 1	2	(†) 2	(†) 0	(†) 1	(†)	7	1	8
Pennsylvania.....	(†) 2	(†)	(†) 1	(†)	(†) 1	(†) 3	8	(†) 6	(†) 0	(†) 2	(†) 1	23	4	36
Rhode Island.....	(†) 2	(†) 0	(†)	(†)	(†) 1	(†)	(†)	(†)	(†) 0	(†) 1	(†)	1	(†) 1	1
South Carolina.....	(†) 1	(†)	(†)	(†)	(†) 0	(†)	(†)	(†)	(†) 0	(†) 0	(†)	2	1	2
South Dakota.....	(†) 1	(†)	(†) 0	(†)	(†) 0	(†)	(†)	(†)	(†) 0	(†) 1	(†)	1	(†) 3	1
Tennessee.....	(†) 2	(†)	(†)	(†)	(†) 3	(†) 6	6	(†) 1	(†)	(†) 7	(†) 3	7	3	12
Texas.....	(†) 2	(†)	(†) 1	(†) 1	(†) 1	(†) 6	12	(†) 3	(†) 0	(†) 7	(†) 3	25	5	43
Utah.....	(†) 1	(†) 0	(†) 0	(†)	(†) 1	(†) 1	(†)	(†)	(†) 0	(†) 0	(†)	(†)	(†)	1
Vermont.....	(†) 1	(†) 0	(†) 0	(†)	(†) 1	(†) 1	2	(†) 1	(†)	(†) 1	(†)	5	1	1
Virginia.....	(†) 1	(†)	(†) 1	(†)	(†) 1	(†) 1	3	(†) 1	(†)	(†) 1	(†)	5	1	8
Washington.....	(†) 1	(†)	(†)	(†)	(†) 1	(†) 1	1	(†) 1	(†)	(†) 1	(†)	5	1	7
West Virginia.....	(†) 1	(†)	(†)	(†)	(†) 1	(†) 2	3	(†) 1	(†)	(†) 1	(†)	5	(†)	2
Wisconsin.....	(†) 1	(†)	(†)	(†)	(†) 1	(†) 2	(†) 3	(†) 1	(†)	(†)	(†)	5	(†)	6
Wyoming.....	(†) 0	(†)	(†) 0	(†) 0	(†) 0	(†) 0	(†)	(†) 0	(†)	(†) 0	(†)	1	(†)	1
Virgin Islands.....	(†) 0	(†)	(†)	(†)	(†) 0	(†) 0	(†)	(†) 0	(†)	(†) 0	(†)	(†)	(†)	(†)
District of Columbia— all*.....	(†)	(†)	0	(†)	(†)	(†)	(†)	1	0	(†)	(†)	1	1	3

*Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
†Includes Virgin Islands.
‡Less than \$500,000.

§Not Including recoveries credited to valuation reserves.
ΔNot including losses charged to valuation reserves.
NOTE: Data may not add to totals because of rounding.

TABLE B-23.—Current operating revenue, expenses, and dividends of national banks, by major categories and states, year ended Dec. 31, 1964—Continued

[Dollar amounts in millions]

State	Net income before related taxes	Taxes on net income		Net income before dividends	Cash dividends declared				Capital accounts\$	Ratios		Memoranda items			
		Federal	State		On common stock	On preferred stock	Total cash dividends declared	Net income after dividends		Net income before dividends to capital accounts (percent)	Total current operating expenses to total current operating revenue (percent)	Recoveries credited to valuation reserves (not included in recoveries, p. 226)		Losses charged to valuation reserves (not included in losses, p. 226)	
												On securities	On loans	On securities	On loans
United States†.....	\$1,855	\$580	\$51	\$1,213Δ	\$591	\$1	\$593	\$620	\$14,298	8.48	72.47	\$3	\$106	\$32	\$226
Alabama.....	25	8	1	16	7	0	7	9	179	8.94	69.31	0	1	(†)	4
Alaska.....	2	1	(†)	1	(†)	0	(†)	1	13	7.69	78.57	0	(†)	0	1
Arizona.....	16	6	(†)	9	5	0	5	4	110	8.18	76.83	0	1	0	3
Arkansas.....	11	3	0	8	2	0	2	5	79	10.13	72.09	0	(†)	(†)	1
California.....	237	69	22	142	92	0	92	50	1,679	8.52	75.56	(†)	9	19	35
Colorado.....	20	7	1	12	6	0	6	6	169	7.10	77.45	(†)	2	0	3
Connecticut.....	16	5	1	11	6	0	6	5	132	8.33	75.00	0	1	(†)	0
Delaware.....	(†)	(†)	(†)	(†)	(†)	0	(†)	(†)	2	4.65	87.45	0	(†)	0	0
Dist. of Col.....	18	8	0	10	5	0	5	5	96	10.42	63.64	0	2	0	1
Florida.....	41	14	0	27	11	(†)	11	16	377	7.16	75.61	(†)	2	(†)	10
Georgia.....	30	10	0	19	7	0	7	12	202	9.41	72.41	(†)	2	(†)	4
Hawaii.....	5	1	(†)	3	1	0	1	2	32	9.37	72.22	0	(†)	0	(†)
Idaho.....	9	3	1	5	2	0	2	3	44	11.36	66.67	0	1	0	0
Illinois.....	155	47	0	108	50	0	50	58	1,356	7.96	70.41	2	17	2	22
Indiana.....	41	16	0	25	10	0	10	15	315	7.94	71.59	(†)	3	(†)	5
Iowa.....	15	5	0	10	4	0	4	6	110	9.09	72.88	(†)	1	(†)	1
Kansas.....	23	7	1	15	5	(†)	5	10	160	9.37	67.10	(†)	(†)	(†)	2
Kentucky.....	17	5	0	11	4	0	4	7	121	9.09	67.80	(†)	1	1	1
Louisiana.....	28	11	0	17	6	(†)	7	11	211	8.06	69.90	0	1	(†)	2
Maine.....	5	2	0	3	1	0	1	2	41	7.32	72.73	(†)	(†)	(†)	1
Maryland.....	27	8	0	19	6	0	6	13	143	13.29	72.15	0	2	(†)	1

Massachusetts.....	81	28	6	48	23	0	23	25	475	10.11	64.05	(†)	3	1	9
Michigan.....	55	15	0	39	18	(†)	18	21	461	8.68	77.17	(†)	5	1	8
Minnesota.....	46	15	3	28	13	0	13	15	308	9.09	72.88	0	2	0	4
Mississippi.....	7	2	0	5	2	0	2	3	45	11.11	69.23	0	1	0	1
Missouri.....	35	13	1	21	8	0	8	13	276	7.61	67.83	0	1	(†)	1
Montana.....	7	2	0	5	2	0	2	2	41	12.20	72.41	(†)	(†)	(†)	1
Nebraska.....	18	7	0	11	5	0	5	6	133	8.27	70.15	(†)	1	(†)	2
Nevada.....	6	2	0	4	2	0	2	1	33	12.12	70.83	0	(†)	0	1
New Hampshire.....	5	2	0	3	1	0	1	2	41	7.32	72.73	0	(†)	0	1
New Jersey.....	49	12	0	37	17	(†)	17	19	427	8.67	76.10	(†)	2	(†)	6
New Mexico.....	6	2	0	4	2	0	2	2	48	8.33	75.76	(†)	(†)	(†)	2
New York.....	177	42	8	125	63	1	64	61	1,540	8.12	73.15	(†)	18	2	32
North Carolina.....	21	7	(†)	13	6	0	6	7	137	9.49	70.89	(†)	(†)	(†)	1
North Dakota.....	5	2	(†)	4	2	0	2	2	35	11.43	72.00	0	(†)	0	(†)
Ohio.....	95	34	0	61	26	(†)	26	35	675	9.04	70.17	(†)	4	1	6
Oklahoma.....	37	13	1	23	12	0	12	11	288	7.64	67.42	0	2	0	5
Oregon.....	23	7	2	14	8	0	8	6	174	8.05	75.42	0	1	(†)	2
Pennsylvania.....	121	26	0	94	49	0	49	44	1,185	7.85	73.10	(†)	6	3	12
Rhode Island.....	5	(†)	(†)	4	3	0	3	2	51	7.84	81.82	0	(†)	0	(†)
South Carolina.....	12	5	(†)	7	3	(†)	3	4	72	9.72	66.67	(†)	(†)	0	(†)
South Dakota.....	8	3	(†)	5	2	0	2	3	40	12.50	72.41	0	(†)	(†)	1
Tennessee.....	35	12	0	23	9	0	9	14	255	9.02	72.11	0	1	(†)	4
Texas.....	130	46	0	84	45	0	45	39	1,090	7.71	70.30	(†)	7	2	21
Utah.....	10	4	(†)	6	3	0	3	3	52	11.54	68.75	0	(†)	0	(†)
Vermont.....	2	1	(†)	2	1	(†)	1	1	23	8.70	84.62	0	(†)	0	(†)
Virginia.....	34	13	0	21	10	0	10	11	246	8.54	71.63	(†)	1	1	3
Washington.....	41	16	0	25	11	0	11	14	248	10.08	72.73	0	1	0	2
West Virginia.....	13	5	0	8	3	0	3	5	91	8.79	65.85	0	(†)	(†)	1
Wisconsin.....	27	8	1	18	8	0	8	9	201	8.96	72.32	0	1	0	2
Wyoming.....	4	2	0	2	1	0	1	1	33	6.06	73.68	0	(†)	0	(†)
Virgin Islands.....	(†)	(†)	0	(†)	0	0	0	(†)	2	14.04	72.01	0	(†)	0	(†)
District of Columbia— all*.....	33	15	0	18	8	0	8	9	161	11.18	65.05	0	2	0	1

* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.

† Includes Virgin Islands.

‡ Less than \$500,000.

§ This includes the aggregate book value of capital stock, undivided profits, reserves, and preferred stock retirement fund. These are averages of data from the

Reports of Condition of the previous December and the current June and December of the respective year.

Δ This figure is after deduction of \$10 million, interest paid on capital notes and debentures.

NOTE: Data may not add to totals because of rounding.

TABLE B-24.—*Current operating revenue, expenses, and dividends of national banks in the United States and possessions operating throughout calendar 1964, by size of deposits, December 1964*

[Dollar amounts in millions]

Item	Banks operating throughout entire year with deposits in December 1964, of—								
	Less than \$2.0	\$2.1 to \$5.0	\$5.1 to \$10.0	\$10.1 to \$25.0	\$25.1 to \$50.1	\$50.1 to \$100.0	\$100.1 to \$500.0	Over \$500.1	Total
Number of banks.....	393	1, 253	1, 169	1, 012	336	180	176	50	4, 569
Total deposits.....	\$562	\$4, 310	\$8, 355	\$15, 853	\$11, 671	\$12, 482	\$37, 598	\$76, 272	\$167, 104
Capital stock (par value).....	25	139	207	391	295	322	943	1, 864	4, 185
Capital accounts.....	82	489	785	1, 386	966	1, 044	3, 165	6, 769	14, 688
Current operating revenue:									
Interest and dividends on—									
U.S. Government obligations.....	7	47	86	149	106	112	254	420	1, 181
Other securities.....	1	13	31	62	44	45	119	283	598
Interest and discount on loans.....	18	136	258	498	357	368	1, 144	2, 423	5, 201
Service charges and other fees on banks' loans.....	(\dagger)	1	2	7	5	5	21	50	93
Service charges on deposit accounts.....	2	13	27	55	38	35	96	172	438
Other service charges, commissions, fees, and collection and exchange charges.....	1	4	7	13	9	9	29	60	132
Trust department.....	(\dagger)	(\dagger)	1	8	15	18	76	170	.....
Other current operating revenue.....	(\dagger)	2	4	10	9	9	30	100	165
Total current operating revenue.....	29	217	417	801	584	601	1, 770	3, 678	8, 097
Current operating expenses:									
Salaries and wages: ¹									
Officers.....	6	35	53	84	56	53	140	231	658
Employees other than officers.....	3	26	52	111	87	88	285	550	1, 202
Number of officers.....	1, 111	4, 645	6, 262	8, 505	5, 237	4, 604	11, 781	19, 456	61, 601
Number of employees other than officers.....	1, 100	7, 973	15, 386	31, 295	24, 057	23, 118	71, 797	121, 039	295, 765
Officer and employee benefits—pensions, hospitalization, social security, insurance, etc.....	1	5	11	23	18	18	60	128	264
Fees paid to directors and members of executive, discount, and other committees.....	1	4	6	8	4	3	5	3	33
Interest on time and savings deposits.....	5	52	111	217	159	165	437	1, 103	2, 250
Interest and discount on borrowed money.....	(\dagger)	(\dagger)	(\dagger)	1	1	1	5	11	19
Net occupancy expense of bank premises.....	1	10	18	36	28	27	76	151	347
Furniture and equipment—depreciation, rents, servicing, uncapitalized costs, etc.....	1	6	10	21	15	17	52	83	204
Other current operating expenses.....	4	28	49	98	71	72	209	348	879
Total current operating expenses.....	22	165	310	597	439	445	1, 269	2, 609	5, 856
Net current operating earnings.....	7	52	107	204	145	156	501	1, 069	2, 240
Recoveries, transfers from valuation reserves, and profits:									
On securities:									
Profits on securities sold or redeemed.....	(\dagger)	1	3	5	4	3	9	19	43
Recoveries.....	(\dagger)	(\dagger)	(\dagger)	1	(\dagger)	(\dagger)	(\dagger)	(\dagger)	2
Transfers from valuation reserves.....	(\dagger)	(\dagger)	(\dagger)	1	1	1	3	32	39

On loans:									
Recoveries.....	(+) 1	(+) 2	2	1	1	(+) 2	(+) 4	(+) 11	8
Transfers from valuation reserves.....	(+) 1	(+) 1	1	1	1	2	15	29	19
All other.....	(+) 2		2	4	2	3			56
Total recoveries, transfers from valuation reserves, and profits.....	1	4	7	14	9	9	31	92	167
Losses, chargeoffs, and transfers to valuation reserves:									
On securities:									
Losses on securities sold.....	(+) 1	1	2	3	3	3	9	28	49
Chargeoffs on securities not sold.....	(+) 1	(+) 1	1	1	(+) 1	(+) 1	(+) 5	(+) 32	4
Transfers to valuation reserves.....	(+) 1	(+) 1	(+) 1	2	(+) 1	(+) 1	(+) 5	(+) 32	41
On loans:									
Losses and chargeoffs.....	1	4	4	3	1	(+) 24	(+) 79	(+) 182	13
Transfers to valuation reserves.....	1	6	14	32	24	24	79	182	362
All other.....	(+) 1	1	4	6	4	6	14	46	81
Total losses, chargeoffs, and transfers to valuation reserves.....	2	12	25	47	34	34	108	289	551
Net income before related taxes.....	6	43	90	171	120	131	424	872	1,856
Taxes on net income:									
Federal.....	1	11	24	50	39	43	145	264	578
State.....	(+) 1	1	2	3	2	2	8	35	51
Total taxes on net income.....	1	12	26	53	41	45	153	299	629
Net income before dividends ¹	4	32	64	119	79	86	268	565	1,216
On common stock.....	2	12	23	45	33	36	128	310	590
On preferred stock.....	0	(+) 1	(+) 1	(+) 1	(+) 1	(+) 1	(+) 1	1	1
Total cash dividends declared.....	2	12	23	45	33	36	128	311	591
Net income after dividends.....	3	19	40	74	46	50	140	254	625
Average per bank:									
Gross current operating revenue.....	(+) 1	(+) 1	(+) 1	1	2	3	10	74	2
Current operating expenses.....	(+) 1	(+) 1	(+) 1	1	1	2	7	52	1
Net current operating earnings.....	(+) 1	(+) 1	(+) 1	(+) 1	(+) 1	1	3	21	(+) 1
Net income before dividends.....	(+) 1	(+) 1	(+) 1	(+) 1	(+) 1	(+) 1	2	11	(+) 1
Per \$100 of deposits:									
Net current operating earnings.....	1.21	1.21	1.28	1.29	1.24	1.25	1.33	1.40	1.34
Net income before dividends.....	.75	.74	.76	.75	.68	.69	.71	.74	.73
Per \$100 of capital accounts:									
Net current operating earnings.....	8.32	10.62	13.60	14.72	14.99	14.91	15.83	15.79	15.25
Net income before dividends.....	5.18	6.49	8.09	8.56	8.17	8.21	8.47	8.35	8.28
Cash dividends.....	2.05	2.51	2.97	3.23	3.42	3.47	4.06	4.59	4.02

¹ Excludes building employees.

² Number at end of year.

³ After deduction of interest paid on capital notes and debentures.

† Less than \$500,000.

NOTE: The deposits, capital stock, and capital accounts shown in this table are as of December. Capital accounts represents the aggregate book value of capital stock, surplus, undivided profits, reserves, and retirement fund for preferred stock.

TABLE B-25.—*Current operating revenue, expenses, and dividends of national banks, years ended Dec. 31, 1963 and 1964*

[Dollar amounts in thousands]

	1963		1964	
Number of banks ¹	4, 615		4, 773	
Capital stock, par value ²	\$3, 886, 042		\$4, 163, 070	
Capital accounts ²	\$13, 102, 085		\$14, 297, 834	
	Amount	Percent distribution	Amount	Percent distribution
Current operating revenue:				
Interest and dividends on:				
U.S. Government obligations.....	\$1, 171, 285	16. 04	\$1, 189, 736	14. 60
Other securities.....	504, 854	6. 91	601, 677	7. 38
Interest and discount on loans.....	4, 621, 556	63. 29	5, 232, 386	64. 22
Service charges and other fees on banks' loans.....	83, 090	1. 14	93, 734	1. 15
Service charges on deposit accounts.....	408, 787	5. 60	441, 409	5. 42
Other service charges, commissions, fees, and collection and exchange charges.....	113, 394	1. 55	133, 259	1. 64
Trust department.....	260, 970	3. 57	290, 331	3. 56
Other current operating revenue.....	138, 535	1. 90	165, 166	2. 03
Total current operating revenue.....	7, 302, 471	100. 00	8, 147, 698	100. 00
Current operating expenses:				
Salaries and wages:				
Officers.....	607, 954	11. 63	664, 841	11. 26
Employees other than officers.....	1, 131, 033	21. 63	1, 210, 766	20. 50
Number of officers ¹	58, 238		62, 775	
Number of employees other than officers ¹	287, 498		300, 976	
Officer and employee benefits—pensions, hospitalization, social security, insurance, etc.....	242, 598	4. 64	266, 022	4. 51
Fees paid to directors and members of executive, discount, and other committees.....	31, 014	. 59	33, 447	. 57
Interest on time and savings deposits.....	1, 917, 349	36. 67	2, 262, 724	38. 32
Interest and discount on borrowed money.....	19, 576	. 37	19, 526	. 33
Net occupancy expense of bank premises.....	313, 563	6. 00	350, 823	5. 94
Furniture and equipment—depreciation, rents, servicing, uncappedalized costs, etc.....	173, 699	3. 32	206, 210	3. 49
Other current operating expenses.....	791, 979	15. 15	890, 354	15. 08
Total current operating expenses.....	5, 228, 765	100. 00	5, 904, 713	100. 00
Net current operating earnings.....	* 2, 073, 706		2, 242, 985	
Recoveries, transfers from valuation reserves, and profits:				
On securities:				
Profits on securities sold or redeemed.....	88, 053	29. 98	43, 318	25. 69
Recoveries.....	2, 340	. 77	1, 564	. 93
Transfers from valuation reserves.....	44, 764	14. 74	39, 214	23. 25
On loans:				
Recoveries.....	8, 062	2. 65	7, 640	4. 53
Transfers from valuation reserves.....	105, 038	34. 58	19, 288	11. 44
All other.....	55, 537	18. 28	57, 599	34. 16
Total recoveries, transfers from valuation reserves, and profits....	303, 794	100. 00	168, 623	100. 00

See footnotes at end of table.

TABLE B-25.—*Current operating revenue, expenses, and dividends of national banks, years ended Dec. 31, 1963 and 1964—Continued*

[Dollar amounts in thousands]

	1963		1964	
	Amount	Percent distribution	Amount	Percent distribution
Losses, chargeoffs, and transfers to valuation reserves:				
On securities:				
Losses on securities sold	\$27,750	5.74	\$49,738	8.93
Chargeoffs on securities not sold	6,306	1.30	4,442	.80
Transfers to valuation reserves	39,259	8.12	41,340	7.42
On loans:				
Losses and chargeoffs	12,527	2.59	13,465	2.42
Transfers to valuation reserves	329,596	68.16	365,585	65.64
All other	68,119	14.09	82,370	14.79
Total losses, chargeoffs, and transfers to valuation reserves	483,557	100.00	556,940	100.00
Net income before related taxes	1,893,943		1,854,668	
Taxes on net income:				
Federal	637,099		579,742	
State	50,927		51,430	
Total taxes on net income	688,026		631,172	
Net income before dividends	1,205,917		1,213,284 ^a	
Cash dividends declared:				
On common stock	547,060		591,491	
On preferred stock	1,126		1,319	
Total cash dividends declared	548,186		592,810	
Net income after dividends	657,731		620,474	
Occupancy expense of bank premises:				
Salaries and wages:				
Officers	1,186	.29	1,485	.33
Employees other than officers	50,048	12.22	52,831	11.71
Number of officers ¹	152		166	
Number of employees other than officers ¹	16,814		16,978	
Building officer and employee benefits	5,998	1.47	6,268	1.39
Recurring depreciation on bank premises and leasehold improvements	75,058	18.33	81,760	18.12
Maintenance, repairs, and uncapitalized alteration costs of bank premises and leasehold improvements	51,333	12.54	56,140	12.44
Insurance, utilities (heat, light, and water), etc.	68,435	16.71	74,593	16.53
Rents paid on bank premises	94,717	23.13	110,149	24.42
Taxes on bank premises and leasehold improvements	62,682	15.31	67,963	15.06
Gross occupancy expense	409,457	100.00	451,189	100.00
Less:				
Rental income from bank premises	92,204	22.52	96,468	21.38
Other credits	3,690	.90	3,898	.86
Total	95,894	23.42	100,366	22.24
Net occupancy expense	313,563	76.58	350,823	77.76

See footnotes at end of table.

TABLE B-25.—*Current operating revenue, expenses, and dividends of national banks, years ended Dec. 31, 1963 and 1964—Continued*

[Dollar amounts in thousands]

	1963		1964	
	Amount	Percent distribution	Amount	Percent distribution
Memoranda items:				
Recoveries credited to valuation reserves (not included in recoveries above):				
On securities.....	\$5,306		\$2,553	
On loans.....	60,402		105,995	
Losses charged to valuation reserves (not included in losses above):				
On securities.....	11,867		32,320	
On loans.....	177,661		225,854	
Stock dividends (increases in capital stock).....	126,085		153,497	
Ratios to current operating revenue:				
Salaries, wages, and fees ¹		24.24		23.43
Interest on time and savings deposits.....		26.25		27.77
All other current expenses.....		21.11		21.27
Total current expenses.....		71.60		72.47
Net current earnings.....		28.40		27.53
Ratio of cash dividends to capital stock (par value).....		14.11		14.24
Ratio of cash dividends to capital accounts.....		4.18		4.15

¹ Number at end of period. Remaining figures include earnings, expenses, etc., of banks which were in operation a part of the year but were inactive at the close of the year.

² Figures are averages of amounts reported for the June and December call dates in the year indicated and the December call date in the previous year.

³ After deduction of \$10.2 million, interest paid on capital notes and debentures.

⁴ Exclusive of building employees.

NOTE: Earnings and dividends figures for 1869 to 1937 were published for the years ended Aug. 31 or June 30 and appear in the table beginning on p. 96 of the Comptroller's Annual Report for 1937. Similar figures for 1938 through 1941 appear in table 26 on p. 136 of the 1941 report. Calendar year figures are available, beginning with the year 1917 and are published in the Comptroller's reports as follows: 1938, p. 100; 1940, p. 17; 1942, p. 34; 1943, p. 30; 1946, p. 98; 1949, p. 100; 1951, p. 118; 1954, p. 142; 1957, p. 152; and 1960, p. 217.

* Revised from 1963 Annual Report.

TABLE B-26.—*Number of national banks, capital stock and accounts, net profits, dividends, and ratios to capital accounts, years ended Dec. 31, 1944-64*

[Dollari amounts in thousands. For earlier data, see Annual Reports of the Comptroller of the Currency, 1938, p. 115, and 1963, p. 306]

Year	Number of banks	Capital stock (par value) ¹			Total capital accounts ¹	Net profits before dividends	Cash dividends		Ratios				
		Preferred	Common	Total			On preferred stock	On common stock	Cash dividends on preferred stock to preferred capital	Cash dividends on common stock to common capital	Total cash dividends to capital accounts	Net profits before dividends	
												To capital stock	To capital accounts
									Percent	Percent	Percent	Percent	Percent
1944.....	5,031	110,597	\$1,440,519	\$1,551,116	\$4,114,972	\$411,844	\$5,296	\$139,012	4.79	9.65	3.51	26.55	10.01
1945.....	5,023	80,672	1,536,212	1,616,884	4,467,718	490,133	4,131	151,525	5.12	9.86	3.48	30.31	10.97
1946.....	5,013	53,202	1,646,631	1,699,833	4,893,038	494,898	2,427	167,702	4.56	10.18	3.48	29.11	10.11
1947.....	5,011	32,529	1,736,676	1,697,205	5,293,267	452,983	1,372	182,147	4.22	10.49	3.47	25.60	8.56
1948.....	4,997	25,128	1,779,362	1,804,490	5,545,993	423,757	1,304	192,603	5.19	10.82	3.50	23.48	7.64
1949.....	4,981	20,979	1,863,373	1,884,352	5,811,044	474,881	1,100	203,644	5.24	10.93	3.52	25.20	8.17
1950.....	4,965	16,079	1,949,898	1,965,977	6,152,799	537,610	712	228,792	4.43	11.73	3.73	27.35	8.74
1951.....	4,946	12,032	2,046,018	2,058,050	6,506,378	506,695	615	247,230	5.11	12.08	3.81	24.62	7.79
1952.....	4,916	6,862	2,171,026	2,177,888	6,875,134	561,481	400	258,663	5.83	11.91	3.77	25.78	8.17
1953.....	4,864	5,512	2,258,234	2,263,746	7,235,820	573,287	332	274,884	6.02	12.17	3.80	25.32	7.92
1954.....	4,796	4,797	2,381,429	2,386,226	7,739,553	741,065	264	299,841	5.50	12.59	3.88	31.06	9.58
1955.....	4,700	4,167	2,456,454	2,460,621	7,924,719	643,149	203	309,532	4.87	12.60	3.91	26.14	8.12
1956.....	4,659	3,944	2,558,111	2,562,055	8,220,620	647,141	177	329,777	4.49	12.89	4.01	25.26	7.87
1957.....	4,627	3,786	2,713,145	2,716,931	8,769,839	729,857	171	363,699	4.52	13.41	4.15	26.86	8.32
1958.....	4,585	3,332	2,871,785	2,875,117	9,412,557	889,120	169	392,822	5.07	13.68	4.18	30.92	9.45
1959.....	4,542	3,225	3,063,407	3,066,632	10,003,852	800,311	165	422,703	5.12	13.80	4.23	26.10	8.00
1960.....	4,530	2,050	3,257,208	3,259,258	10,695,539	1,046,419	99	450,830	4.83	13.84	4.22	32.11	9.78
1961.....	4,513	2,040	3,464,126	3,466,166	11,470,899	1,042,201	119	485,960	5.83	14.03	4.24	30.07	9.09
1962.....	4,503	9,852	3,662,603	3,672,455	12,289,305	1,068,843	202	517,546	2.05	14.13	4.21	29.10	8.70
1963.....	4,615	24,304	3,861,738	3,886,042	13,102,085	1,205,917	1,126	547,060	4.63	14.17	4.18	31.03	9.20
1964.....	4,773	27,281	4,135,789	4,163,070	14,297,834	1,213,284	1,319	591,491	4.83	14.30	4.15	29.14	8.49

¹ These are averages of data from the Reports of Condition of the previous December and the current June and December of the respective year.

* Revised from 1963 Annual Report.

TABLE B-27.—*Total loans of national banks, losses and recoveries on loans, and ratio of net losses or recoveries to loans, by calendar years, 1945-64*

[Dollar amounts in thousands]

<i>Year</i>	<i>Total loans end of year</i>	<i>Losses and chargeoffs</i>	<i>Recoveries</i>	<i>Net losses or recoveries (+)</i>	<i>Ratio of net losses or net recoveries (+) to loans</i>
					<i>Percent</i>
1945.....	\$13,948,042	\$29,652	\$37,392	+\$7,740	+0.06
1946.....	17,309,767	44,520	41,313	3,207	.02
1947.....	21,480,457	73,542	43,629	29,913	.14
1948.....	23,818,513	¹ 50,482	² 31,133	19,349	.08
1949.....	23,928,293	¹ 59,482	² 26,283	33,199	.14
1950.....	29,277,480	¹ 45,970	² 31,525	14,445	.05
1951.....	32,423,777	¹ 53,940	² 31,832	22,108	.07
1952.....	36,119,673	¹ 52,322	² 32,996	19,326	.05
1953.....	37,944,146	¹ 68,533	² 36,332	32,201	.08
1954.....	39,827,678	¹ 67,198	² 41,524	25,674	.06
1955.....	43,559,726	¹ 68,951	² 39,473	29,478	.07
1956.....	48,248,332	¹ 78,355	² 37,349	41,006	.08
1957.....	50,502,277	¹ 74,437	² 39,009	35,428	.07
1958.....	52,796,224	¹ 88,378	² 50,205	38,173	.07
1959.....	59,961,989	¹ 80,507	² 54,740	25,767	.04
1960.....	63,693,668	¹ 181,683	² 51,506	130,177	.20
1961.....	67,308,734	¹ 164,765	² 52,353	112,412	.17
1962.....	75,548,316	¹ 157,040	² 59,423	97,617	.13
1963.....	83,388,446	¹ 190,188	² 68,464	121,724	.15
1964.....	95,577,392	¹ 239,319	² 113,635	125,684	.13
Average for 1945-64.....	45,833,147	93,463	46,006	47,457	.10

¹ Excludes transfers to valuation reserves.

² Excludes transfers from valuation reserves.

NOTE.—For earlier data, see Annual Report of the Comptroller of the Currency, 1947, p. 100.

TABLE B-28.—*Total securities of national banks, losses and recoveries on securities, and ratio of net losses or recoveries to securities, by calendar years, 1945-64*

[Dollar amounts in thousands]

<i>Year</i>	<i>Total securities end of year</i>	<i>Losses and chargeoffs</i>	<i>Recoveries</i>	<i>Net losses or recoveries (+)</i>	<i>Ratio of net losses to securities</i>
					<i>Percent</i>
1945.....	\$55,611,609	\$74,627	\$54,153	\$20,474	0.04
1946.....	46,642,816	74,620	33,816	40,804	.09
1947.....	44,009,966	69,785	25,571	44,214	.10
1948.....	40,228,353	¹ 55,369	² 25,264	30,105	.07
1949.....	44,207,750	¹ 23,595	² 7,516	16,079	.04
1950.....	43,022,623	¹ 26,825	² 11,509	15,316	.04
1951.....	43,043,617	¹ 57,546	² 6,712	50,834	.12
1952.....	44,292,285	¹ 76,524	² 9,259	67,265	.15
1953.....	44,210,233	¹ 119,124	² 8,325	110,799	.25
1954.....	48,932,258	¹ 49,469	² 9,286	40,183	.08
1955.....	42,857,330	¹ 152,858	² 15,758	137,100	.32
1956.....	40,503,392	¹ 238,997	² 13,027	225,970	.56
1957.....	40,981,709	¹ 151,152	² 5,806	145,346	.35
1958.....	46,788,224	¹ 67,455	² 12,402	55,053	.12
1959.....	42,652,855	¹ 483,526	² 18,344	465,182	1.09
1960.....	43,852,194	¹ 154,372	² 21,198	133,174	.30
1961.....	49,093,539	¹ 51,236	² 10,604	40,632	.08
1962.....	51,705,503	¹ 47,949	² 6,350	41,599	.08
1963.....	52,601,949	¹ 45,923	² 7,646	38,277	.07
1964.....	54,366,781	¹ 86,500	² 4,117	82,383	.15
Average for 1945-64.....	45,980,249	105,373	15,333	90,040	.20

¹ Excludes transfers to valuation reserves.

² Excludes transfers from valuation reserves.

NOTE.—For earlier data, see Annual Report of the Comptroller of the Currency, 1947, p. 100.

TABLE B-29.—*Foreign branches of national banks, by region and country, Mar. 31, 1965*

<i>Region and country</i>	<i>Number</i>	<i>Region and country</i>	<i>Number</i>
Latin America.....	68	Africa.....	1
Argentina.....	17	Nigeria.....	1
Bahamas.....	1	Near East.....	4
Brazil.....	15	Lebanon.....	2
Chile.....	2	Saudi Arabia.....	1
Colombia.....	5	Dubai.....	1
Dominican Republic.....	1	Far East.....	36
Ecuador.....	2	Hong Kong.....	5
El Salvador.....	1	India.....	5
Guatemala.....	2	Japan.....	10
Jamaica.....	1	Malaysia.....	5
Mexico.....	5	Okinawa.....	1
Nicaragua.....	1	Pakistan.....	2
Panama.....	5	Philippines.....	5
Paraguay.....	2	Taiwan.....	2
Peru.....	2	Thailand.....	1
Uruguay.....	2	U.S. overseas area.....	14
Venezuela.....	4	Canal Zone.....	1
Continental Europe:.....	12	Guam.....	1
Belgium.....	1	Puerto Rico.....	11
France.....	2	Truk Islands.....	1
Germany.....	3	Total.....	144
Greece.....	1		
Italy.....	1		
Netherlands.....	3		
Switzerland.....	1		
England.....	9		

TABLE B-30.—*Foreign branches of national banks, 1955-64*

<i>End of year</i>	<i>Number of branches operated by national banks</i>	<i>National bank branches as a percentage of total foreign branches of U.S. banks</i>
1955.....	85	76.6
1960.....	93	75.0
1961.....	102	75.6
1962.....	111	76.6
1963.....	124	77.5
1964.....	138	76.7

TABLE B-31.—*Assets and liabilities of foreign branches of national banks, Dec. 31, 1964: consolidated statement*¹

[Dollar amounts in thousands]			
Number of branches.....	138	LIABILITIES	
ASSETS			
Loans and discounts.....	\$1, 924, 827	Demand deposits of individuals, partnerships, and corporations.....	\$730, 761
Securities.....	178, 958	Time and savings deposits of individuals, partnerships, and corporations.....	1, 178, 987
Currency and coin.....	31, 331	Deposits of U.S. Government.....	190, 932
Balances with other banks and cash items in process of collection.....	480, 730	State and municipal deposits.....	12, 988
Due from head office and branches.....	320, 858	Deposits of banks.....	753, 791
Fixed assets.....	28, 352	Other deposits (certified and officers' checks, etc.).....	21, 468
Customers' liability on acceptances.....	304, 362	Total deposits.....	2, 888, 927
Other assets.....	50, 461	Due to head office and branches.....	8, 591
Total assets.....	3, 319, 879	Rediscounts and other liabilities for borrowed money.....	61, 015
		Acceptances executed by or for account of reporting branches and outstanding.....	305, 481
		Other liabilities.....	55, 865
		Total liabilities.....	3, 319, 879

¹ Excludes figures for banking facilities at military establishments.

TABLE B-32.—*Assets and liabilities of all national banks, date of last report of condition, December 1936-64*

(Dollar amounts in thousands)

	Number of banks	Loans and discounts including overdrafts	U.S. Government obligations, direct and guaranteed	Other bonds, stocks, and securities	Cash	Balances with other banks ¹	Other assets	Total assets	Capital	Surplus and undivided profits ²	Total deposits	Bills payable and rediscounts, etc.	Other liabilities
1936...	5,331	\$8,271,120	\$8,685,554	\$4,094,490	\$518,503	\$8,462,578	\$1,032,327	\$31,064,662	\$1,598,815	\$1,572,195	\$27,608,397	\$3,495	\$281,760
1937...	5,266	8,813,547	8,072,882	3,690,122	422,490	8,128,003	977,186	30,104,230	1,577,831	1,666,367	26,540,694	10,839	308,499
1938...	5,230	8,489,120	8,705,959	3,753,234	555,304	9,151,105	1,011,455	31,666,177	1,570,622	1,757,522	28,050,676	5,608	28,749
1939...	5,193	9,043,632	9,073,935	3,737,641	615,698	11,887,915	960,436	35,319,257	1,532,903	1,872,215	31,612,992	2,882	298,265
1940...	5,150	10,027,773	9,752,605	3,915,435	718,799	14,401,268	918,082	39,733,962	1,527,237	2,009,161	35,852,424	3,127	342,013
1941...	5,123	11,751,792	12,073,052	3,814,456	786,501	14,215,429	897,004	43,538,234	1,515,794	2,133,305	39,554,772	3,778	330,585
1942...	5,087	10,200,798	23,825,351	3,657,437	733,499	15,516,771	847,122	54,780,978	1,503,682	2,234,673	50,648,616	3,516	390,291
1943...	5,046	10,133,532	34,178,555	3,325,698	807,969	15,272,695	813,468	64,531,917	1,531,515	2,427,927	60,156,181	8,155	408,139
1944...	5,031	11,497,802	43,478,789	3,543,540	904,500	16,732,749	792,479	76,949,859	1,566,905	2,707,960	72,128,937	54,180	491,877
1945...	5,023	13,948,042	51,467,706	4,143,903	1,008,644	19,170,145	797,316	90,535,756	1,658,839	2,996,898	85,242,947	77,969	559,103
1946...	5,013	17,309,767	41,843,532	4,799,284	1,094,721	18,972,446	830,513	84,850,263	1,756,621	3,393,178	79,049,839	20,047	630,578
1947...	5,011	21,480,457	38,825,435	5,184,531	1,168,042	20,907,548	880,987	88,447,000	1,779,766	3,841,558	82,275,356	45,135	705,185
1948...	4,997	23,818,513	34,980,263	5,248,090	1,040,763	21,983,506	1,063,917	88,135,052	1,828,759	3,842,129	81,648,016	41,330	774,818
1949...	4,981	23,928,293	38,270,523	5,937,227	1,059,663	19,985,295	1,058,178	90,239,179	1,916,340	4,018,001	83,344,318	7,562	952,958
1950...	4,965	29,277,480	35,691,560	7,331,063	1,147,069	22,666,366	1,126,555	97,240,093	2,001,650	4,327,339	89,529,632	76,644	1,304,828
1951...	4,946	32,423,777	35,156,343	7,887,274	1,418,564	24,593,594	1,259,008	102,738,560	2,105,345	4,564,773	94,431,561	15,484	1,621,397
1952...	4,916	36,119,673	35,936,442	8,355,843	1,446,134	24,953,269	1,321,382	108,132,743	2,224,852	4,834,369	99,257,776	75,921	1,739,825
1953...	4,864	37,944,146	35,588,763	8,621,470	1,292,254	25,253,264	1,416,802	110,116,699	2,301,757	5,107,759	100,947,233	14,851	1,745,099
1954...	4,796	39,827,678	39,506,999	9,425,259	1,279,171	24,442,726	1,668,736	116,550,569	2,485,844	5,618,398	106,145,813	11,098	1,889,416
1955...	4,700	43,559,726	33,990,806	9,166,524	1,388,280	24,375,190	1,569,791	113,750,287	2,472,624	5,463,305	104,217,989	107,796	1,488,573
1956...	4,659	48,248,332	31,680,085	8,823,307	1,706,507	25,375,990	1,867,761	117,701,982	2,638,108	5,834,024	107,494,823	18,654	1,716,373
1957...	4,627	50,502,277	31,338,076	9,643,633	1,734,533	25,130,601	2,173,520	120,522,640	2,806,213	6,287,004	109,436,311	38,324	1,954,788
1958...	4,585	52,796,224	35,824,760	10,963,464	1,675,827	25,188,993	2,347,698	128,796,966	2,951,279	6,717,522	117,086,128	43,035	1,999,002
1959...	4,542	59,961,989	31,760,970	10,891,885	1,521,334	25,942,911	2,557,024	132,636,113	3,169,742	7,132,375	119,637,677	340,362	2,355,957
1960...	4,530	63,693,668	32,711,723	11,140,471	1,721,492	26,953,014	3,040,499	139,260,867	3,342,850	7,755,488	124,910,851	110,590	3,141,088
1961...	4,513	67,308,734	36,087,678	13,005,861	1,923,655	29,154,790	3,328,334	150,809,052	3,577,244	8,298,062	135,510,617	224,615	1,988,514
1962...	4,505	75,548,316	35,663,248	16,042,255	2,277,621	27,405,959	3,719,607	160,657,006	3,757,646	8,992,104	142,824,891	1,635,593	3,446,772
1963...	4,615	*83,388,446	33,383,886	19,218,063	2,178,663	26,455,397	5,608,468	170,233,363	4,029,243	9,518,105	154,823,412	395,201	5,466,572
1964...	4,773	*95,577,392	33,537,250	†20,829,531	2,481,563	31,584,291	6,102,678	190,112,705	4,789,943	10,258,252	169,616,780	299,308	5,148,422

¹ Includes reserves balances and cash items in process of collection.² Includes reserve accounts.

NOTE: Reciprocal interbank demand balances with banks in the United States are reported net beginning with the year 1942.

NOTE: For earlier data, revised for certain years and made comparable to those

in this table, references should be made as follows: Years 1863 to 1913, inclusive, Comptroller's Annual Report for 1931; figures 1914 to 1919, inclusive, report for 1936, and figures 1920 to 1939, inclusive, report for 1939.

*This does not include Federal funds sold.

†This does not include corporate stocks.

APPENDIX C

Addresses and Selected Congressional Testimony of
JAMES J. SAXON
Comptroller of the Currency

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Addresses and Selected Congressional Testimony of James J. Saxon, Comptroller of the Currency

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Toward a Stronger Dual Banking System

For the past 3 years we have been reexamining and recasting the rules and regulations applied to National Banks in the light of today's needs and opportunities. Several advisory committees have assisted us in this effort, and we have had recommendations for action from National Banks throughout the country.

One central theme has appeared persistently throughout our review of existing policies. From all segments of the banking industry, in every section of the country, we had protests that bank initiative was being hampered in many ways without any supportable public purpose to justify the restrictions. The objections took a variety of forms and touched virtually every major phase of bank regulation.

In the reforms we have undertaken and advocated, we have had one paramount objective. This objective has been to leave bank operations to bankers unless restrictions are required in order to safeguard the solvency and liquidity of the banking system. The goal is to release the full energy and initiative of the banking industry in the service of the community and the Nation.

This was a novel approach to bank regulation, in contrast with the climate which prevailed for many years in the banking industry and among bank regulators. In principle, there had always been extensive reliance on private initiative in banking. In practice, however, the regulatory authorities had for many years treated the banking industry much as a group of unruly children who needed daily guidance and periodic scolding or finger-shaking. These disciplinary measures were regarded as necessary, not only by the parent chartering agencies, but also by anxious relatives in other governmental departments. Some of this attitude survives today, but there has been a notable and growing acceptance of the need and the capacity of the banking industry to operate more fully under our traditional standards of individual responsibility and competitive enterprise.

As the reins of public control have been loosened, a remarkable transformation has taken place throughout the banking industry. Armed with broader discretionary powers, the banks have met the challenge

of opportunity with a sharpened sense of responsibility and a surge of new initiative. This transformation has not come easily, or quickly. The new powers had to be tested and appraised, and a change of outlook had to be developed. The underlying strength and force of the banking industry is evident in the growing confidence of the banks, and in their expanding initiative, and they have experimented in the broader fields opened to them. This has been a highly commendable performance on all counts, and one in which the banking industry takes justifiable pride.

The momentum which has been achieved must be sustained, and it should be further strengthened throughout the dual banking system. The attitudes and powers of bankers, the way in which they view their responsibilities and their opportunities, their vision and their initiative—all exercise a critical influence on the form, the pace, and the direction of our economic progress.

The commercial banks today occupy a strategic position at the center of the business and industrial structure. To them is entrusted for productive use a major portion of the Nation's savings; they operate a check mechanism which represents a principal means of payment in the business life of the country; and, through their powers of credit creation, they provide one of the most significant sources of financing for the new ventures which are so essential to the continuing growth and development of the economy.

This crucial role of banks in the economy makes the regulation of banks of critical significance to the Nation's welfare. We live in a dynamic, pulsating society which is undergoing rapid change. Our population is expanding greatly, and we are striving to make the best use of the skills and talents of all our people. Population shifts have brought both urban and suburban problems, and we continue to struggle with the difficulties which prevail in our agricultural communities. Our markets are constantly broadening new methods and instruments of production and distribution are being introduced continually, and new products are coming on the market at a growing rate. International considerations continue to exert a major influence on our domestic policies. Our capacity to cope with these needs, to provide employment for our people and sustain a rising standard of living, to

strengthen our society and our economy, rest decisively on the financing facilities which are available to carry on the many new ventures which will be required. Both great segments of our dual banking system must share in these tasks and in this responsibility, and the public authorities who regulate the banks must be attuned to these vital needs.

It is time we understood that there is no conflict of purpose in strengthening both the State and the National banking systems, and no conflict of interest between these two systems. Indeed, the highest level of performance is required both of State and National banks if the vast diversity of banking needs in individual markets throughout the country are to be met. There is no monopoly of wisdom, and there should be no monopoly of initiative, in responding to these needs. Independent dual banking systems, each functioning according to its own special standards and objectives, afford the best assurance that the essential requirements for banking services will be fully and efficiently served.

It has been most encouraging to see that the reforms which have been undertaken within the National Banking System are being subjected to critical scrutiny and review by the State authorities and the State banks. We have taken the initiative in many respect to recast the structure of public control applied to National Banks, but there has been a steadily accelerating and highly constructive movement to undertake reforms at the State level.

This process of strengthening the State banking systems would be greatly simplified if certain changes were brought about in the present regulatory structure. State banks are subject to regulation not only by the State authorities, but also in many areas by the Federal Reserve Board and the Federal Deposit Insurance Corporation. This multiplicity of regulation has operated to weaken the stature of the State banking authorities, and has hampered the full development of the State banks. I can see no valid reason for continuing this Federal intercession into the functioning of State banks, and I should like to suggest a means to overcome these disabilities now imposed on that segment of our banking industry.

At the present time, no State bank which is a member of the Federal Reserve System may open a branch without the approval of the Federal Reserve Board as well as the State authorities. Where a merger is undertaken in which the resulting bank is to be a State member bank, a similar double approval is required. In addition to the State laws which they must observe, State member banks are also subjected to Federal Re-

serve controls of many of their basic deposit, lending and investment operations.

The Federal Deposit Insurance Corporation exercises comparable controls over branching and mergers by insured State nonmember banks. Moreover, the State authorities today will not ordinarily charter a new bank unless it is approved for insurability by the Federal Deposit Insurance Corporation. As a result, the effective power to charter new State banks rests for all practical purposes with a Federal agency. Moreover, in order to qualify for continued insurability, a State bank must subject its operations to examination and supervision by the Federal Deposit Insurance Corporation.

Together, these factors have had the effect of lodging critical powers over the life of State banks in Federal hands. Perhaps more significantly for the strength of the dual banking system, these all-pervasive Federal controls over State banks have operated to discourage the effective performance of bank regulation and supervision by the State authorities, and have tended to weaken the State banking systems.

Federal intercession in the operation of State banking systems has, in my judgment, been founded on mistaken concepts of the proper roles of the monetary authority and the insuring authority in the conduct of bank regulation and bank supervision. There is no purpose of monetary policy which requires that the monetary authority should have regulatory power over commercial banks. It is not the operating policies and practices of banks, but the total supply of money and credit, which is the proper province of the monetary authority. Indeed, to allow the monetary authority to intercede directly in bank operations is to run the risk that banks will be hampered in their capacity to compete, and will fail to make the best allocation of the resources entrusted to them.

It is equally inappropriate to impose insurance standards—particularly commercial insurance principles—in the public supervision and control of bank operations. The potential for mischief is most serious where the insuring agency has any power over bank expansion or the kinds of risks which banks may assume. There is a natural inclination for an insuring agency to minimize its losses by limiting the risks it accepts. But if this principle of cutting insurance losses were allowed to govern eligibility for deposit insurance, bank expansion and bank lending and investment operations which entail elements of risk or uncertainty could be effectively blocked. Enterprise and initiative in the banking industry could be paralyzed and the performance of the entire economy retarded. This

is surely not the objective we have sought through our system of deposit insurance.

A proposal

I would propose that Federal regulatory powers over State banks, as distinct from those powers which are clearly essential to the conduct of monetary policy, should be transferred to the States. Such a transfer of regulatory power would encourage improved performance by the State authorities, and it would end the discriminatory treatment of State banks which results from the exercise of Federal authority.

There is no regulatory objective which requires that State banks should be treated differently from National Banks with respect to deposit insurance. The chartering and branching decisions of the State authorities, and their exercise of the examinatory and supervisory functions, should have the same standing as comparable actions by the Comptroller of the Currency in qualifying banks both for initial and for continuing deposit insurance.

Similarly, no discernible public purpose is served by requiring the approval of the Federal Reserve Board for the branching or merger of State banks. These decisions properly belong with the chartering authority which is charged with responsibility for shaping the banking structure. The complete divorcement of bank regulation from monetary controls would entail still broader modifications in the regulatory structure. The Federal Reserve Board now exercises certain regulatory powers over the operating policies and practices of National as well as State banks. Where these powers are not essential to the conduct of monetary policy, they should be transferred to the chartering authority, whether it be State or National.

The plan which I have outlined is in sharp contrast with certain other proposals which have been advanced for reformation of the bank regulatory structure. One proposal which has attracted wide attention calls for the retention of all existing Federal powers over State banks, and provides that these Federal powers over State banks should be combined with Federal powers over National Banks and placed under the jurisdiction of a single new Federal agency. The consequence of this proposal would be to centralize in a monolithic new agency full control of the National Banking System and vital powers over all the State banking systems. If that proposal were adopted, the erosion of the stature of the State banking authorities would undoubtedly be accelerated, and the dual banking system as we now know it would be on its way out.

What we need in banking is not greater centralization of authority, not more rigorous conformity to imposed rules of conduct, but enlarged freedom to respond to the challenge of the future. What we require is greater scope for enterprise and initiative, not a common mold into which we force the entire banking system.

Under the inspiration of the new opportunities which have been unfolded, the banking industry has taken on new life and new vigor. A vital new image has been established which holds bright promise for the future. Once again, we have had a dramatic demonstration of the latent force of our private enterprise system. Our purpose now should be to make certain that this creative force in our society finds full expression throughout the dual banking system.

BEFORE THE SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS, TUESDAY, MARCH 9, 1965

I should like to confine my opening remarks to a brief background statement which I hope will set banking policies in proper perspective.

Three aspects of banking policy have attracted particular attention in recent months. These relate to the enlarged operating discretion of banks, the increase in bank population through new charters, and the disclosure of facts about bank operations and bank ownership and control. To appraise these policies fairly, we shall have to understand the place of the banking industry in the economy, and the purposes of bank regulation.

The single fact to bear in mind throughout is that we live in a private enterprise economy. This means that we place primary reliance on the individual to choose his own occupation, to spend his income as he wishes, and to undertake such ventures as he cares to risk. The presumption is against governmental restriction of this free discretion unless there is a clear public need which the Government can satisfy better than the individual.

These precepts have a particular bearing on the basis, and the bounds, of public regulation of banking. Under our public policy, we control entry into banking, and we place certain limits on the operating powers of bankers. In administering these restrictions, the banking agencies have certain discretionary authority. When we place this fact in the context of a basic public policy which favors individual initiative, it seems clear that the banking agencies should exercise their discretionary powers in a way which will avert needless impediments to the initiative and enterprise of the individual banker.

This is the principle we have followed in the reforms we have undertaken. Our aim has been to make the National Banking System a more effective servant of the people. We have sought this objective by enlarging the operating discretion of bankers, by responding more sensitively to the demands for additional banking facilities, and by pursuing a full disclosure policy. Our test in the case of operating powers has been whether a restriction of free discretion is required in order to preserve the solvency and liquidity of the banking system. Our test in the case of new facilities has been the public need for additional banking offices. We have pioneered programs of disclosure to shareholders and requirements for the reporting of changes in ownership and control.

The reforms which we have introduced in the National Banking System are winning increasing support throughout the country as goals for the State banking systems. These efforts to modernize the other great segment of our dual banking system portend lively competition and effective participation in the growth and development of the Nation's economy.

Chartering policy

To understand chartering policy, we have to realize that bank entry is restricted by public authority. A bank charter is a license to do business, and without it no bank can be formed or operate. This is in clear contrast with the freedom of entry all of our citizens enjoy in the nonregulated industries.

In many respects, the problem of entry is identical in all industries. Individuals have capital to invest and they seek the most profitable outlets for that capital. In our dynamic economy, the factors which affect market profitability are undergoing constant change. Incomes are rising, savings are increasing, our population is growing and shifting, demands are changing, new technologies are being developed, new products and services are being introduced, and new industries are springing up. New opportunities thus abound, but these changes bring uncertainty and risk. This is the nature of a free enterprise system.

When a banking agency is presented with an application for a new charter, it faces much the same problems that confront any businessman who seeks to judge the prospects of a new market. The banking authorities can estimate the need and the profitability of proposed new banks, but they cannot resolve all doubts. There is, therefore, an unavoidable element of chance.

There is also an inescapable necessity of choice. The responsibility of the banking agencies is not to *bar* bank entry, but to *regulate* it in accordance with the

public need. The demands for banking services *do* change, and private entrepreneurs *do* seek to respond to these changes. When individuals apply for bank charters, the banking authorities must rule on the applications. Failure to allow new facilities to be provided to meet changing consumer demands for banking services can defeat private initiative in meeting these demands. It is the responsibility of the banking authorities to see that this does not occur where there is a genuine need which can be profitably served.

Bank failures

The failure of several banks within the recent months has been linked, by some, with chartering policy. What is the *public* interest in the prevention of bank failures?

The failure of an enterprise in any industry means that productive resources have been misdirected. In the nonregulated industries, there is no public effort to prevent failure. The assumption is that the public benefits of free initiative and enterprise will outweigh any wastage of resources which may result.

In banking, there is greater public concern about failure. Confidence in the banking system is essential if banks are to perform effectively. But, there is an equal public necessity to assure that banking facilities expand as consumer demands change.

The procedures for chartering new banks take account of both these considerations. In reviewing an application for a new National Bank charter, we carefully examine the market which the applicant proposes to serve, in order to determine the probable need for the additional facility. Charters are issued only where we conclude that such a need exists, and that the applicant is capable of satisfying that need profitably. There has been no instance of National Bank failure, certainly not in recent years, which can be traced to a miscalculation of the market opportunity.

Before we approve a National Bank charter, we must also be satisfied of the character and competence of the proposed management to conduct the affairs of the bank. The single failure among the National Banks which were approved for chartering during the past 3 years may be traced to management deficiencies. The information at our disposal at the time of approval was favorable in that case as in the others. It is always difficult to anticipate or to uncover deliberate misconduct, and the pattern of misconduct is not usually evident at the early stages. The record will show that prompt and decisive action was taken wherever misconduct was discovered.

Operating powers

There is a variety of public controls restricting bank competition for deposits which are the "raw materials" of banking, and for the loans and investments which are the "products" of banking operations. Some criticism has been directed against the enlarged competitive power of banks in both these respects under our program of banking reform. It is well to understand the implications of these views.

The philosophy we have followed has been to repose greater trust and confidence in the discretion and judgment of the individual banker. This has been a calculated effort to instill a greater sense of responsibility, and a more enlivened spirit of enterprise, in the banking industry. In resting these new powers with bankers, we have understood that banks would become more venturesome. Indeed, this was our aim.

Banking is not an industry which functions within itself. It occupies a central role in financing our growing economy. There is no way to take the risk out of banking without taking the risk out of the industry and commerce which it serves. There is the choice of withdrawing the banking system from participation in our national growth and development. But this is an empty choice, and one we cannot tolerate. The economy which banking serves is the vital product of generations of free enterprise. A banking system attuned to its needs must be no less enterprising.

The most disturbing suggestion I have heard is that the banking agencies should be responsible to prevent bankers from exercising poor judgment. Under the present system of bank examination and supervision, banking operations are subjected to careful and expert surveillance, and bank officials are apprised of the criticisms of bank examiners. Subsequent conduct in response to these criticisms is also closely observed and reported to bank officials. To go beyond this and require prior approval of bank loans and investments by public authorities, would fundamentally alter the relationship between the government and the banking industry. Indeed, it could communize and socialize the banking industry and, indeed, the entire economy without additional steps. It would entail government allocation of resources, a concept which is wholly repugnant to a private enterprise system. I cannot believe that anyone would seriously advocate this more intensive form of bank regulation.

The course we have chosen—to place greater reliance on the initiative and enterprise of the individual banker—is the only course that is in keeping with our traditions. It is the only course that can as-

sure the most effective participation of the banking industry in the Nation's progress.

Disclosure and control

The effective operation of a private enterprise system rests in no small degree upon informed producers, consumers, and investors. We have sought to bring this discipline of the market to bear on the banking industry through the measures we have instituted to require the disclosure of information to shareholders and reports on ownership and control of banks. Here again, to take the further step and require prior approval of ownership changes, would entail a fundamental change in the relationship between the government and the banking industry.

Some facts

I should like now to turn to some more mundane matters. A variety of figures are being cited as indicative of the rate of recent bank chartering. The implication has been that a vast expansion has taken place in the National Banking System at the expense of the companion State banking systems. While I do not believe that the wisdom of bank chartering policy can be judged by such a measure, I do believe that we should set the record straight on the facts.

During the period 1952 through 1964, charters were issued to 1,166 new State banks and 661 new National Banks. For every year from 1952 through 1962, there were from two to four times as many new State banks chartered as there were National Banks. During the past 3 years, charters were issued to 434 new National Banks and 392 new State banks. This represents an average annual increase in bank population of less than 2 percent.

There are also other interesting comparisons which may be made. During the period 1952 through 1964, the gross national product rose from \$347 billion to \$622 billion. This represented approximately an 80 percent increase. During this same period, bank capital rose from about \$13 billion to about \$28 billion, an increase of 114 percent; and bank assets rose from \$189 billion to \$340 billion, an increase of about 80 percent. The business-failure rate during this period ranged from 28.7 to 64.0 per 10,000 firms, while the bank-failure rate ranged from 0 to 5.2 per 10,000 banks. The high for the period in the case of banks was reached in 1964. It may be noted that the 1964 failure-rate for National Banks was 2.1 per 10,000 banks, whereas the failure-rate for State banks was 6.9 per 10,000 banks.

The future

By any test, the banking industry has become a more effective, driving competitive force throughout the economy. There is a steady flow of new capital into banking, and earnings are being retained at a high rate for added strength in meeting the enlarged responsibilities and opportunities. Successful businessmen from other fields are being attracted to the industry in greater numbers, and have added new spirit and initiative to this ancient craft. Management competence throughout has reached new heights, and the banking industry is better prepared than ever before, both in spirit and in substance, to serve its vital function in furthering the Nation's growth and development. The future has never been so challenging nor so bright.

BEFORE THE HOUSE BANKING AND CURRENCY COMMITTEE, MONDAY, APRIL 26, 1965

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE: I appear here today to express my views on commercial bank underwriting of revenue bonds.

As was stated in the Economic Report to the Congress in January of this year, we must help our cities to develop the transportation, housing, and other facilities which they need. It is my view that this bill constitutes a most important contribution to this effort.

Since the end of World War II, borrowing by state and local governments to finance such facilities has increased annually at an unprecedented pace. These needs have caused annual spending by State and local governments for goods and services to rise from an amount under \$8 billion in 1941, to over \$65 billion at this time. As a result, outstanding long-term obligations of State and local governments now total around \$90 billion, and State and local governments sold over \$10.5 billion of securities in 1964.

In recent years, increasing reliance has been placed on the revenue bond as a means of financing by State and local governments. From negligible figures in the early 1930's, the annual amount of revenue bonds issued rose to about \$500 million in the early post-World War II years. This figure has climbed to almost \$4 billion in 1964. While in the late 1940's, revenue bonds accounted for less than 20 percent of new State and local bond issues sold, they have continued to increase and now account for almost 40 percent of State and local government financing.

The use of revenue bonds for self-liquidating projects has been invaluable in helping State and local governments meet their financial needs. Indeed,

revenue bonds are, in many instances, the only practical way in which many an already overtaxed community may solve its pressing problems on a financial basis which is sound for both the issuing community and the bond investor.

Revenue bond financing is therefore of tremendous importance to both State and local governments. Any measure which would lower the cost of such financing would be of significant benefit to these governments. It is our belief that H.R. 7539 will afford substantial savings to State and local governments and ultimately to their taxpayers. It would increase competition in the bidding for and distribution of revenue bonds. It would broaden and strengthen the market for revenue bonds. The resulting enlarged market would enhance their attractiveness as investments. Even small banks, intimately familiar with the needs of their communities, could provide essential assistance in the preparation and marketing of revenue bond issues of their communities. Throughout the country, investors, who customarily rely on their bank for information concerning tax-exempt securities, would become more interested in sound revenue bonds. Finally, permitting the banks to trade in and make markets in revenue bonds would improve their marketability and character as liquid investments suitable for bank portfolios and fiduciaries generally. Commercial banks have the facilities and capabilities needed to make markets in many of the smaller revenue bond issues.

Opponents have argued that the only saving to the borrowing governments, resulting from this increased competition, would be a slight reduction in "spreads," that is, the difference between the price the underwriters pay for an issue of bonds and the price at which they sell it to the investor. Even if we assume this argument is valid, such a saving would be substantial and significant when multiplied by the billions of dollars of revenue bonds being issued annually.

There is an even more basic flaw in this argument. Its advocates assume that a presumption exists in favor of the existing competitive restrictions. They demand proof that benefits would result from removing the restrictions rather than beginning with the presumption that restrictions on competition are unwarranted unless they can be justified by overriding public interest considerations. Their method of approval is contrary to the fundamental premises of our American philosophy. We have seen absolutely no evidence that it is in the public interest to deny commercial banks greater competitive latitude in this area.

This bill would not substantially increase the risks incurred by commercial banks. It would permit them

to deal in and underwrite only the same types of securities which they are at present allowed to purchase for their own accounts. No bank, therefore, would be allowed to purchase for underwriting any security which it may not presently buy for its own investment account. Moreover, the bill would limit the total amount of securities of any one issuer which a bank could hold at any one time, whether as a result of an underwriting transaction or in its dealer or investment accounts, to a total amount not in excess of 10 percent of the bank's capital stock and surplus. Accordingly, under this bill, no bank could acquire investment securities of lesser quality or in greater amount than that which it is now permitted to acquire for its investment portfolio. There is in fact less risk in underwriting, a typically short-term transaction, than there is in investing, as that term is ordinarily used.

It has been suggested that there is a danger of conflicts of interest between the underwriting function and the deposit, investment, and trust functions of banks. It is contended, for example, that banks underwriting securities would have an interest in selling these securities to depositors and correspondents and that such interest would impair the ability of those banks to give disinterested advice. Firstly, it should be noted that the increased knowledge concerning the issuer and the market, which an underwriting bank would have, would greatly enhance its ability to give accurate and helpful investment advice. Secondly, it should be recognized that the business of providing correspondent services, of which investment portfolio advice is but a part, is a highly competitive one. It is unrealistic to contend that an underwriting bank could recommend inferior securities to its customers because of its having underwritten such securities. The threat of losing its correspondents and their deposit accounts in a highly competitive atmosphere will afford adequate assurance that the underwriting bank will give the best possible advice to its correspondents.

The opponents suggest that commercial banks might be tempted to sell securities which they have underwritten to their trust accounts. They cite no evidence of such self-dealing on the part of commercial banks engaged in underwriting general obligations and there has been no reason given as to why this problem will suddenly exist in the case of revenue bonds. However, any such possibility has been obviated by the bill itself, which provides that the purchase of revenue bonds by a bank as fiduciary from itself as an underwriter or dealer shall not be permitted, unless lawfully directed by court order.

Even without this amendment, any such possibility is obviated by the provisions of our regulation 9 and by applicable examination procedures of this Office. Regulation 9 was issued in execution of our general supervision of trust departments of National banks and expressly prohibits the use of fiduciary funds to purchase property or obligations from the bank unless lawfully authorized by the governing instrument, by court order, or by local law. Regulation 9 is enforced by this Office irrespective of the intrinsic qualities of the property or obligations involved. This injunction against misuse of fiduciary funds involves a fundamental precept of fiduciary law which is widely recognized in the courts of this country.

The bill excludes from those investment securities which a commercial bank may underwrite or deal in, special assessment obligations and industrial development obligations. This Office has no objection to either of these exclusions.

We believe that this bill would enable the commercial banks to make a substantial contribution toward assisting state and local governments in the next decades when their financial needs will spiral and when they will need all possible assistance. In 1963, we changed our Investment Securities Regulation to clarify the definitions of the term "political subdivision" and "general obligation" so as to take account of changes that have occurred in government financing in the past 30 years. Although we believe that our Investment Securities Regulation now permits the banks in some degree to perform their functions in this area of public finance, in order to achieve the full benefits of bank participation in this market, we strongly endorse the passage of H.R. 7539.

BEFORE THE SUBCOMMITTEE ON BANK SUPERVISION
AND INSURANCE OF THE HOUSE COMMITTEE ON
BANKING AND CURRENCY, FRIDAY, APRIL 30, 1965

Bank Performance and Bank Regulation

I apprised the Secretary of the Treasury of the committee's request that I testify, and the Secretary has authorized me to present my personal views to the committee.

The best test of the effectiveness of bank regulation is the performance of the banking industry itself. This performance is now at record levels throughout the country. Deposits, loans and investments, and profits have reached new heights—and they continue to grow. Added banking facilities are being brought to areas which long had suffered deficiencies. The services offered to bank customers are being progressively

broadened. The banking system is alive and teeming with energy. The consuming public is the ultimate beneficiary of all this activity.

The record performance of the banking industry reflects a greater awareness by the regulatory authorities of the obligation to allow sufficient scope for innovation and initiative in banking to meet growing and changing consumer requirements. Consumer needs for banking services are constantly undergoing change as our population grows, as new industries develop, and as new communities arise. The banking industry cannot meet these changing demands unless the regulatory authorities constantly adapt their policies to the new opportunities and the new requirements.

The present bank regulatory structure, by dispersing the centers of public power, has preserved a variety of sources from which initiative may appear in fashioning bank regulation according to public needs. Beyond the powers over National Banks which rest with the Comptroller of the Currency, the 50 individual States charter and regulate State banks, although they share this power in some major respects with the Federal Reserve Board or the FDIC. This diffusion of public authority offers the best safeguard against stagnation in bank regulation, and the best hope that the banking industry will be allowed the freedom to make its maximum contribution to the Nation's economic growth and development.

Your committee now has before it several bills which propose modification of the existing bank regulatory structure. I should like to suggest to the committee some very fundamental issues which are raised by these proposals.

Perhaps the most fundamental issue in bank regulation is the role of the dual banking system. In current discussions of bank regulatory policies, the suggestion is made that there should be greater uniformity, or at least greater consistency, within the Federal regulatory structure, and, of course, by the same token, greater uniformity or consistency among the laws, regulations, and policies of the 50 individual States.

The 50 individual States now have broad freedom to adopt banking policies of their own choice in any form they may select. If meaningful uniformity or consistency were to be sought, this freedom would have to be curbed. It would be necessary for the Federal Government to assert authority over the entire commercial banking industry, and to impose uniform policies throughout, as the Congress has the power to provide.

If all Federal powers over commercial banks were centralized, a single Federal agency would gain the authority to choose between National and State banks

in deciding what new banks to charter, which banks should be allowed to branch or merge, and in authorizing and regulating holding companies. We do not face this problem today, because, for the most part, no Federal agency has jurisdiction in these matters over both National and State banks. The likely result of centralizing Federal banking powers would, therefore, be a federally imposed and a federally enforced plan for the entire structure of the commercial banking industry of the country.

If Federal powers affecting the lending and investment practices of commercial banks were to be centralized, a single Federal agency would gain vast authority over the volume and the allocation of credit throughout the economy. This agency would be in a position to influence critically both the pace and the direction of the Nation's economic growth and development. It is difficult to reconcile such centralized public power with the principles of our private enterprise system.

BEFORE THE HOUSE COMMITTEE ON BANKING AND CURRENCY, WEDNESDAY, JUNE 30, 1965

Mr. Chairman, yesterday I was presented with a document which challenged 29 actions of our Office. We have no question as to the legal and economic soundness of these actions. Our Law Department is now assembling the detailed replies to each item on that list, and I request that these responses be made part of the record.

The document reflects a fundamental misunderstanding of the congressionally mandated function of this Office vis-a-vis the National Banking System in particular and the American economic structure in general. The dual banking system was created by a mandate of our Congress over a century ago, and their intention, as I see it, was to provide for Federal regulation of national banking in a growing and changing private enterprise economy. The National Banking Act is not a merchandise mail-order catalog. It is rather, like the Constitution of the United States, a framework under which National Banks may employ their inventiveness and capacity for change to respond to the needs of our growing industry and commerce, both domestic and international.

The document also assumes that any departure from the position of any Comptroller of the Currency since 1863, or indeed of any other banking agency, is somehow improper. I would point out that even the courts of this land, whose appreciation of the value of precedent and consistency is probably stronger than that of any other branch of the Government, do not hesitate

to change previous positions where the passage of time and changing circumstances have rendered obsolete their prior judicial opinions.

Our primary aim since assuming office has been to *modernize* the regulatory structure for National Banks and to carry out effectively the century-old congressional intent of a vital dual banking system. Virtually all of the subjects contained on the list in question had not been examined by any Federal banking authority for many years prior to our work on them. The business of banking, like all other institutions in the 20th century, is undergoing rapid and continuous change. The inevitable responses of our Office must take place in a flexible statutory and administrative framework. Obviously, banking cannot survive with vitality under rigid and stagnant regulation, as had too long been the case.

We strongly believe that our administrative, procedural and regulatory determinations, including those set forth by the chairman, are not only unquestionably well-supported in law but also equally well-founded in the basic philosophy of this country concerning the relationship of government to business. We are a private enterprise economy and we place primary reliance on individual initiative. Consistent with this philosophy, governmental limitations are imposed only where there is clear public purpose to be served, and those limitations must be strictly interpreted so as to avoid needless interference with the free discretion of the individual.

In applying this philosophy to bank regulations, we strongly believe that the presumption should be in favor of freedom of initiative and innovation by the individual banker. The same policy, it appears to me, is incumbent upon the bank regulatory agencies. The bank regulatory authorities, State and Federal, as any other regulatory authority, have an affirmative responsibility to assure that the regulated industry has the tools and the capacity to carry out its role with maximum effectiveness. Excessive reliance on the "negative crutch" of all-knowing government—whether at the State or Federal level—can lead only to stagnation and regression. Not all the financial know-how of this great country is lodged in the "genius" of the financial and monetary regulatory agencies in Washington. Hence, the banking authorities should set, as their goal, the broadest reliance upon the initiative of the individual banker consistent with the specific proscriptions of the banking statutes.

It is difficult to see how any other policy can serve the consumers of banking services whose critical needs are our ultimate concern in framing public policy and

regulation in this field. Only a vital, competitive, vigorous, innovational commercial banking industry can advance the interest of the United States—at home and abroad—and the well-being of all of its citizens.

Clearly, a rigid, stagnant backward-looking regulatory, administrative, and procedural policy can in time only strangle the commercial banking business and with it the business community and economy of the country.

It is, in my opinion, extraordinary even to suggest that the test of propriety of administrative or procedural rulings should be a rigid and unchanging conformance to all rules of the past, however ill-conceived or narrowly construed they may be in terms of law or economic policy. Shall I, as Comptroller of the Currency, be ever foreclosed from changing any rule, regulation, interpretation or policy of this Office laid down by Mr. Hugh McCulloch, the first Comptroller of the Currency who left this Office in 1865, or indeed any of his successors, over the last 100 years?

It seems equally extraordinary to me to suggest that a difference between any ruling or policy of this Office and a ruling or policy of another agency would, by some intellectual gymnastic, automatically open the rulings of this Office to question. If, as has been the case for decades, other agencies have not reexamined their own rules, how can such a test be in any sense a reasonable basis for judging any rule of this Office? Should we be inextricably bound to the past when we face a future alive with change, progress and confidence?

The following are the answers to the 29 allegations referred to above.

1. *Appointment of Additional Deputy Comptrollers of the Currency*

The charge of illegal action as listed in the specification sheet is the "appointment of seven Deputy Comptrollers of the Currency" in violation of 12 U.S.C. 4. Section 4 states that "the Secretary of the Treasury shall appoint no more than four Deputy Comptrollers of the Currency." The fact is that the statute was strictly complied with in that the Secretary of the Treasury has not appointed more than four Deputy Comptrollers of the Currency.

The Comptroller, pursuant to his general authority to execute his duties and administer his bureau, appointed three additional administrative aides whom he designated Deputy Comptroller for Trusts, Deputy Comptroller for Mergers and Branches, and Deputy Comptroller for International Banking and Finance,

respectively. These three assistants to the Comptroller were appointed in order to implement an administrative reorganization of the Office whereby duties were assigned by function rather than by geographical region. To characterize the granting of these titles rather than some other title, such as a special assistant, as a violation of 12 U.S.C. 4, is to grossly overemphasize the effect of this administrative action and to assert form over substance. The three appointments were not made by the Secretary pursuant to Section 4 and the salaries of the three employees concerned were not fixed by the Secretary pursuant to Section 4. All three employees had previously been employed in the Office of the Comptroller as attorneys for some time prior to their assuming their new administrative duties.

2. Access to Shareholder Lists

The Office has not published any ruling or interpretation on the subject of rights of shareholders of National Banks to inspect the complete list of shareholders. The subject of such inspection has been traditionally handled by the courts of general jurisdiction in the location at which a bank is situated and there are a number of court decisions on the point.

This Office, in reply to written inquiries from National Banks, has advised that it would not intervene in disputes between shareholders and officers and directors over the granting of access to the shareholder list and that the proper forum for the resolution of such disputes is a court. Accordingly, we have advised officers and directors that if the Board of Directors is of the opinion that a request to inspect a shareholder list is not made in good faith and for a purpose inimical to the best interests of the bank, that this Office would not object to a refusal by such Board of Directors to turn over the list until ordered to do so by a court of competent jurisdiction.

We do not see how the position of the Office, as communicated to these inquirers, constitutes any violation of 12 U.S.C. 62, which requires that National Banks keep a list of its shareholders "subject to the inspection of all the shareholders and creditors of the association."

3. Charitable Foundations

It is stated in paragraph 7445 of the *Comptroller's Manual* that a National Bank may, upon certain stated conditions, establish a charitable foundation to assist in making the charitable contributions permitted by paragraph Eighth of 12 U.S.C. 24. This ruling is challenged on the grounds that it is not provided by law and that it conflicts with the provisions in para-

graphs Seventh and Eighth of 12 U.S.C. 24. These objections, in light of those provisions of 12 U.S.C. 24, appear frivolous.

Congress clearly stated in paragraph Eighth of 12 U.S.C. 24 its intention regarding charitable contributions when it authorized National Banks "to contribute to community funds, or to charitable, philanthropic, or benevolent instrumentalities conducive to public welfare, such sums as its board of directors may deem expedient and in the interests of the association, if it is located in a State the laws of which do not expressly prohibit State banking institutions from contributing to such funds or instrumentalities." Congress, with equal clarity in paragraph Seventh of 12 U.S.C. 24, also granted to National Banks "all such incidental powers as shall be necessary to carry on the business of banking."

It is entirely reasonable and consistent with these clear expressions of Congressional intent to conclude that a National Bank may establish a charitable foundation to assist in making the charitable contributions permitted by paragraph Eighth of 12 U.S.C. 24. As is evidenced by their widespread acceptance and use by businesses generally, charitable foundations, either in the form of a charitable trust or non-profit corporation as provided by State law, constitute a most useful and efficient means of implementing a bank's program of making contributions. Any assertion that such use of a charitable foundation by a National Bank is prohibited by provisions contained in paragraph Seventh of 12 U.S.C. 24, which prohibit investment by a National Bank in corporate stock in certain circumstances, reflects lack of understanding with respect to their meaning, purpose, and legislative history. These provisions serve only to limit the securities in which a National Bank may invest its funds. Similarly, such an assertion reflects a disregard for the judicial recognition of the authority of National Banks to lawfully carry on certain of their activities either directly or indirectly, through a subsidiary corporation. As stated, Congress has, in paragraph Eighth of 12 U.S.C. 24, concluded that it is a proper activity for National Banks to contribute to charitable funds and instrumentalities. There is no sound basis for concluding that a National Bank may not lawfully carry on this activity through a trust or subsidiary corporation. Acceptance of their use by National Banks has been consistently recognized by previous Comptrollers, as is evident from paragraph 7220 of the *Comptroller's Digest of Opinions* which predated, and contained language almost identical to that contained in paragraph 7445 of the *Comptroller's Manual*.

4. Contributions to Community Development Corporations

It is stated in paragraph 7480 of the *Comptroller's Manual* that National Banks, as a necessary business expense, may make reasonable contributions to local community agencies and groups to further the physical, economical, and social development of their communities, and that such contributions may take the form of investment in a corporation organized to carry on such activities. This ruling is challenged on the basis that it is not provided for by law and that it violates paragraph Seventh of 12 U.S.C. 24, which relates to the purchase of corporate stock by a National Bank. These objections, similar to those made against the establishment of a charitable foundation by a National Bank, are without merit.

Paragraph Eighth of 12 U.S.C. 24 authorizes a National Bank "to contribute to community funds, or to charitable, philanthropic, or benevolent instrumentalities conducive to public welfare, such sums as its board of directors may deem expedient and in the interests of the association, if it is located in a State, the laws of which do not expressly prohibit State banking institutions from contributing to such funds or instrumentalities." As an application of this authority, it is stated in paragraph 7480 of the *Comptroller's Manual* that National Banks, as a necessary business expense, may make reasonable contributions to local community agencies and groups to further the physical, economic, and social development of their communities. Such contributions may take the form of an investment in a corporation organized to carry on such activities. The aggregate investment in such corporations may not exceed 2 percent of the bank's capital and surplus. This ruling not only is an implementation of paragraph Eighth of 12 U.S.C. 24; it is intended to encourage National Banks to assist, and assume their proper responsibilities within their communities. It is a means by which National Banks may play a role in the President's program of building a truly great society through private initiative and resources.

It is entirely consistent with the clear expression of Congressional intent contained in paragraph Eight of 12 U.S.C. 24, which permits contributions to community funds and instrumentalities conducive to public welfare, that a National Bank make such contributions in the form of an investment in the stocks or bonds of a corporation organized to carry on such activities. Paragraph Eighth contains no standard or limitation with respect to the form that such contribution may take. The Comptroller's Office has, with respect to National Bank contributions in the form of investments

in the stocks or bonds of a development corporation, recognized that such investments generally do not qualify as "investment securities" within the meaning and requirements of the Investment Securities Regulation and has therefore held that all such investments, which do not meet the requirements of that Regulation, must be charged off as a business expense and not be carried as part of the bank's assets.

5. Stock Option Plans

It is stated in paragraph 5015 of the *Comptroller's Manual* that a National Bank may provide employee stock option and stock purchase plans in accordance with applicable regulations of this Office. This ruling is challenged on the grounds that it is not provided for by law nor permitted by previous Comptrollers.

The use of employee stock option plans by corporations was implicitly approved by Congress when it granted certain tax privileges with respect to such plans in Sections 421 and 422 of the Internal Revenue Code. No reason has been advanced why banks, as distinguished from other corporations, should not be permitted to have such plans.

National Banks have long been handicapped in obtaining and retaining competent executives because they were not permitted to offer stock options as a form of incentive compensation. The obstacle had been a prohibition against the holding of Treasury stock, and the apparent unwillingness of previous Comptrollers to permit the banks to have authorized but unissued stock. In order to implement a stock option plan, it is necessary for a bank to have a supply of shares ready for issuance under the plan when and as the employees elect to exercise their options or purchase rights. Our ruling permitting the banks to have authorized but unissued shares removed the only technical obstacle to the adoption of stock option plans.

In order to control the use of the stock option privilege and see that it is not abused, we have exercised strict control. Before any National Bank may put into effect an employee stock option or stock purchase plan, it must obtain approval of our Office and the approval of the holders of two-thirds of its outstanding shares as to all of the provisions of the plan. We require that the plan be administered by a disinterested committee of directors and that the total amount of shares allocated to the plan and the proportionate amount which any one employee may be granted are held within reasonable limits.

In our original ruling, we required that all plans qualify for the special tax treatment afforded by Section 421 of the Internal Revenue Code. Since the

passage of the recent amendments to the Internal Revenue Code, many banks have expressed interest in adopting employee stock option or stock purchase plans which might not qualify for the special tax treatment afforded to restricted and qualified plans meeting the definitions contained in the Code.

Employees and banks operating under a nonqualified plan presumably would be subject to taxation in the usual manner on transactions entered into pursuant thereto. This Office perceived no consideration of public policy which should prevent the management of a National Bank, desiring to adopt a nonqualified plan, from doing so on the basis of the same business and competitive conditions which govern the actions of business corporations generally in this area.

Accordingly, we recently amended our regulations to eliminate as a prerequisite to the approval of this Office, that stock option or purchase plans must qualify for preferential tax treatment under the Internal Revenue Code of 1954, as amended. In place of the former requirements, a set of general guidelines for such plans was adopted.

6. Access to Examination Reports to the FDIC

The allegation is made that "for one year beginning February 1964" the Comptroller of the Currency did not permit access to examination reports of National Banks to the FDIC. The position of this Office has never been to deny to the FDIC the access to its examination reports required by 12 U.S.C. 1817. The issue, as has been widely reported and is well known, is whether the Office of the Comptroller, which operates entirely on nonappropriated funds, is required to grant such access free of charge. There is nothing in 12 U.S.C. 1817 or indeed in any other statute which prohibits the making of a reasonable charge for copies of such reports which are prepared at great expense to this Office. Section 1817 vests the FDIC with the authorization necessary to becoming privy to contents of National Bank examination reports. It is a clearance or authority to have access to examination reports, to assure that access would not be denied to the FDIC on the basis of the lack of status required to become privy to such information. There is nothing in this provision or in any other law requiring the Comptroller of the Currency to furnish the FDIC with copies of National Bank examination reports free of service charge.

The request by the present Comptroller that reasonable charges be paid for copies of National Bank examination reports is not a novel one. Since 1921, the Federal Reserve System has recognized the equity of

service charges for copies of National Bank examination reports. In that year, Comptroller of the Currency D. R. Crissinger announced that arrangements had been made with the Federal Reserve Board under which Federal Reserve Banks would pay for reports provided by the Comptroller.

In 1957, Comptroller of the Currency Raymond F. Gidney proposed that both the Federal Deposit Insurance Corporation and the Federal Reserve System share with the Comptroller's Office the heavy cost of National Bank examination reports.

In 1962, an agreement was reached between the Federal Reserve Board and the Comptroller's Office whereby the Federal Reserve Banks would pay the Comptroller's Office a fee of \$100 for each examination report which they wished to retain in their own files. In addition, the agreement provided that the Federal Reserve Board staff in Washington could obtain copies of examination reports at no charge. The FDIC, since its inception in 1933, has declined to pay for copies of examination reports.

In 1962, following the agreement between the Federal Reserve Board and the Comptroller of the Currency, the Comptroller suggested to the FDIC that the matter of an equitable charge for examination reports be submitted to the Comptroller General of the United States for review, with the understanding that both banking agencies would abide by the Comptroller General's determination. The FDIC declined to submit the question to arbitration by the Comptroller General.

Every one of the eight Comptrollers of the Currency since 1921 has favored service charges for examination reports. They have contended that National Banks, through the costs involved in their membership in the Federal Reserve System and the FDIC, were in effect helping to subsidize the examinations which the Federal Reserve and the FDIC make of state banks at no charge.

In any event the FDIC presently is being given access to the reports. During the period referred to in the specification sheet, physical changes in our filing setup caused a temporary suspension of the arrangements for access. It is our understanding that during this period the FDIC received copies of the reports from the Federal Reserve.

7. Purchase and Sale of Federal Funds

It is stated in paragraph 1130 of the *Comptroller's Manual* that when a bank purchases "Federal funds" from another bank, the transaction ordinarily takes the form of a transfer from the seller's account in the

Federal Reserve Bank to the buyer's account therein, payment to be made by the purchaser, usually with a specified fee. The transaction does not create an obligation subject to the lending limit or a borrowing subject to 12 U.S.C. 82, but is to be considered a purchase and sale of such funds. This ruling is challenged on the grounds that it is contrary to rulings of previous Comptrollers, and that it is contrary to the provisions of 12 U.S.C. 82 and 84.

Earlier Comptrollers took the position that, when a National Bank acquired, through "purchase," Federal Reserve funds from another bank, such acquisition taking the form of a transfer of the funds from the "seller's" account to the "buyer's" account in the Federal Reserve Bank, with payment to be made by the "buyer" usually with a specified fee, the transaction was a loan by the "seller" bank to the "buyer" bank, and the amount of such "loan" could not exceed the statutory lending limit of the "seller" nor the statutory borrowing limit of the "buyer."

However, such purchases and sales are in reality, and are so recognized by the banking industry, trading in an established money market. It is in truth a buying of money for a short-term use. The Comptroller's Office has, therefore, held that, consistent with custom and practice within the banking industry, transactions of this nature constitute purchases and sales of funds under which no obligations arise that are subject to the lending limitation of 12 U.S.C. 84. Similarly, such transactions are not subject to 12 U.S.C. 82 which imposes borrowing limitations on National Banks. To impose these limitations merely because previous Comptrollers viewed these transactions in a different light would be to perpetuate a position for its own sake without regard to its legal correctness. In this connection, it is noted that a significant number of State bank supervisors view these transactions in the same manner as does the Comptroller's Office.

8. *Corporate Savings Accounts*

It is stated in paragraph 7510 of the *Comptroller's Manual* that a National Bank may accept savings accounts without regard to whether the funds are deposited to the credit of one or more individuals, or of a corporation, association or other organization, whether operated for profit or otherwise. This ruling is challenged on the basis that it is contrary to a regulation of the Federal Reserve Board although no question has been raised with respect to its being legally correct.

After a thorough and careful study of the 1935 statute (12 U.S.C. 461), and its legislative history, as well as the regulations and opinions of the Federal Reserve Board issued both before and since the statute,

the Comptroller's Office concluded that the authority of the Board of Governors of the Federal Reserve System to define the terms "time deposits" and "savings deposits" extends only to the terms of the deposit contract, such as a description of withdrawal requirements and interest rate limitations and that there is nothing contained in the statute that would preclude, or that would authorize a Regulation which would preclude, the maintenance of such accounts by any class of depositors. There is neither legal jurisdiction, nor any authority in the Board, to define "savings deposits" by the character or general purpose of the depositor.

The legal issue is whether or not the Federal Reserve Board has exceeded its authority by defining time deposits and savings deposits by the character or general purpose of the depositor. The fact that the Comptroller's Office has called attention to this abuse of authority is of secondary significance. Of primary importance is the fact that the study and analysis of the legal issues by the Comptroller's Office was prompted by economic considerations and the need for National Banks to serve the public in their own service areas. The Comptroller's ruling eliminates two types of discrimination: between large and small firms; and between commercial banks and other financial intermediaries.

The Federal Reserve Board allows savings deposits to individuals of unlimited means and to nonprofit corporations, associations, or other organizations possessing vast fortunes while it refuses such "privilege" to a small corporate business enterprise. Banks should be encouraged and enabled to assist these small business firms which are ill-equipped to operate in short-term money markets. The knowledgeable and sophisticated treasurer of the large corporation is not unduly restricted by this overextension of authority on the part of the Federal Reserve Board. It is the small unsophisticated corporation which is the real injured party under the Board's regulation. The discrimination between commercial banks and other financial intermediaries results from the fact that these other financial institutions, primarily savings and loan associations, are allowed to accept savings deposits of this type.

Attached is a copy of a detailed memorandum previously prepared by the Comptroller's legal staff with respect to the authority of the Federal Reserve Board to prohibit business corporations or any other particular class of depositors from maintaining savings accounts.

9. *Reporting Requirements for International Operations*

The International Operations Regulation of the Comptroller (12 CFR 20) sets forth certain reporting

requirements with respect to the international operations of National Banks.

This Regulation is challenged on the grounds that it amounts to dual regulation contrary to Section 25 of the Federal Reserve Act (12 U.S.C. 601) which is said to vest the Federal Reserve Board with complete authority to regulate the foreign operations of all member banks, including National Banks.

Section 25 of the Federal Reserve Act specifically provides in the sixth paragraph (12 U.S.C. 602) that every national banking association operating foreign branches shall be required to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand. This language plus that contained in 12 U.S.C. 161 constitutes complete authority for the reporting requirements contained in the International Operations Regulation of the Comptroller. Furthermore, it (12 U.S.C. 602) constitutes Congressional recognition that the Comptroller has a continuing responsibility for the operation, regulation and supervision of National Banks although some phases of their operation may also be subject to regulation by the Federal Reserve System.

10. *Direct Acquisition of Stock of Foreign Banks*

It is stated in paragraph 7525 of the *Comptroller's Manual* that a National Bank may acquire and hold directly and indirectly stock interests in foreign banks as a means of conducting its overseas operations.

This ruling is challenged on the grounds that the Edge Act permits only an indirect equity interest in foreign banks; that it is "contrary to FRB Ruling 1000 promulgated under the authority of 12 U.S.C. 601"; and that it is contrary to 12 U.S.C. 24 which is said to prohibit corporate stock purchases by National Banks.

The Federal Reserve ruling referred to (1964 FRB, p. 1000) is an interpretation of language contained in 12 U.S.C. 24 and of the application of that language to State member banks pursuant to the provisions of Section 9 of the Federal Reserve Act (12 U.S.C. 335). Our interpretation of the language contained in 12 U.S.C. 24 will be discussed later. It should be noted, however, that the ruling was published, 29 FR 9787, 12 CFR 208.112, as a part of Regulation H. Regulation H relates to the membership of State banking institutions in the Federal Reserve System and is based upon and issued pursuant to the provisions of Section 9 of the Federal Reserve Act (12 U.S.C. 321 et seq.) and related provisions of law. Section 9 also relates to State banks as members of the Federal Reserve System. The ruling thus purports to apply only to investments by State member banks in the stock of foreign banks.

The corporate powers of National Banks are set forth in 12 U.S.C. 21 and 24 which authorize the formation of an association for carrying on the "business of banking" which shall have power to exercise "all such incidental powers as shall be necessary to carry on the business of banking." These are broad powers which have never been and should not be completely defined. The banking business must meet the financial needs of our continually growing society. This was recognized by the House Banking and Currency Committee when it recommended the adoption of the McFadden Amendments of 1927. The Committee made the following comment with respect to provisions relating to the holding of stock in a safe deposit corporation and to the investment security business that had appeared in an earlier bill as new grants of power:

* * * they now appear as a confirmation and regulation of an existing banking service or business. It is a matter of common knowledge that national banks have been engaged in the investment-securities business and the safe-deposit business for a number of years. In this they have proceeded under their incidental corporate powers to conduct the banking business. [The bill] * * * recognizes this situation but declares a public policy with reference thereto and thereby regulates these activities. Page 2, H. Report No. 83, 69th Congress.

The claim that 12 U.S.C. 24 prohibits corporate stock purchases by National Banks is based upon the following sentence:

Except as hereinafter provided or otherwise permitted by law nothing herein contained shall authorize the purchase by the association for its own account of any shares of stock of any corporation.

This sentence was added in 1933 as a part of the revision and clarification of the Congressional regulation of the business of dealing in securities and stock and the purchase of investment securities by a bank for its own account. The sentence is clearly a disclaimer that these related powers constitute authority for a bank to purchase corporate stock as a part of its investment portfolio. It does not preclude a bank from using corporate instrumentalities in carrying on the business of banking. One of the earliest recognitions of this power was the judicial recognition that a bank could hold real estate necessary for its accommodation in the transaction of its business either directly or indirectly through a corporation. *Fourth Nat. Bank v. Stahlman* 178 S.W. 942 (Tenn. 1915). This power was later recognized and regulated by Congress in 12 U.S.C. 371(d).

Similarly, the Edge Act does not constitute a grant of power to National Banks but rather a plan for

a limited experimental program in international banking. The act authorizes the Federal Reserve System to charter and regulate special corporations through which banks and others may make indirect investments in foreign banking and other foreign financial operations. It does not purport to preclude all other participation in international financial operations but does represent Congressional recognition that National Banks possess the power to participate in this program.

Paragraph 7525 of the *Comptroller's Manual* recognizes that the power to carry on the business of banking by engaging in foreign financial operations is much broader than the Edge Act program and represents a specific finding that both direct and indirect holdings of stock interests in foreign banks are appropriate means of conducting the overseas banking operations of National Banks.

This is an appropriate finding for the Comptroller to make because he is charged by the National Banking laws with the execution of all laws of the United States relating to the organization, operation, regulation and supervision of National Banks and in particular with the execution of 12 U.S.C. 24 which sets forth the corporate powers of National Banks. Neither the Edge Act nor other portions of the Federal Reserve Act take away any of these responsibilities of the Comptroller. It remains his responsibility to make the initial supervisory determinations of what portions of modern financial operations come within the business of banking.

11. Disclosure Requirements

The disclosure regulations (12 C.F.R. 10, 11, 12 and 16) issued by the Comptroller's Office pursuant to the Securities Acts Amendments of 1964 are questioned on the grounds that they are contrary to the intent of Congress as expressed in the law and do not approach the disclosure standards contained in the Federal Reserve Board's and Federal Deposit Insurance Corporation's regulations.

The F.R.B. and the F.D.I.C. patterned their regulations very closely on those issued by the Securities and Exchange Commission, with the major exception of the dropping of the requirement for certified financial statements.

We understood the purpose of the Williams Amendment, giving to the banking agencies administration of certain provisions of the Exchange Act, as amended, to be that the banking agencies should adopt their own regulations, based on the public interest as determined in the context of the banking industry, while giving due regard to the special needs of shareholders of bank

securities. We have endeavored to do that and to balance off the considerations of public policy that sometimes diverge in attempting to maintain depositor confidence while at the same time keeping investors informed. Furthermore the Amendments Act specifically states that the existing rules, regulations and orders of the Securities and Exchange Commission are not to be binding on the banking agencies.

It must be remembered that our Office was the *first banking agency* ever to require the use of annual financial reports to shareholders, the *first banking agency* ever to require the use of proxy statements, and the *first banking agency* ever to require reports of change of ownership control of banks. All these requirements were imposed by our Office in December of 1962, a year and a half before the Securities Acts Amendments were passed.

Our regulations still require disclosure in a very important area which neither the act nor the other banking agencies have touched—that of the public sale of securities by new banks and existing banks. We require a full registration statement and offering circular to be used by every newly organized or existing bank going to the public for \$1 million or more. The Fed. and F.D.I.C. rules do not impose such a requirement.

12. Purchase and Operation of Mortgage Service Company

The ruling which recognizes the right of a National Bank to purchase the stock of a mortgage service company and to operate such company is challenged on the grounds that it is not provided for by law and that it violates paragraph Seventh of 12 U.S.C. 24, which relates, in part, to the purchase of corporate stock by National Banks. As in the case of other questions raised, this challenge as to the legality of this ruling reflects a lack of understanding of the powers granted and limitations contained in paragraph Seventh of 12 U.S.C. 24.

The activities normally carried on by a mortgage service company have long been recognized as an essential part of the business of banking in which a National Bank may lawfully engage under paragraph Seventh of 12 U.S.C. 24. No one would argue that a bank could not properly service mortgage loans it makes itself. The servicing of such loans held by others is a logical and economically sound extension of such activity. As previously stated, neither the provisions contained in that paragraph, nor their purpose or legislative history prohibit, or in any way limit, the judicially recognized right of a National Bank to ex-

ercise all such powers as are incidental to the business of banking, including the power to carry on certain activities which are a part of the business of banking through a subsidiary corporation. It has long been settled law that for various business considerations, a National Bank may carry on certain of its banking activities such as mortgage servicing either directly or through a subsidiary corporation.

13. Ownership and Operation of Travel Agencies

It is stated in paragraph 7475 of the *Comptroller's Manual* that, incident to those powers vested in them under 12 U.S.C. 24, National Banks may provide travel services for their customers and receive compensation for such services. This ruling, as well as the Comptroller's ruling relating to the authority of National Banks to acquire the stock of a travel agency corporation and operate such a corporation are challenged on the ground that they are not provided by law and that paragraph Seventh of 12 U.S.C. 24, which relates to the purchase of corporate stock by a National Bank, prohibits the purchase and operation of a travel agency corporation.

As have previous Comptrollers, the present Comptroller has recognized that National Banks may, as an incident of their banking powers, provide travel services for their customers and may receive compensation for these services. Travel services may properly include the issuance of travel credit cards, the sale of trip insurance and the rental of automobiles as agent for a local rental service. As a legitimate exercise of their banking powers, National Banks may advertise, develop and extend such travel services for the purpose of attracting customers to the bank.

The provision of travel services is the natural and necessary complement of long standing banking services such as the issuance of travelers' letters of credit and travelers' checks, the making of loans to finance the costs of travel, the provision of custody accounts and safe deposit facilities and the entire range of bank credits employed in international trade and investment.

As in the case of other activities which are either a part of the business of banking or incidental thereto, such as mortgage servicing activities, as discussed above, a National Bank may, consistent with the provisions contained in paragraph Seventh of 12 U.S.C. 24, and in accordance with applicable judicial precedents, engage in such activities either indirectly through a subsidiary corporation, the stock of which is owned by the bank, or directly through a department within the bank.

14. General Insurance Agency Activities

It is stated in paragraph 7100 of the *Comptroller's Manual* that 12 U.S.C. 92 provides that National Banks may act as agents for any fire, life, or other insurance company in any place the population of which does not exceed 5,000 inhabitants. This provision is applicable to any office of a National Bank when the office is located in a community having a population of less than 5,000 even though the principal office of such bank is located in a community whose population exceeds 5,000. This ruling is challenged on the grounds that 12 U.S.C. 92 has been removed from the U.S. Code of laws since 1916 and that this ruling is contrary to rulings of previous Comptrollers.

There is specific statutory authority in 12 U.S.C. 92 for a National Bank to act as a general insurance agent in a community with a population of less than 5,000 people. The ruling contained in paragraph 7100 is consistent with the clear Congressional intent, evident at the enactment of the statute. It is realized that there is a disagreement among lawyers as to the technical status of 12 U.S.C. 92 as having the force of law. It was for this reason that this provision of law was cited as paragraph II of Section 13 of the Federal Reserve Act in paragraph 9405 of the *Digest of Opinions* which predated paragraph 7100 of the *Comptroller's Manual*. In this connection, it is gross error to assert that this ruling is contrary to rulings of previous Comptrollers. The Comptroller's Office, along with the other banking agencies and the banking industry generally, has always gone on the assumption that the provisions contained in 12 U.S.C. 92 remain as part of the law.

15. Insurance Activity Incidental to Banking Transactions

It is stated in paragraph 7110 of the *Comptroller's Manual* that under the powers vested in them under 12 U.S.C. 24, National Banks have the authority to act as agent in the issuance of insurance which is incidental to banking transactions and that commissions received therefrom or service charges imposed therefor may be retained by the bank. This ruling is challenged on the basis that it is not provided for by law and that it is contrary to rulings by previous Comptrollers.

A National Bank, wherever located, may, pursuant to its corporate powers contained in paragraph Seventh of 12 U.S.C. 24, participate in insurance transactions which are incident to banking transactions. An example would be a bank selling to a customer credit life insurance to pay the balance of a loan held by the bank, in the event of the customer's death.

A National Bank has an insurable interest in an automobile on the security of which it has extended credit to a customer. A bank also has an interest in maintaining through liability insurance the credit-worthiness of its customer, so long as the loan is outstanding, in order that its ability to collect from the customer is not impaired by judgments arising out of the negligent operation or use of the automobile. The bank's interest in the automobile and in the unimpaired credit-worthiness of the customer, so long as the loan is outstanding, can be protected by making insurance available to the customer. It is unreasonable and entirely without justification to expect a bank to gratuitously supply this service for an insurance company without receiving any payment for the necessary expenses which the bank incurs through the use of its employees and facilities.

Congress has consistently recognized that the business of banking covers a wide range of activities. In the National Bank Act of 1864 Congress wisely refused to define the business of banking as it then existed, foreseeing that the banking business would change and develop with the passing years. It is clear that the business of banking is advanced by financial and related services, and powers necessary to achieve and promote the fundamental purposes of banking must be regarded as powers incidental to those expressly granted by paragraph Seventh of 12 U.S.C. 24. Moreover, there is no evidence contained in the legislative history of 12 U.S.C. 92 that Congress intended to prohibit National Banks from acting in the limited capacity as agents in the issuance of insurance which is incidental to banking transactions. With respect to the position of previous Comptrollers who approved of the bank doing the work of an agent so long as it did not receive any compensation for it, it suffices to say that the receipt of payment for a service does not in itself make the service performed illegal or *ultra vires*, but it is the character and nature of the service itself which determines whether its performance is consistent with the bank's corporate powers.

16. Debt Cancellation

It is stated in paragraph 7495 of the *Comptroller's Manual* that a National Bank may provide for losses arising from cancellation of outstanding loans upon the death of borrowers. This ruling is challenged on the basis that it is not provided for by law.

The Comptroller's Office has, in paragraph 7495, simply recognized that, as a means of protecting itself against losses from its lending transactions, a National Bank may provide for losses arising from the cancellation of outstanding loans upon the death of borrowers.

The imposition of an additional charge, and the establishment of necessary reserves in order to enable the bank to agree to such debt cancellation clauses, are a lawful exercise of the powers of a National Bank and necessary to the business of banking. This ruling is founded on paragraph Seventh of 12 U.S.C. 24, which authorizes a National Bank to exercise "all such incidental powers as shall be necessary to carry on the business of banking; . . ." The execution of loan agreements with debt cancellation clauses pursuant to section 24 is an exercise of a National Bank's corporate powers precisely as in the case of its other banking activities.

The debt cancellation ruling is not intended as a means of enabling National Banks to invade the field of insurance. Rather, it is a recognition of a National Bank's right to protect itself against anticipated losses in connection with its lending activities, through the establishment and maintenance of appropriate reserves. The necessity to maintain such reserves, and to adjust charges in relation to the risk involved in a particular transaction, has long been recognized as an essential part of the prudent conduct of the banking business.

It has been contended that a debt cancellation clause is an insurance contract which is subject to regulation by state authorities because cancellation of the debt upon the death of the borrower results in a benefit to his estate and satisfaction of the debt is provided for out of a reserve established by the bank. This contention is without merit. No payment is made to the borrower's estate. The reserve established by the bank is for its benefit and sole protection. The cancellation of the debt on the death of the borrower is in no way dependent upon the size or, indeed, the existence of a reserve created by the bank.

The establishment of a reserve by a National Bank for its benefit is obviously not the business of insurance. Whether such reserves have been established and are adequate are, like other banking matters, subject to the exclusive supervisory authority of the Office of the Comptroller. The provisions of 15 U.S.C. 1012 are not to the contrary. Although section 1012 vests in the several states certain authority in connection with the business of insurance, Congress did not, by Section 1012, confer on the states any authority over the banking activities of National Banks. A banking transaction by a National Bank does not become the business of insurance subject to the provisions of section 1012 merely because a state official or legislature defines the business of insurance so broadly as to encompass banking transactions as well as the wide variety of insurance which they purport to regulate.

17. Use of Data Processing Equipment

It is stated in paragraph 3500 of the *Comptroller's Manual* that a National Bank may make available, for the use of others, data processing equipment acquired for the primary purpose of performing service incidental to banking. This ruling is challenged on the grounds that it is not provided for by law, and that it is contrary to the intent of Congress expressed in the Bank Service Corporation Act (12 U.S.C. 1861-65) prohibiting any data processing activity other than the performance of bank services for banks.

The objections are groundless in light of the provisions contained in 12 U.S.C. 24 and 12 U.S.C. 1861-65. A National Bank may clearly own and operate data processing equipment under 12 U.S.C. 24 which authorizes it to exercise all such incidental powers as shall be necessary to carry on the business of banking. It is fundamental that if a bank is to achieve the full utilization of its investment in such equipment, it must make it available for the use of others even though it is acquired for the primary purpose of performing services incidental to banking. This conclusion is entirely consistent with and supported by the judicially recognized right of a National Bank to lease or construct a building for banking purposes even though, in order to achieve a maximum return on its investment, it intends to occupy only a part thereof and to rent out a large part of the building to others. The Bank Service Corporation Act (12 U.S.C. 1861-65) recognizes the right of small and medium-sized banks to organize and invest in bank service corporations to provide service comparable to that offered by the largest banks. However, nothing contained in either the act or its legislative history precludes a bank from owning its own data processing equipment or from sharing in the ownership of such equipment through a corporation owned by it with individuals or with corporations other than banks.

18. Leasing of Personal Property

It is stated in paragraph 3400 of the *Comptroller's Manual* that a National Bank may become the owner and lessor of personal property acquired, upon the specific request, and for the use of a customer, and may incur such additional obligations as may be incident to becoming an owner and lessor of such property. These transactions do not result in obligations subject to the lending limits set forth in 12 U.S.C. 84. Since lease payments are in the nature of rent rather than

interest, they are not subject to 12 U.S.C. 85 and 86. This ruling is challenged on the grounds that it is not provided for by law and contrary to the clear intent and purpose of Congress contained in 12 U.S.C. 84.

The Comptroller's ruling which recognized the authority of National Banks to engage in the direct leasing of personal property was the result of a reexamination of the statutory corporate powers of National Banks.

Paragraph Seventh of 12 U.S.C. 24 authorizes a National Bank to exercise "all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating * * * evidences of debt; * * *." Prior to the Comptroller's ruling, a lease financing transaction had been considered within the authority of a National Bank only to the extent that the transaction could be regarded as the discount or the negotiation of an evidence of debt. It followed that such transactions were subject to the lending limits contained in 12 U.S.C. 84. Previous rulings recognized that certain lease paper could be discounted or negotiated and would qualify under exception 13 of 12 U.S.C. 84. Under some circumstances, the obligation of the discounter or negotiator of such paper (ordinarily the lessor) is not subject to the lending limit.

A careful study of lease financing indicated that transactions in which the economic function of the lessor had been reduced to a minimum were already an important part of the business of banking. In these transactions a bank lent money to a lessor solely upon the credit of a lessee for the purchase of property specifically requested by the lessee for its immediate possession and use. The lessor acted solely as a holder of title and as a nominal debtor. He was a relatively expensive retailer of bank credit necessary only because a lease transaction required an owner and lessor of property, and because the bank supervisors required an evidence of debt. The recognition that in some cases a lessee could be regarded as a debtor under 12 U.S.C. 84 approached, but did not reach the solution of the problem. A debtor-creditor relationship did not meet the needs of the lessee.

Solution of the problem, however, required only the recognition that the economic development of the United States had brought this form of lease financing into the business of banking. The business of banking, like the law merchant, continues to grow to meet the needs of commerce. Paragraph Seventh of 12 U.S.C. 24 clearly authorizes National Banks to carry on the business of banking. The "business of bank-

ing" clearly is not limited to the transactions described in paragraph Seventh. It is not necessary to fit lease financing into the narrow confines of the negotiation of an evidence of debt. It is, in fact, necessary to the business of banking to recognize that the leasing by the bank of personal property acquired upon the specific request of and for the use of its customer, and the incurring of such additional obligations as may be incident to becoming an owner of personal property and the lessor thereof, is a lawful exercise of the powers of a National Bank and necessary to the business of banking.

The limitation contained in 12 U.S.C. 84 applies specifically to the discounting, negotiation and guaranty of evidences of debt. If, as indicated in the preceding paragraphs, lease financing is not the negotiation of an evidence of debt for the purposes of 12 U.S.C. 24, there is no reason to regard it as such for the purpose of bringing it within the limitation of 12 U.S.C. 84. Certainly, the acquisition of personal property is not within the limitation and the payment of rent is ordinarily regarded as compensation for the use of property and not as the payment of a debt.

19. *Purchase or Sale of Securities Subject to Repurchase Agreements*

It is stated in paragraph 1131 of the *Comptroller's Manual* that the purchase or sale of securities by a bank, under an agreement to resell or repurchase at the end of a stated period, is not a borrowing subject to 12 U.S.C. 82 or an obligation subject to the lending limit of 12 U.S.C. 84. This ruling is challenged on the basis of being contrary to the clear intent of Congress contained in 12 U.S.C. 82 and 84, which impose borrowing and lending limitations, respectively, on National Banks.

In form as well as legal effect, such transactions are neither borrowings nor lendings but rather are purchases and sales. The only possible justification for inclusion of such transactions within the lending limitations is that, in isolated cases, they may be used to evade the lending limit. However, the vast majority of purchases and sales are for valid and legitimate nonborrowing purposes, such as the obtaining of collateral security for public deposits.

As stated, this ruling is entirely consistent with the substance and realities of a legitimate part of the banking business. As a responsible regulatory body, the Comptroller's Office cannot, because of possible isolated instances of evasion of applicable statutory limits by a few bankers, view transactions as being applicable

to statutory limitations which, in fact and in law, are not applicable.

20. *Underwriting by National Banks*

Under the provisions of paragraph Seventh of 12 U.S.C. 24, National Banks are empowered to underwrite and generally trade in those securities which constitute general obligations of a State or a political subdivision of a State. After a thorough study of the issues, the Comptroller rules that a number of types of municipal securities, hitherto thought to be ineligible for underwriting and general trading by National Banks, had sufficient elements of a "general obligation" to qualify them for such underwriting and trading. Further, in the first major revision since 1934, the authority of National Banks to purchase investment securities was restated and reinterpreted in a new Investment Securities Regulation which became effective on September 12, 1963.

This new Regulation for National Banks reflects the Comptroller's effort, within his statutory authority, to enable the banking system to perform more effectively, yet safely, the vital function of facilitating the flow of investment funds into their most productive uses. In a private enterprise economy, this task of aiding the mobility of capital is one of the most significant responsibilities of the banking system.

The regulation is challenged as being contrary to paragraph Seventh of 12 U.S.C. 24, presumably because the Comptroller has concluded that a bond may constitute a public security even though it is not supported by general powers of taxation possessed by the obligor of the bond. The contention that in order for bonds to constitute a general obligation of a State or any political subdivision thereof, they must be issued by a political unit possessing powers of general taxation and must be supported by such powers is without merit. Such a requirement clearly is not imposed by the provisions of paragraph Seventh of 12 U.S.C. 24. Similarly, neither the legislative history of those provisions nor any relevant judicial decisions warrants the imposition of such a requirement. Bonds which are adequately supported by substantial resources of a political unit are eligible for bank underwriting and there exists no statutory authority on the basis of which the Comptroller's Office, in the exercise of its regulatory and supervisory responsibility as required by paragraph Seventh of 12 U.S.C. 24, could conclude and therefore require as a condition precedent for bonds being eligible for underwriting, that the political unit issuing such bonds possess general powers of taxation and that the bonds must be supported by such powers.

21. Definition of Executive Officer

It is stated in paragraph 5235 of the *Comptroller's Manual* that the term "executive officer," within the contemplation of 12 U.S.C. 375a, means each officer of a bank who, by virtue of his position, has both voice in the formulation of the policy of the bank and responsibility for the implementation of such policy. The responsibility of and function performed by the individual—not his title—determine whether he is an "executive officer." This ruling is challenged on the basis that it is contrary to that provision in 12 U.S.C. 375(a) expressly authorizing the Federal Reserve Board to define the term "executive officer."

The Comptroller's Office has concluded that the term "executive officer" as contemplated by 12 U.S.C. 375(a), means any officer of a bank who, by virtue of his position, has both voice in the formulation of the policy of the bank and responsibility for the implementation of that policy. To define executive officer in any other terms would have the effect of depriving many bank employees of the opportunity of obtaining their home mortgage, automobile loan and other normal borrowing needs from the bank for which they work. Banking is perhaps unique in the large number of employees who, for a variety of reasons, are executive officers in name only. A more restrictive definition serves only to deprive the bank of business from its employees who cannot influence their own loan applications.

Consequently, the Comptroller's Office has taken a realistic approach to the situation. Its position is entirely consistent with the intent of 12 U.S.C. 375(a) which was designed to prevent individuals from influencing their own loan applications. It has retained the protection contemplated by the statute by ruling that anyone who can influence the lending policy of the bank and also implement that lending policy is an executive officer within the meaning of the statute.

The Federal Reserve Board, prior to the Comptroller's ruling on this subject, had not altered its Regulation in 25 years. Regulation O, as it appeared for these 25 years, stated that the Chairman of the Board, the President, every Vice President, the Cashier, Secretary, Treasurer and Trust Officer were Executive Officers. Subsequent to the Comptroller's ruling the Federal Reserve Board amended its Regulation O so that, as amended, the statutory limitation on loans to executive officers does not apply to a person, regardless of his title, who has no authority to perform and actually does not perform the duties of an executive.

22. Real Estate Loan Defined

It is stated in paragraph 2000(b) of the *Comptroller's Manual* that a real estate loan within the meaning of 12 U.S.C. 371 is any loan secured by real estate where the bank relies upon such real estate as the primary security for the loan. Where the bank in its judgment relies substantially upon other factors, such as the general credit standing of the borrower, guaranties, or security other than real estate, the loan does not constitute a real estate loan within the meaning of 12 U.S.C. 271, although as a matter of prudent banking practice it may also be secured by real estate. This ruling and a similar ruling contained in paragraph 2400(c) of the *Comptroller's Manual* are challenged on the alleged basis that they are contrary to a plain reading of 12 U.S.C. 371 which defines and limits real estate loans, and contrary to rulings by previous Comptrollers.

Federal law (12 U.S.C. 371) requires that loans made by National Banks on the security of real estate meet certain requirements with respect to the nature and value of the security, the term of the loan and the manner of its repayment. Section 371 states that "a loan secured by real estate within the meaning of this section shall be in the form of an obligation or obligations secured by a mortgage, trust deed, or other instrument upon real estate which shall constitute a first lien * * *". The quoted language is obviously regulatory, not definitory. If it is a real estate loan, it must meet certain standards, but the section leaves open presumably for the discretion of the bank examiner, to determine which loans are in fact real estate loans, which must meet the minimum security and amortization requirements of the section.

Section 371 does not state that any loan made by a bank in which a real estate security interest is taken, is a real estate loan. Section 371 and other provisions of Federal law expressly recognize that in certain circumstances loans secured by real estate are not made primarily on a security of real estate and are to be treated as ordinary commercial loans. Real estate loans have thus been defined by the Comptroller's Office as not including those loans in which the bank is primarily relying on factors other than real estate. Where a bank is primarily relying on general credit standing of the borrower, guaranties, or security other than real estate the loan does not constitute a real estate loan within the meaning of 12 U.S.C. 371, although as a matter of prudent banking practice it may also be secured by real estate.

In the past, a bank making a sound personal loan, from a credit standpoint, was thought by many to be

unable to acquire a first or second lien on real estate as additional security, because the loan, which was never intended to be a real estate loan, could not conform to the statutory requirements of Section 371. A bank making a sound personal loan may wish to have a real estate security interest merely as an additional source for payment of the loan in the event of a default. The bank may not have any expectation of ever resorting to this real estate security for repayment. To force the bank to regard every loan, having any real estate collateral however incidental, as a real estate loan subject to Section 371 would prevent the bank from taking this additional security in the case of a sound personal loan. Such a construction obviously defeated the remedial purpose of the section which was to require maximum protection for the bank.

These rulings are not contrary to rulings of previous Comptrollers, as is evidenced by paragraph 2145 from the *Digest of Opinions*, which predated the *Comptroller's Manual*. It was stated in paragraph 2145 that "Occasionally it may be advisable for a bank to take a mortgage on real estate in order to strengthen the primary security for a loan and protect it against some unfavorable contingency. For example, a loan may be made * * * upon the security of an assignment of rents to be paid under a long-term lease with an oil company * * * operating a gasoline station * * *. In such a case the bank might wish to hold a mortgage on the realty itself, in order to increase the certainty of continued receipt of the rental payments. Assuming that the lessee is financially responsible and credit-worthy, the lease cannot be cancelled, the lease rental is adequate to service the loan and pay the principal amount of the loan in full by its maturity, * * * such a loan would not be regarded as a 'real estate loan,' subject to the requirements of section 24 [12 U.S.C. 371]."

23. *Improved Real Estate*

It is stated in Paragraph 2020(d) of the *Comptroller's Manual* that business and residential property is improved when substantial and permanent improvements have been constructed or developed on the property, or when its value has been enhanced by such improvements in its immediate vicinity. This ruling is challenged on the ground that it is not provided for by law and that it is contrary to rulings of previous Comptrollers.

The definition of what constitutes improved real estate is, and always has been the responsibility of the Comptroller's Office. To object to a particular def-

inition as not being provided for by law is to merely raise questions of opinion inasmuch as the term improved real estate is not defined in either the statute (12 U.S.C. 371) which imposes certain limitations on real estate loans by National Banks, or in any other applicable Federal law.

Prior Comptrollers had held that real estate was "improved" only when there was a completed structure erected thereon. In recognition of economic realities, the present Comptroller has ruled that real estate may be considered "improved" within the meaning of 12 U.S.C. 371 when construction or development has contributed substantially to its value. The construction of a building on the property is not the only, nor necessarily the greatest, "improvement" that can occur to enhance the value of a particular piece of real estate. This ruling merely recognizes the fact that many changes may happen, both on and in the vicinity of the real estate such as affords all the protection to the lender that is contemplated by the statutory requirement that the real estate be improved. The paving on a parking lot in the heart of Manhattan may be more valuable as "improvement" than a two-story barn on a dust-bowl farm.

Farmland is deemed "improved" when it is useful for agricultural purposes without further substantial improvement. So too, should business and residential property be regarded as "improved" when substantial and permanent improvements have been constructed or developed on the property, or when its value has been enhanced by such improvements in its immediate vicinity. Of course, whether onsite or offsite improvements have enhanced the value of property, so as to make it improved real estate, is necessarily a question of judgment which can only be resolved in the light of the facts of each particular case.

24. *Capital Debentures*

It is stated in paragraph 1100(b) of the *Comptroller's Manual* that National Banks may issue capital debentures and capital notes which, to the extent that they are subordinated to the prior payment in full of all deposit liabilities, such debentures and notes are includable in "capital" for the purposes of determining the loan limitation of 12 U.S.C. 84. This ruling is challenged on the grounds that it is not provided for by law and is contrary to traditionally accepted corporate and accounting practice.

Title 12 U.S.C. 84 provides that the total obligations to any national banking association of any person, copartnership, association, or corporation shall at no time exceed 10 per centum of the amount of the

capital stock of such association actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund.

Under the terms of this Office's ruling, the right to receive payment of debenture holders must be expressly subordinated to the right to prior payment in full of all deposit liabilities of the Bank, whether outstanding at the date the debentures are issued or thereafter incurred. Capital notes or debentures so limited have all of the protective effect of capital and surplus insofar as depositors are involved.

An examination of the legislative history of the National Bank Act, and relevant judicial decisions subsequent to its enactment establishes the power of National Banks to borrow money and issue debentures in return therefor, the proceeds of which may be used for general banking purposes. In addition, such an examination of the lending restrictions contained in 12 U.S.C. 84 indicated that protection of depositors is the primary purpose of restricting the amount of loans to any person to a stated percentage of the capital and surplus. Consequently, if capital debentures and notes stand legally in the same relationship to depositor as "equity" capital and surplus, they may appropriately be included in the bank's loan base.

We conclude, therefore, that the proceeds of capital notes and capital debentures may be included as part of the aggregate amount of unimpaired capital stock and unimpaired surplus funds for the purpose of the computation of the limit on loans to individual borrowers contained in 12 U.S.C. 84, provided appropriate subordination provisions are present.

25. *Undivided Profits and Reserves as Included in "Unimpaired Surplus Fund"*

It is stated in paragraph 1100(c) of the *Comptroller's Manual* that a National Bank may include as part of its "unimpaired surplus funds" [as used in 12 U.S.C. 84], all capital accounts (other than capital stock) derived from paid-in or earned surplus, undivided profits, tax-paid portion of valuation reserves for loans, valuation reserves for securities and reserves for contingencies. This ruling is challenged on the grounds that it is not provided by law and is in disregard of established bank accounting terms.

Our ruling relating to undivided profits and reserves as includable in unimpaired surplus fund, and which is set forth in paragraph 1100(c) of the *Comptroller's Manual for National Banks*, was based on a study of the legislative history underlying the limitations on loans dependent upon capital and surplus as set forth in 12 U.S.C. 84. Because the protection of deposits

was the primary purpose of these limitations the term "unimpaired surplus," as used in the statute, has been ruled to include all capital accounts which are not subject to known charges and which are interchangeable simply by resolution of the bank's board of directors. Such accounts, as a practical matter, stand in the same relative position to deposits as does the surplus account. Examples of such accounts would be undivided profits, valuation reserve for securities and reserve for contingencies. Reserves which are subject to known specific charges, such as a reserve for dividends declared or a reserve for taxes, interest and expenses, would not be includable in "surplus."

26. *Interest Rates Charged by National Banks*

It is stated in paragraph 7310 of the *Comptroller's Manual* that a National Bank may charge interest at the maximum rate permitted by applicable State law to any competing State lending institution. Where State law permits a higher rate on specified classes of loans (for example, small loans), a National Bank which makes loans at such higher rate is subject only to such limitations relating to the classification of loans as are material to the determination of a rate of interest. This ruling is challenged as being contrary to 12 U.S.C. 85 and contrary to a Federal court decision.

As was stated in paragraph 9510 of the *Digest of Opinions*,¹ in enacting 12 U.S.C. 85 "Congress intended that, with respect to interest charges national banks shall have the same powers as any competing State lending institution. State commercial banks and industrial banks both constitute competing elements among lending institutions. Therefore, national banks are empowered to charge interest at the maximum rate permitted by State law to either State commercial banks or industrial banks * * *."

Paragraph 7310, which is comparable to paragraph 9510 of the *Digest of Opinions*, is merely a restatement of relevant court decisions (see, for example, *Rockland National Bank of Boston v. Murphy*, 110 N.E. 2d 638 (Mass. 1953)) and is entirely consistent with the objectives of Congress beginning in 1863 and 1864, as was clearly stated in the legislative history of section 85, as has been uniformly recognized by previous Comptrollers, and as is reflected in applicable court decisions. To contend now, in 1965, that National Banks are not free to compete with any competing

¹ The publication of the Comptroller's Office which preceded and which was replaced by the present *Comptroller's Manual for National Banks*.

State lending institution is to ignore this clear Congressional intent and thus to argue that National Banks are required to operate and compete in a dual banking system under conditions more restrictive and less favorable than those applicable to State-chartered institutions.

27. *Messenger Service by National Banks*

It is stated in paragraph 7490 of the *Comptroller's Manual* that, in order to meet the requirements of its customers, a National Bank may provide messenger service by means of an armored car or otherwise, pursuant to an agreement wherein it is specified that the messenger is the agent of the customer rather than of the bank. Deposits collected under this arrangement are not considered as having been received by the bank until they are actually delivered to the teller at the bank's premises. Similarly, a check is considered as having been paid at the bank when the money is handed to the messenger as agent for the customer. This ruling is challenged on the grounds that it violates the state branch banking restrictions incorporated into 12 U.S.C. 36c and that to the extent it involves interstate branching, it is not provided for by law and violates the clear intent of Congress.

Rulings of the Comptroller's Office dating back to 1929 have held that the pickup of deposits and the delivery of cash by armored car service is authorized, provided that certain safeguards are met to insure that such activities do not constitute unauthorized branch banking. The ruling in the *Comptroller's Manual* merely reaffirms this traditional view that such service is a proper incident of the business of banking as authorized under paragraph Seventh of 12 U.S.C. 24. Section 36(f) of Title 12, U.S.C., defines a branch bank as any place at which deposits are received, or checks paid, or money lent. Thus, it has been ruled that agreements which provide armored car service must make it clear that the funds are being received by the armored carrier as agent for the customer and not the bank. As an element of this ruling, it has also been held that a National Bank may absorb the cost of the service, and that such payments do not constitute the payment of interest in violation of Regulation Q.

The Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System have issued substantially the same rulings applicable to state banks under their jurisdiction.

28. *Authority to Act as "Finder"*

It is stated in paragraph 7200 of the *Comptroller's Manual* that a National Bank, pursuant to request, may

act as "finder" in bringing together a buyer and seller, where the bank's activity is limited to the introduction and it takes no further part in the negotiations for this service, the bank may accept a fee. This ruling is challenged on the grounds that it is not provided for by law and that it permits National Banks to engage in activities of a nonbanking nature and to compete unfairly with other businesses.

Commercial transactions, which necessarily entail the coming together of a buyer and seller, most frequently require the financing and related financial services afforded by commercial banks. Where a bank is able to bring together a buyer and seller, it is performing a service both to prospective participants in a commercial transaction and to itself as the possible source of financing such a transaction. In such circumstances, the bank is, as authorized under 12 U.S.C. 24, engaged in the business of banking and exercising a power which is necessary to carry on the business of banking.

It must be noted that paragraph 7200 contemplates that the bank's activity be limited to an introduction and that the bank take no part in the negotiations. National Banks, in places where the population does not exceed 5,000, may act as real estate brokers generally. In larger towns, National Banks with trust powers may manage and sell real estate for customers. See *Comptroller's Manual*, paragraph 7425. This ruling relates to when a National Bank may act as an agent for a buyer or seller of loans and may engage in the management and sale of real estate for others. Assertions to the contrary notwithstanding, a careful analysis of all cases bearing on this question clearly indicates that the Comptroller's ruling is entirely consistent with judicial precedent.

29. *Loans Secured by Bank Shares*

It is stated in paragraph 6030(b) of the *Comptroller's Manual* that a National Bank may require that a borrower holding shares of the bank execute agreements (1) not to pledge such shares, (2) to pledge such shares at the request of the bank when necessary to prevent loss, and (3) to leave such shares in the bank's custody. This ruling is challenged on the grounds that it violates an express prohibition contained in 12 U.S.C. 83 that a National Bank may not make any loan or discount on the security of the shares of its own capital stock, unless such security shall be necessary to prevent loss upon a debt previously contracted in good faith.

As stated in 12 U.S.C. 83, a National Bank may accept the security of its own stock only when such

security is necessary to prevent a loss on a debt previously contracted. The ruling contained in paragraph 6030(b) is entirely consistent with this limitation of 12 U.S.C. 83 inasmuch as none of the transactions described in that ruling constitute a pledge of bank stock as security. On the contrary, each or a combination of the agreements described in paragraph 6030(b) are merely means by which a National Bank may insure that bank stock owned by a borrower will be available as security in the event that loss on an existing loan appears likely. The provision of 12 U.S.C. 83 which permits a National Bank to accept

the security of its own shares when such security is necessary to prevent loss on a debt previously contracted would be stripped of any meaning and purpose by an interpretation that the bank could not prudently prevent a prior hypothecation or sale of the borrower's assets to the extent that such assets consisted of bank shares. Such an interpretation by a banking supervisor would be irresponsible and subject to criticism. A bank should, in the exercise of prudent banking judgment, be left free of any restraints whatsoever in its ability to reach all assets of a borrower to prevent a loss to the bank.

APPENDIX D

Selected Correspondence

of

JAMES J. SAXON

Comptroller of the Currency

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Selected Correspondence of James J. Saxon, Comptroller of the Currency

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ARMORED CAR SERVICE

MAY 6, 1965.

HON. JOHN J. RHODES
House of Representatives
Washington, D.C.

This is in response to your inquiry of April 22, 1965, in which you enclosed correspondence from the Armored Motor Service of Arizona, Inc., in Phoenix, Ariz., signed by its president, Mr. S. B. Thomson. Mr. Thomson, who mentions a ruling by this Office applicable to national banks, states that the practice of picking up deposits for customers to be delivered to banks and the handling of money between banks has always been handled by privately owned armored car companies. He is of the view that this is a private enterprise which should not be in competition with the Federal Government in any of its branches.

A national bank is a privately owned commercial bank or financial institution and any services performed by it may not reasonably be construed as the activities of a branch of the Federal Government. A national bank's character as a private rather than governmental enterprise is not altered because it is chartered, supervised and examined by this Office, or because Federal law imposes certain restrictions and limitations on its activities.

Rulings of this Office dating back to 1929 have held that the pickup of deposits and the delivery of each by armored car service is authorized, provided that certain safeguards are met to insure that such activities do not constitute unauthorized branch banking. We have reaffirmed the opinion that such service is a proper incident of the business of banking.

Section 36(f) of Title 12 U.S.C. defines a branch bank as any place at which deposits are received, or checks paid, or money lent. Thus, we have ruled that agreements to provide armored car service must make it clear that the funds are being received by the armored carrier as agent for the customer and not the bank. As an element of this ruling, we have also held that a National Bank may absorb the cost of the service, and that such payments do not constitute the payment of interest in violation of regulation Q.

The Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve System have issued substantially the same rulings applicable to state banks under their jurisdiction.

AVAILABILITY OF INFORMATION

MARCH 19, 1965.

HON. JOHN E. MOSS,
Chairman, Foreign Operations and Government
Information Subcommittee of the Committee on
Government Operations
House of Representatives
Washington, D.C.

Your letter of February 12, 1965, addressed to the Secretary of the Treasury, asks a number of questions concerning the availability of information from Treasury agencies and the extent to which such availability is responsive to the requirements of the Administrative Procedure Act of 1946. This letter responds to such questions insofar as they relate to the Comptroller of the Currency.

1. In general, section 3 of the Administrative Procedure Act of 1946 (5 U.S.C. 1002) applies to the Comptroller of the Currency.

2a. Descriptions of the central and field organization of the Office of the Comptroller of the Currency are published in the Federal Register and in letters to all National Banks from time to time as changes are made. They are also published annually in the "United States Government Organization Manual" and in the "Annual Report of the Comptroller of the Currency." This information is also published by various commercial publications. The Comptroller's regulations "Procedures" (12 CFR 4) and "Fiduciary Powers of National Banks and Collective Funds" (12 CFR 9), which set forth the places and methods whereby the public may secure information or make submittals or requests, are published in the Federal Register, in the Code of Federal Regulations, in letters to all National Banks and in the Regulations sections of the "Comptroller's Manual for National Banks" and the "Comptroller's Manual for Representatives in Trusts."

b. Statements of the general course and method by which the functions of the Comptroller are channeled and determined, including the nature and requirements of all formal and informal procedures, forms, and instructions as to the scope and content of all papers, reports, or examinations are also set forth in the regulations, "Procedures" and "Fiduciary Powers of National Banks and Collective Funds." Additional detailed information on these subjects is contained in the "Manual for Representatives in Trusts," "Comptroller's Policy Guidelines for National Bank Directors" and "Instructions, Procedures, Forms for National Bank Examiners." The first of these manuals is furnished to representatives in trusts and to national banks authorized to exercise fiduciary powers. The other two manuals are furnished to national bank directors and national bank examiners for their guidance. All three are loose leaf manuals which are supplemented from time to time.

c. Substantive rules adopted as authorized by law are published as regulations in the Federal Register and in the Code of Federal Regulations (12 CFR 1-20), in letters to all national banks and in the Regulations sections of the Manuals for National Banks and for Representatives in Trusts.

d. Statements of general policy and interpretation formulated and adopted for the guidance of the public are published as interpretative regulations in the Federal Register, in the Code of Federal Regulations (12 CFR 1.105 *et seq.*; 12 CFR 7), in letters to all National Banks and in the Regulations sections of the Manuals for National Banks and for Representatives in Trusts. Interpretative rulings arising out of individual inquiries from national banks have been generalized for the guidance of officials of national banks and their counsel, national bank examiners and other members of the staff of the Comptroller of the Currency and are published in the Rulings section of the "Manual for National Banks" or in the Opinions section of the "Manual for Representatives in Trusts." Individual rulings which are particularly timely are distributed immediately in letters to all National Banks. Significant rulings are also summarized quarterly in "The National Banking Review." In addition to the sections on Rulings and Regulations, the "Manual for National Banks," which is supplemented at quarterly intervals, includes the text of the National Banking Laws and related statutes. The "Manual for Representatives in Trusts" also includes the text of the laws relating to the trust powers of National Banks and instructions, procedures and forms. "The National Banking Review," a journal of policy and practice published quarterly by the Comptroller, provides a forum for the discussion of economic problems relating to banking. Members of the Comptroller's Economics Staff and others interested in these problems contribute leading articles to the Review. Current statistical data and comment on economic, legal and regulatory developments are regularly published in "The National Banking Review."

e. Rules addressed to and served upon named persons in accordance with law are specifically excepted from publication requirements of section 3 of the Administrative Procedure Act (5 U.S.C. 1002(a)(3)). Such rules are, in accordance with published rule (12 CFR 4.13(a)(2)), available for public inspection except in such cases as the Comptroller determines (section 4.13(b)) that disclosure would conflict with the public interest and the proper administration of his responsibilities.

3. The Comptroller of the Currency is required by 12 U.S.C. 1828(c) to include in his annual report to the Congress the basis for his approval of each merger, consolidation, acquisition of assets, or assumption of liabilities approved by him during the period covered by the report. Opinions in such cases are published in the "Annual Report of the Comptroller." They are also released to the press through regular public information channels at the time the action is taken. Other rulings, final opinions, decisions, and orders of the Comptroller of the Currency are available for inspection at the Office of the Comptroller during business hours to persons properly and directly concerned in accordance with the provisions of the procedural regulation of the Comptroller (12 CFR 4.13).

4. Section 4.13(b) of the procedural regulation of the Comptroller defines confidential information, lists reasons for its non-disclosure and sets forth the circumstances in

which disclosure may be authorized by law and in the public interest. Opinions, decisions, and orders of the Comptroller are included (section 4.13(b)(2)(iii)) within the definition of confidential information when the Comptroller determines that disclosure would conflict with the principles set forth as reasons for nondisclosure in section 4.13(b)(1).

The Comptroller publishes biweekly a "Summary of Actions" which sets forth the disposition made of applications for charter, for a branch, for a title change, for a head office relocation or a branch relocation. The "Summary of Actions" is distributed to all national banks, to approximately 2,500 business firms, lawyers and other interested individuals who have requested to be notified of decisions. It is also released to the Washington press through public information channels and mailed to approximately 150 out-of-town newspapers and publications. In addition, a public information officer responds to press inquiries concerning the filing and disposition of applications for new bank charters, branches and mergers.

5. Unpublished opinions and orders are not cited or used as precedents in other proceedings.

6. Interpretations and legal opinions are published in the form of regulations in the Federal Register and the Code of Federal Regulations. Such regulations and more detailed interpretations and rulings are published for the benefit of the persons directly concerned with the National Banking System in letters to all national banks and in the various Comptroller's Manuals. Unpublished information, except that required for good cause to be held confidential is, in accordance with published rule (12 CFR 4.13(a)(2)), available for inspection at the Office of the Comptroller of the Currency during business hours to persons properly and directly concerned. The rule provides that a request to examine such information or to obtain a copy or copies thereof must be submitted to the Comptroller of the Currency or to the Regional Controller of the Currency for the region in which the request arises. Such request must be signed by the person making it or his duly authorized agent who must state the name and address of the person on whose behalf the request is made. The request must set forth the facts, if any, involved, the purpose for which the document or information contained therein will be used if made available, the nature of such person's interest in the matter and the reason or reasons why the request should be granted (12 CFR 4.13(a)(2)(ii)).

7. Many of the records and files of the Office of the Comptroller of the Currency contain information which must be safeguarded in the public interest in order to protect the National Banking System and to enable the Comptroller to administer properly his responsibilities. Such information is disclosed only to such persons and to the extent that the Comptroller determines that disclosure is authorized by law and is in the public interest (12 CFR 4.13, 4.14). National bank examiners are forbidden by 18 U.S.C. 1906 to disclose the names of borrowers or the collateral for loans of banks examined by them to other than proper officers of such bank without first having obtained the express permission in writing from the Comptroller of the Currency.

8. Private parties dealing with the Comptroller of the Currency are not required to resort to organization or procedure not published in the Federal Register.

9. The Comptroller of the Currency does not disclose records, files and other information where such disclosure would conflict with the public interest in the proper administration of his responsibilities as the supervisor of National Banks. Some of the results which might flow from the improper disclosure of such information are set forth in section 4.13(b)(1) of the procedural regulation of the Comptroller. The nature of the information which is ordinarily not disclosed is set forth in section 4.13(b)(2). These considerations, however, do not require the Comptroller to refrain from the publication of rules.

10. Rules relating solely to internal agency management are ordinarily not published.

11. The Comptroller of the Currency does not define "official record" as used in section 3(c) of the Administrative Procedure Act. The standards set forth in the Comptroller's regulation relating to the disclosure or nondisclosure of information (12 CFR 4.13) does not depend on whether the information is a matter of official record or not.

12. In accordance with your request, there are submitted herewith two copies of—

Years of Reform, a Prelude to Congress—The 101st Annual Report of the Comptroller.

The Comptroller's Manual for National Banks.

The Comptroller's Manual for Representatives in Trusts.

The Comptroller's Policy Guidelines for National Bank Directors.

Instructions, Procedures and Forms for National Bank Examiners.

The March issue of The National Banking Review.

Pages 104 and 105 of the United States Organization Manual, 1964-65.

Notice of New Regional Organization, 27 Federal Register, 4530 and 4531, Friday, May 11, 1962.

Summary of Actions.

A sample merger opinion.

BANK MERGERS

APRIL 26, 1965.

Hon. DANTE FASCELL
House of Representatives
Washington, D.C.

Reference is made to your letter of April 5, 1965, wherein you express your concern with the grave problems which can arise in bank merger cases, where the stamp of approval has been affixed by a banking agency, only to have it destroyed at some future time through the efforts of another agency of the Government, the Antitrust Division.

These problems are new to the banking industry and have only arisen since the passage of the Bank Merger Act of 1960. While the legislative history of that Act had been understood by the banking fraternity as making it clear that the role of the Depart-

ment of Justice in bank mergers was to be advisory only, the Supreme Court, in *United States v. Philadelphia National Bank* 374 U.S. 321, ruled that bank mergers were within the reach of the antitrust statutes. This, in effect, as Mr. Justice Harlan indicated in his dissenting opinion, gives the Department of Justice veto power over bank mergers which have been approved by the federal banking agencies.

Since this problem of conflicting jurisdiction over bank mergers arose from a statutory interpretation, it appears to me that the solution to the problem lies primarily within the Congress.

JANUARY 12, 1965.

Hon. JOSEPH CLARK,
United States Senate
Washington, D.C.

In your letter of January 6, 1965, you ask for a status report on the application of Williamsport National Bank, Williamsport, Pa., to consolidate with the First National Bank of Williamsport, Williamsport, Pa.

The application has been investigated by our field examiner and the advisory reports required by the Bank Merger Act of 1960 (12 U.S.C. 1828c) have been received from the appropriate agencies including the Department of Justice, a copy of whose report is enclosed for your information. The participant banks have been given a copy of this advisory report.

Williamsport National Bank has a total IPC deposits of \$22 million and the First National Bank of Williamsport has total IPC deposits of \$17 million. These small banks are second and third in size, respectively, in the greater Williamsport-Lycoming County area. It is estimated that the city of Williamsport has a population of 32,000, the greater Williamsport area 75,000, and Lycoming County 110,000. Presently, there are 14 banks in the county with total deposits of some \$139 million.

While the economy of Williamsport and Lycoming County is not stagnant, I am sure that you will agree that it could well use a stimulant to further, more rapid and sustained economic development. We believe that sound, well-managed banks of a size capable of attracting and financing new industry and commerce are indispensable to promoting community growth. While these small banks in Williamsport have done well, we feel they could do much more for the economic development of their area of Pennsyl-

vania were they given the opportunity to combine their resources and channel their efforts in this direction.

We do not agree with the conclusions reached by the Department of Justice in its advisory report on the consolidation of the Williamsport banks. The consolidation will, we believe, serve to bring new competitive vigor to the banking structure of the area and will not, as the Department of Justice contends, have an adverse effect upon banking competition.

The report of the Department of Justice has special significance because of the authority of the Department to institute judicial proceedings under the Sherman and Clayton Antitrust Acts against consolidating banks. The impact of an antitrust suit on any bank is grave; the impact on small banks, as in Williamsport, could be disastrous. Realizing this, we cannot, with regard for our responsibilities under the National Banking Act, plunge National Banks applying for permission to consolidate into the bog of an antitrust suit without first advising them of the possible and probable consequences.

An antitrust suit against the Williamsport bank would affect their operations in several respects. Because of their relatively modest resources and limited earning capacity, they could not prudently undertake to pay the heavy legal fees and court costs of antitrust litigation. These small banks, struggling as they are to improve the economic well-being of Lycoming County and its residents, can ill afford the confusion in their daily operations which an antitrust suit would certainly create. An antitrust suit brought against them in the name of the United States could seriously damage the banks' name and public image which they have earned by many years service and which they cherish as essential to their continued successful operation. Further, if they were able to consolidate before a court decreed their union illegal, their problems would be compounded as they attempted to work their way through the labyrinth of a bank divestiture proceeding. While this Office believes that this proposed consolidation would be in the public interest, we have doubts, stemming from the above considerations, that these small Williamsport banks should shoulder the risks of an antitrust suit no matter how beneficial their proposed consolidation may be for the economic betterment of Lycoming County and the banking structure of Pennsylvania.

I shall, of course, be available to discuss this matter further with you at your convenience should you desire more information.

DECISION OF THE OFFICE OF THE COMPTROLLER OF
THE CURRENCY ON THE APPLICATION TO CONSOLIDATE
WILLIAMSPORT NATIONAL BANK, WILLIAMSPORT, PA., AND THE FIRST NATIONAL BANK OF
WILLIAMSPORT, WILLIAMSPORT, PA.

STATEMENT

On October 16, 1964, the \$34.2 million Williamsport National Bank, Williamsport, Pa., and the \$22.2 million First National Bank of Williamsport, Williamsport, Pa., applied to the Comptroller of the Currency for permission to consolidate under the charter of the former and with the title "Williamsport First National Bank."

Williamsport, with a population of 42,000, is located in northeast central Pennsylvania along the West Branch of the Susquehanna River, 85 miles north of Harrisburg. Williamsport is the focal point of a surrounding area denominated locally as Greater Williamsport, which has a population of 74,755, and is the county seat of the largest county in area in Pennsylvania, Lycoming County, which has a population of 109,367. No other town in the county approaches Williamsport in size and, in fact, it is the only city of its size for a distance of some 65 miles in any direction. A municipal airport with scheduled flights, railways, and road transportation give easy access to and from Williamsport. The area will benefit from federal highway projects now under construction, particularly from the Keystone Shortway (Interstate 80), which will ultimately extend from New York to San Francisco via Chicago and will pass near Williamsport.

The economy of the Williamsport area is based principally on industry and agriculture, with recreational facilities in the outlying areas near the river and education also providing some stimulus. At the turn of the century, Williamsport was known as the largest lumber city in the world but the depletion of the nearby forests forced the city to turn to more diversified industry. Now there are 207 industrial establishments operating in Lycoming County and manufacturing such varied products as airplane engines, radio tubes, steel, and paper napkins. The Williamsport Technical Institute, a division of the Williamsport Area Joint Schools, has substantially contributed to the development of a skilled labor force to attract industry by training and retraining adults and high school seniors to work in modern plants. There are 1,490 farms, averaging 140 acres per farm, in the county which are principally devoted to truck farming and dairying. Also contributing to the county's

economy is Lycoming College, with 1,260 students. The economic prospects for the Williamsport area are promising because of the success of local efforts to attract diverse industries and to provide necessary educational opportunities. In addition, the national program of providing first-rate highway facilities to all parts of the country should greatly advance the prospects for Williamsport because some of these highways will link that city to the east and west coasts.

The applicant banks are located in the center of Williamsport and each has one branch. The major competitor in the city is the \$42.8 million Northern Central Bank & Trust Co., the resulting bank of a merger in 1963 which made it the dominant bank in Williamsport. Two smaller banks in the Greater Williamsport area have resources of some \$19.8 million. Nine other banks in Lycoming County, ranging in size from the \$7.5 million Muncy Bank & Trust Co., Muncy, to the \$1.4 million First National Bank of Ralston, Ralston, also compete with the applicant banks. In addition, three savings and loan associations in Williamsport compete for savings accounts and mortgage loans.

This proliferation of banking units in Lycoming County reflects the extent of competition which the applicant banks encounter in the area they serve. While most of the banks in the county are small, they nevertheless provide alternate banking sources for individuals, farmers and small businessmen who make up a large portion of the local banking customers.

The need in Williamsport is for a bank which can offer effective competition to the now dominant Northern Central Bank and can attract new industry and commerce which will stimulate the local economy. Moreover, the larger industries and commercial establishments in Williamsport require larger loans and more services, such as Lock Box Service, than either applicant bank can provide at the present time. First National Bank, for example, must send documents daily to a larger bank 200 miles distant for data processing in order to offer its customers efficient demand deposit accounting and, in a few instances, payroll accounting. Alone, neither bank can justify the acquisition of electronic data processing equipment; as a consolidated bank, they could invest in this equipment and thus offer modern banking services in an efficient manner.

Size and equipment are only as effective as the men who use them, however. Both applicant banks have been fortunate in the quality of management in the past and at the present time. But the problem in both

banks of management succession and of competition with other banks for specialists in such fields as trusts and commercial lending can no longer be ignored.

Having considered the statutory criteria of the effect of the transaction on competition, the convenience and needs of the community and the management, we would be inclined to hold that the proposed merger is in the public interest. The indication of the Department of Justice in its agency report to this Office that litigation to enjoin the proposed consolidation is likely, casts a different light on the transaction. We must consider, pursuant to the Bank Merger Act of 1960, the future earnings prospects of the applicant banks. The resources and earning capacity of these banks do not permit them prudently to sustain the heavy legal fees and court costs of protracted antitrust litigation. The effect of such burdensome expenses on future earnings could be seriously detrimental.

There is also the responsibility, entrusted to this Office by the Congress, of supervising national banks to insure their solvency and liquidity. We intend to carry out our mandate with regard to this application. Besides the oppressive costs involved in defending an antitrust suit, the confusion in daily operations and the damage to the banks' name and public image which they have earned by many years service could have a grave impact on the condition of these national banks. Further, if they were able to consolidate before a court decreed their union illegal, their problems would be compounded as they attempted to work their way through the labyrinth of a bank divestiture proceeding.

As the applicant banks are effectively blocked by the threat of litigation from improving and making more rational their operations by means of the proposed consolidation, it is reasonable to anticipate their joining forces with banks outside the Lycoming County area in the near future. This type of union would offer many of the advantages of the proposed consolidation, such as bringing in new personnel and increasing funds to serve the growing Williamsport economy and insuring that it does indeed grow. Hopefully, such a union would allow the banks to develop naturally as regional banks, capable of giving the Williamsport area public the banking service it deserves, without threat of litigation and without harassment.

Having considered the consolidation application in the light of the relevant facts and our statutory mandate, we are compelled to deny permission to consolidate.

APRIL 21, 1965.

HON. WRIGHT PATMAN
Chairman, Committee on Banking and Currency
House of Representatives
Washington, D.C.

AUGUST 24, 1965.

The Office of the Comptroller of the Currency appreciates the opportunity to present its views on S. 1698, which passed the Senate and was referred to the Committee on June 14, 1965. Secretary Fowler has authorized me to submit to you and the members of the Committee the following statement of the views of this Office, which I have, of course, discussed with him. However, this statement does not necessarily in all respects represent the views of the U.S. Treasury.

Public policy toward bank mergers has been in a chaotic state since the Supreme Court's *Philadelphia* decision in 1963. There, although a majority of the Court agreed that the Bank Merger Act of 1960 remained in full force and effect, they held that bank mergers are also subject to section 7 of the Clayton Act. These two positions are fundamentally irreconcilable. Whereas the Bank Merger Act requires the bank regulatory agencies to weigh the public interest in bank merger proposals according to seven criteria carefully tailored by Congress to fit the realities of banking, the Clayton Act applies a narrow competitive test initially fashioned for the unregulated industries where competition serves as virtually the sole safeguard of the consumer interest.

The *Philadelphia* decision did nothing to provide definitive guidelines for the banking industry and its supervisory authorities for the reconciliation of these diverse criteria. The chaos in bank mergers was further heightened by the *Lexington* decision which ruled that a violation of section 1 of the Sherman Act when applied to bank mergers is to be determined by the same tests to be applied in a section 7 case. In effect, therefore, sections 1 and 7 are made interchangeable with respect to bank mergers.

With the banking agencies and the Department of Justice applying statutes having conflicting criteria, it is small wonder that the ensuing clashes have befuddled the public and aroused the banking industry. The banking committees of both houses are to be commended for their current efforts to resolve the statutory conflict.

In my view, the considerations which led the Congress in 1960 to enact the Bank Merger Act, with its recognition of the need for merger criteria specifically designed to fit the unique industry of banking, are still compelling today. Those considerations make it preeminently clear that the traditional criteria of the

antitrust statutes developed in connection with mergers in the unregulated industries cannot be fittingly applied to bank mergers. In the unregulated industries mergers may be freely undertaken, subject only to prosecution under the antitrust laws. In banking, however, mergers require the prior administrative approval of a regulatory authority, and the regulatory agencies in reaching their decisions apply a variety of statutory criteria relating to the banking and public consequences of proposed mergers.

The desire to merge is critically affected by the power to branch. Merger applications rarely appear in no-branch States because a merger under those conditions usually requires the closing of one of the merged banks. Thus, two tools of structure control are effectively lost where branching is prohibited, and needed bank expansion must take place almost entirely through new charters.

The public benefits which may be derived from mergers stem basically from the economies of large-scale enterprise, and the greater variety of services which larger firms may offer to consumers. These benefits will arise where increases in the scale of operations yield savings in costs, or where a broadening in the lines of production or the extension of operations to new markets permit greater dispersion of risks and thus allow the undertaking of ventures unsuitable for smaller firms. A larger and more broadly based bank may also be able to offer specialized services which are not profitable for smaller institutions, and should be able to move capital more efficiently from surplus to deficit areas. Moreover, the legal lending limits of banks require the presence of larger institutions to meet the needs of larger businesses most proficiently.

In our public policy for the unregulated industries, we have generally distinguished between the growth of firms through internal expansion and their growth through merger. Growth through merger has been viewed with greater public concern because it entails the elimination of competitors and, for this reason, merger limitations have been imposed through the antitrust laws. The direct administrative controls applied to bank mergers are also based in part upon the competitive effects of such mergers, but, as we shall see, the banking authorities apply a variety of other public interest criteria in deciding bank merger cases. These criteria are specifically related to the fact that the banking structure is under direct public control.

There is some probability that growth through merger may have a more adverse effect on the liveliness of competition than growth through internal ex-

pansion. However, there are countervailing considerations. A merger may enable a firm to acquire plant, personnel, and market-access not otherwise readily attainable, or attainable only at greater cost. More fundamentally, even though the intensity of competition may be adversely affected by growth through merger, merger may nevertheless produce benefits of larger-scale production which are in some degree passed on to consumers in the form of improved service or lower prices. The task of public policy is to allow those increases in the size of firms that are, on the whole, beneficial to consumers, while restricting those that are, on balance, harmful.

There are two reasons why merger may often be the preferred course of expansion in banking, even though in comparable circumstances reliance on internal growth may be more appropriate for the unregulated industries.

First, the banking authorities have a positive responsibility to see that the public convenience and need for banking services and facilities are met. In carrying out this responsibility, they do not have the authority to require the provision of service such as is found in the fully regulated industries like the "public utilities"; their choices are limited to the private proposals for bank expansion presented for their approval. If they find that a proposed merger will yield public benefits and they see no superior means for achieving these benefits either at hand or in clear prospect, they have a strong positive reason for approving the merger. In the unregulated industries, there is no public responsibility to fashion industry expansion according to the public need; reliance is placed on private initiative and no public authority faces the problem of choosing the form or method of industry growth.

Second, in choosing the best means to serve the public convenience and need for banking services, the banking authorities must appraise the alternatives in terms of the effects on the solvency and liquidity of competing banks. Bank merger proposals are generally designed to provide new services to a community, to provide services at lower cost, or to enter new markets. The alternative means of achieving these purposes are new charters and *de novo* branching. If the existing banks in a market are poorly managed, financially weak, or unprogressive, such added competition may threaten their solvency or liquidity and merger may constitute the only effective means of bringing improved service to a community without posing a threat to bank viability.

In the unregulated industries, there is no public concern to safeguard individual firms against failure.

Indeed, in these industries freedom to compete and to eliminate less efficient rivals is essential to the reliance placed on private initiative to serve consumer demands. It is therefore appropriate in the freely competitive industries to impose more severe restrictions on growth through merger than are applied to banking.

Bank mergers have sometimes been opposed on the ground that, although they may improve service for some classes of consumers, they may do so at the expense of others. Some classes of consumers, however, have needs which only larger banks can serve efficiently. If other classes of consumers are disadvantaged by a merger, a new opportunity is presented to competing banks and the banking authorities may respond by authorizing new charters or new branches. In this way, the needs of all classes of bank customers may be served most efficiently and most effectively.

The Bank Merger Act of 1960 provided for direct administrative control of bank mergers by the banking authorities, and established broad public interest standards to guide the administration of these controls. In addition to the "effect of the transaction on competition (including any tendency toward monopoly)," the banking agencies are required to consider the financial history and condition of each of the banks involved, the adequacy of their capital structures, their future earnings prospects, the general character of their management and, most significantly, "the convenience and needs of the community to be served." Mergers are to be approved only where, after considering all of these factors, the transaction is found to be "in the public interest." Since the passage of the Bank Merger Act, however, two Supreme Court decisions have subjected bank mergers to the antitrust laws. This has given rise to ambiguities of policy and conflicts of purpose.

The problems are both philosophic and procedural. There is no serious dispute about the desirability of applying antitrust principles to the unregulated industries. Since in those industries primary reliance is placed on individual initiative and private enterprise to meet consumer demands, there are justifiable reasons for preserving freedom of entry and restricting the acquisition of market power in order to enable the competitive forces to function. In banking, however, entry and expansion are under direct public control. The competitive forces are purposefully restricted in order to safeguard the viability of the banking system, and an effort to apply conventional antitrust principles in these circumstances is almost certain to conflict with bank regulatory objectives.

This is well demonstrated by the difficulties that have been encountered under the Bank Merger Act since the

Philadelphia and *Lexington* decisions brought bank mergers under the antitrust laws. Although the banking agencies must continue to reach their decisions according to the broader public interest standards set forth in the Bank Merger Act, their decisions are now subject to attack in the courts under the narrower standards of the antitrust laws.

This impasse can be clearly resolved only by exempting bank mergers from the antitrust laws completely as has been done in other regulated industries, or by subjecting such mergers to the full application of those laws. If this latter course is chosen, the Bank Merger Act should be repealed. There would seem to be no valid reason for subjecting banks to more onerous pre-merger requirements than apply in the unregulated industries if bank mergers are to be subject to attack under the antitrust laws. More fundamentally, if it is to be public policy to apply conventional antitrust concepts to banking, it logically follows that bank entry and bank branching should also be free of direct public control. The least satisfactory course is the present one of entrusting regulatory powers to the banking agencies and judging the exercise of those powers on the assumption that the competitive forces are to be fully preserved and fully operative. It should be observed, however, that a decision to move toward free bank entry and expansion raises questions which go beyond the problems of banking structure. It is highly doubtful that bank operating practices could be effectively supervised, and the viability of the banking system sustained, without some form of public control over the banking structure.

There is one intermediate course through which a reconciliation might be achieved between the Bank Merger Act and the antitrust laws with or without a statutory change. The courts, in antitrust cases involving bank mergers, could take cognizance of the fact that banking competition is restricted through public regulation, and that bank mergers receive prior administrative approval from a public authority according to broad public interest standards which transcend purely competitive considerations. A statutory provision embodying these standards would produce greater consistency between the Sherman and Clayton Acts and the Bank Merger Act of 1960 in bank merger cases. In fact, this new direction to the courts could be made applicable to the pending cases in which bank mergers are being challenged.

This approach would not be as clear cut as the other alternatives we have presented, and would undoubtedly leave large areas of uncertainty for long periods. Nevertheless, if in bank merger cases the courts con-

sidered the unique competitive conditions which prevail in the regulated industry of banking, there would be a greater likelihood that the antitrust criteria developed principally with the unregulated industries in mind could be adapted to banking without impairing the effectiveness of bank regulation.

An effort to test this approach for accommodating these two basic strands of our public policy was recently undertaken by the Comptroller of the Currency as an intervening defendant in an antitrust action relating to the merger of the Mercantile Trust Co. N.A. and the Security Trust Co., both of St. Louis. (A copy of the pleadings filed in the St. Louis case is enclosed.)

There is one administrative procedure under the Bank Merger Act which should be modified if that act is to remain in force. At present, the banking agencies not directly involved in a merger decision are required to submit advisory opinions on the "competitive factor" to the responsible agency. Since this factor comprises only one of the seven considerations required to be taken into account, the advisory opinions do not represent a judgment on the desirability of a merger. Nevertheless, differences between the advisory opinions and the decisions on mergers have often been falsely cited as evidence of differences in merger policy among the banking agencies. Moreover, 5 years of experience under the Bank Merger Act have demonstrated that the advisory opinions of the banking agencies not faced with the responsibility of decision are ordinarily routine and rarely present facts or ideas unknown to the responsible agency. There seems to be no proper reason for continuing this procedure.

Retention of the Department of Justice advisory opinions raises other considerations, however. Under the terms of the Bank Merger Act, the Department of Justice receives copies of the comprehensive merger applications filed by the banks. These applications are replete with detailed economic data, often of a confidential nature. They yield data tantamount to that which Justice, in a merger case in an unregulated industry, would attempt to secure by investigation and pretrial discovery. This procedure has the incongruous effect (especially in view of congressional failure to approve general premerger notification legislation sought by the Antitrust Division) of making it easier for the Department of Justice to attack a Government-approved merger in the bank industry than any other merger, either in a regulated or an unregulated industry.

The merger application form not only compels disclosure of material facts in sufficient detail to enable Justice to institute a suit without further investigation,

but also compels the banks to admit to conclusions of law which, on trial of a case, forecloses them from raising their best defense. The critical issues in every antitrust case filed against a bank is the definition of the relevant market and the line of commerce. It is obvious that the broader the relevant market and the more diverse the lines of commerce in any given merger situation, the less significant will be the anticompetitive impact of that merger. Since these are the critical issues to be determined by a court in an antitrust suit, it is not only unfair to the banks applying for a merger but it also smacks of a denial of due process to compel them to admit to a definition of a relevant market—the geographic territory from which 75 percent of IPC deposits are derived—which does not accord with the economic realities of their operations. The *Philadelphia* and *Lexington* cases, with their reliance on State branch banking laws and the factor of convenience for small depositors, did nothing to clarify the meaning of a relevant market in banking.

Based on what we have said heretofore, it is obvious that, in our view, S. 1698 is less than ideal. Nonetheless, we support the bill because it is a step in the right direction, providing a constructive, albeit temporary, solution to the chaotic problems of the bank merger. We therefore strongly recommend that this subcommittee favorably consider S. 1698.

If, however, it should be the judgment of the Committee that the exemptions and protections provided in S. 1698 should not be adopted, we would vigorously urge the Committee to amend the appropriate statutes to require the courts to consider all of the criteria set forth in the Bank Merger Act in judging the legality of a bank merger. Such a statutory provision requiring the courts to consider all of these criteria would, in our opinion, clearly tend to produce more consistency between the Sherman and Clayton Acts on the one hand, and the Bank Merger Act of 1960 on the other hand, in those cases where the antitrust division challenged or challenges in the courts the judgment of the cognizant regulatory agency in approving a merger. Such a new direction to the courts, as here recommended, could and should be made applicable to bank merger cases now pending in the courts, as well as to any others that may be litigated in the future. Indeed, such a statutory direction would do much to eliminate the chaos, controversy and confusion that now exists between the bank regulatory agencies on the one hand and the Department of Justice on the other, because the courts are not now required to consider the criteria as set forth by the Congress of the United States in the Bank Merger Act of 1960. Un-

less this is done, we have little hope of any reasonable clarification and guidance in administering the Bank Merger Act.

United States District Court, Eastern District
of Missouri

Civil Action No. 65C-241(1)

UNITED STATES OF AMERICA, PLAINTIFF, *v.*
MERCANTILE TRUST COMPANY, NATIONAL ASSOCIATION AND SECURITY TRUST COMPANY, DEFENDANTS

Filed: July 7, 1965

MOTION OF COMPTROLLER OF THE CURRENCY JAMES J. SAXON TO INTERVENE AS A DEFENDANT PURSUANT TO RULE 24, FEDERAL RULES OF CIVIL PROCEDURE

The Comptroller of the Currency, James J. Saxon, pursuant to rule 24, Federal Rules of Civil Procedure, hereby moves this Court for leave to intervene as a defendant in this action, and to file the proposed answer attached hereto and made a part hereof, on the following grounds:

1. The alleged representation by plaintiff, United States of America, of the interest of the Comptroller of the Currency James J. Saxon is or may be inadequate and the said Comptroller of the Currency James J. Saxon will or may be bound by a judgment in this action, pursuant to rule 24(a) (2), Federal Rules of Civil Procedure.

2. Defendants, as part of their defense, rely on approval of the merger in issue by the Comptroller of the Currency James J. Saxon on August 4, 1964, pursuant to rule 24(b) (2), Federal Rules of Civil Procedure.

Grounds (1) and (2) as set forth above are further established in the Points and Authorities in Support of Motion attached hereto and made a part hereof.

July 8, 1965

By JAMES J. SAXON, *Comptroller of the Currency.*

United States District Court
Eastern District of Missouri

Civil Action No. 65C-241(1)

UNITED STATES OF AMERICA, PLAINTIFF
v.

MERCANTILE TRUST COMPANY, NATIONAL ASSOCIATION AND SECURITY TRUST COMPANY, DEFENDANTS

Filed: July 8, 1965

STATEMENT OF POINTS AND AUTHORITIES IN SUPPORT
OF MOTION BY COMPTROLLER OF THE CURRENCY
JAMES J. SAXON TO INTERVENE AS DEFENDANT.

Introduction

The subject cause is instituted by the Department of Justice, in the name of the United States, to prevent

the merger of the defendant banks, which merger was approved by the United States acting through its Comptroller of the Currency James J. Saxon. The gravamen of the subject cause is that the proposed merger of defendant banks, approved by the United States through the Comptroller of the Currency, will be illegal under section 1 of the Sherman Act (15 U.S.C. 1) and section 7 of the Clayton Act (15 U.S.C. 18).

The proposed merger of the defendant banks was approved by the Comptroller of the Currency James J. Saxon in a written statement dated June 24, 1965, after consideration by said Comptroller of the several statutory criteria required to be taken into account and pursuant to the authority vested in said Comptroller by the National Banking Act (12 U.S.C. 215a) and the Bank Merger Act of 1960 (12 U.S.C. 1828(c)). The action and authority of Comptroller of the Currency James J. Saxon in approving the merger, pursuant to the statutory authority vested in said Comptroller to approved mergers of national banking associations, will be nullified if the judgment demanded by the plaintiff is granted.

Intervention of Right

Rule 24(a) of the Federal Rules of Civil Procedure provides, in part, as follows:

(a) Upon timely application anyone shall be permitted to intervene in an action: * * * (2) when the representation of the applicant's interest by existing parties is or may be inadequate and the applicant is or may be bound by a judgment in the action. * * *

If the plaintiff is successful in the subject cause, the action and authority of the Comptroller of the Currency James J. Saxon in approving the merger in question, pursuant to the statutory authority vested in the Comptroller by the National Banking Act (12 U.S.C. 215a), and the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), will be nullified. Because of the responsibilities imposed upon the Comptroller of the Currency by the National Bank Act (12 U.S.C. 1, et seq.) and related statutes in a merger approved by him is a continuing one and not an interest that ceases upon approval of the merger. The factors which the Comptroller is required to consider when passing upon a merger application are couched in language which contemplates the future welfare and operation of the bank resulting from the merger. For example, by the statute the Comptroller is required to consider, among other factors, the bank's "future earnings prospects" and "the general character of its management." (See

12 U.S.C. 1828(c).) After the merger is approved, the Comptroller's interest continues undiminished. Resulting national bank is subject to the supervision of the Comptroller of the Currency. Any action against such national bank, particularly this lawsuit which is predicated upon action of the Comptroller, a result of which may adversely affect the welfare of the participant national bank and the resulting national bank, affects the interest of the Comptroller of the Currency.

Moreover, in desiring to have sustained the merger approved by him, the interest of the Comptroller of the Currency therein transcends his interest in protecting the welfare of the national bank resulting from the merger. Among the several statutory factors required to be taken into account by the Comptroller in passing upon a proposed merger, the Comptroller must determine that it will serve the convenience and needs of the community. Having determined that, among other things, a proposed merger will benefit the public interest, the Comptroller has an interest on behalf of the public, and indeed a duty to the public, to encourage completion of the merger and to bend his efforts to remove obstacles thereto.

The interest of the Comptroller of the Currency James J. Saxon in protecting the public interest of the United States, as entrusted to him by the Bank Merger Act of 1960, and involved in the subject cause, cannot be adequately represented by any other existing party.

The plaintiff cannot adequately represent the Comptroller's interest because the gravamen of its complaint is to prevent a merger which the Comptroller, after due consideration, has approved. The interest of the plaintiff in this case is not that of the United States, but only the interest of the United States as viewed by one agency thereof, namely the Department of Justice, particularly the Antitrust Division thereof. The Comptroller of the Currency, another agency of the United States is also charged with representing the public interest of the United States, and the Comptroller has a different position as to where lies the public interest of the United States with respect to the subject case. The Comptroller of the Currency is equally entitled to represent the interest of the United States which, by statute, is entrusted to him. Because of the contradictory positions taken by the plaintiff under antitrust laws and the Comptroller under the banking laws, it is impossible for the plaintiff to represent the interest of the Comptroller of the Currency in this case.

The interest of Comptroller of the Currency James J. Saxon in the subject case cannot be adequately represented by defendant banks. Although defendant banks are ably represented by capable counsel, such counsel does not possess the expertise of the Comptroller and his staff concerning the subtleties of a bank merger application. Years of experience with mergers involving national and other banks of all sizes have afforded the Comptroller a sphere of knowledge with respect to bank mergers much greater than any other nonbanking governmental officer or private citizen. It is further pointed out that under 12 U.S.C. 215a and 1828(c), that Comptroller of the Currency James J. Saxon took into account several factors, including the competitive effects, in deciding to approve the merger of defendant banks. *The relative weight* accorded to each such factor was within the judgment of Comptroller of the Currency James J. Saxon. *The defendant banks* were not privy to the deliberations of the Comptroller of the Currency and, therefore, they are not in a position to know the relative importance attached to the various factors taken into account by him. Consequently, the defendant banks are not in a position to represent Comptroller of the Currency James J. Saxon in the subject action.

Permissive Intervention

Rule 24(b)(2), providing of permissive intervention, provides, in part, as follows:

When a party to an action relies for grounds of claim or defense upon any statute or executive order administered by a Federal or State governmental officer or agency or upon any regulation, order requirement, or agreement issued or made pursuant to the statute or executive order, the officer or agency upon timely application may be permitted to intervene in the action.

The Comptroller of the Currency also has a right to intervene in this cause under rule 24(b) of the Federal Civil Procedure. The Comptroller of the Currency is vested with exclusive authority under 12 U.S.C. 215a to approve or deny the merger of two or more banks where the resulting bank is a national association. His authority is augmented by the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), which instructs him to consider seven factors, including the competitive impact of the merger, in determining whether or not the merger will promote the public's interest. Since the defendant banks in this suit rely upon the validity of the Comptroller's order approving this merger as a defense to the claims of the plaintiff, it is proper that the Comptroller be permitted to intervene.

The Comptroller's approval is at the very basis of the action, in fact, such approval is a proximate cause of such action. It is difficult to conceive how the Comptroller's approval would not be considered to be an essential ground in testing the legality of the merger.

The resolution of the issues here presented requires the court to consider the spirit of rule I, Federal Rules of Civil Procedure, which provides that rule 24 "shall be construed to secure the just * * * determination" of this action.

In *United States v. El Paso Natural Gas Company et al.*, 376 U.S. 651, (1964), Mr. Justice Harlan, in his opinion, concurring in part and dissenting in part, said:

This case affords another example of the unsatisfactoriness of the existing bifurcated system of antitrust and other regulation in various fields. In this case, the Federal Power Commission had indicated its approval of this merger as being in the public interest. The Department of Justice, however, considered the merger to be violative of the anti-trust laws and, for that reason alone, against the public interest. This Court, under the present scheme of things has no choice on this record but to sustain the position of the Department of Justice, as indeed it has felt constrained to do, albeit in my view with less justification, in other recent cases involving dual regulation. Cf. *United States v. Philadelphia National Bank*, 374 U.S. 321; *United States v. First National Bank and Trust Co.*, decided today, * * *, and my dissenting opinions in those cases. It would be unrealistic not to recognize that this state of affairs has the effect of placing the Department of Justice in the driver's seat even though Congress has lodged primary regulatory authority elsewhere.

It does seem to me that the time has come when this duplicative and, I venture to say, anachronistic system of dual regulation should be reexamined.

This Court has not had the benefit of an amicus brief from the Federal Power Commission.

Similar thinking motivated Chief Justice Chase in *The Steamer Grey Jacket v. United States*, 5 Wall. 370, 72 U.S. 370, to permit counsel for the Treasury Department to present his argument because "the Court is desirous of all the light that can be derived from the fullest discussion."

The Court in *Fahey v. O'Melveny & Myers*, 200 F. 2d 420 (9th Cir. 1952), cert. den. 345 U.S. 952 (1953), had an analogous problem before it when it was called upon to decide whether or not the presence of the Home Loan Bank Board and its members were indispensable to the lawsuit. The Court speaking through Judge Bone, at pages 452-453, stated:

* * * the presence of the Home Loan Bank Board and its members is required in this action. The relief requested requires the redivision of the present Eleventh District into

two districts for there can be one and only one bank to a district. It requires the reactivation of the Los Angeles Bank * * * None of these requirements or any other essentials to the granting of the relief prayed for in the Los Angeles Action is possible without action by the Board since under section 12 of the act, no bank may exercise any functions vested in it by the act except "subject to the approval of the board." To us it is obvious that the decree of the court which was capable of granting the relief which the appellees and Los Angeles seek would necessarily have to require the Board "to take action * * * by exercising * * * a power lodged in it." *Williams v. Fanning*, supra, 332 U.S. at page 493 * * *; *Daggs v. Klein*, supra. Certainly no mere subordinate bank which was itself subject to the jurisdiction of the Board has the power or authority which must be exercised to effectuate such a decree. [Emphasis supplied.]

Plaintiff's counsel argued in the case of *United States of America v. Third National Bank in Nashville and Nashville Bank and Trust Company* (D.C.M.D., Tenn. (National Division), Civil Action No. 3849) and in the case of *United States v. Crocker-Anglo National Bank et al.* (N.D. Southern Division, Civil Action No. 41808) that because the actions were brought in the name of the United States, he as counsel for the United States necessarily represented the Comptroller of the Currency who is an officer of the United States. Such argument, however, ignores the fact that the position of the United States is not in every case an indivisible one, but that different officers of the United States may have divergent interests in the same case. E.g., *Jackson, Receiver v. United States*, 20 Ct. Cl. 298 (1885).

The Supreme Court, in *Securities and Exchange Commission v. United States Realty and Improvement Co.*, 310 U.S. 434 (1940), was faced with an analogous situation. In holding that an order allowing the permissive intervention of the SEC in a chapter XI bankruptcy proceeding was not an abuse of the district court's discretion, the Court stated at page 460:

* * * we think it plain that the Commission has a sufficient interest in the maintenance of its statutory authority and the performance of its public duties to entitle it through intervention to prevent reorganizations, which should rightly be subjected to its scrutiny, from proceeding without it.

Executive Order No. 6166

Executive Order No. 6166 of June 10, 1933, upon which plaintiff relied in the *Third National Bank in Nashville* and *Crocker-Anglo* cases and is expected to rely herein, provides in salient part in section 5 thereof as follows:

The functions of prosecuting in the courts of the United States claims and demands by, and offenses against, the

Government of the United States and of defending claims and demands against the Government, and of supervising the work of United States attorneys, marshals, and clerks in connection therewith, now exercised by any agency or officer, are transferred to the Department of Justice.

As to any case referred to the Department of Justice for prosecution or defense in the courts, the function of decision whether and in what manner to prosecute, or to defend, or to compromise, or to appeal, or to abandon prosecution or defense, now exercised by any agency or officer, is transferred to the Department of Justice.

For the exercise of such of his functions as are not transferred to the Department of Justice by the foregoing two paragraphs, the Solicitor of the Treasury is transferred from the Department of Justice to the Treasury Department.

Nothing in this section shall be construed to affect the function of any agency or officer with respect to cases at any stage prior to reference to the Department of Justice for prosecution or defense.

This order encompasses two classes of cases: (1) Claims and demands by, and offenses against, the Government of the United States, including defense of claims and demands against the Government, and (2) cases referred to the Department of Justice by other Federal Agencies for prosecution or defense in the courts.

It is not questioned that the Department of Justice, through its antitrust division, may institute suits in the courts of the United States, in the name of the United States, for alleged violation of the Federal antitrust laws. It is questioned, however, whether the Department of Justice, has the authority under this executive order to represent the Comptroller of the Currency in cases where the Department is, in effect, attacking a decision of the Comptroller of the Currency approving the merger of two banks under the charter of a national association by virtue of the authority vested in him by Congress in the National Banking Act (12 U.S.C. 215a) and the Bank Merger Act of 1960 (12 U.S.C. 1828(c)).

The fourth paragraph of section 5 of the executive order makes it clear that the Department of Justice is not to interfere with or affect the functions of any agency prior to referral of the case to the Department. This bank merger has never been referred to the Department of Justice by the Comptroller of the Currency. The Department's only function, under the Bank Merger Act, is to render an advisory report on the competitive effects of any merger proposal. Yet the Department, by claiming to represent the Comptroller under this executive order, and opposing the Comptroller's right to defend his decision on all the salient

factors, competitive and banking alike, as a party defendant, while, in substance, asserting the illegality of the Comptroller's act, is in effect intruding itself into the substantive operations and functions of the Comptroller's Office entrusted to him by Congress.

*Representation of Comptroller by
Counsel of his Choice*

Plaintiff's counsel may represent to the court that the Comptroller of the Currency had no legal right to employ counsel other than the Department of Justice to represent him in the subject case.

Upon authority of 5 U.S.C. 49 which reads:

Employment of attorneys or counsel. No head of a department shall *employ attorneys or counsel at the expense of the United States*; but when in need of counsel or advice shall call upon the Department of Justice, the officers of which shall attend to the same. [Italics supplied.]

The key words in the above subject are "at the expense of the United States."

It is submitted that the Comptroller of the Currency James J. Saxon, is not subject to the prohibition of the above-quoted statute by reason of the provisions of 12 U.S.C. 481 which provides in salient part as follows:

* * * the employment and compensation of examiners, chief examiners, reviewing examiners, assistant examiners, and the other employees of the Office of the Comptroller of the Currency whose compensation is and shall be paid from assessments on banks or affiliates thereof shall be without regard to the provisions of other laws applicable to officers or employees of the United States. The funds derived from such assessments * * * shall not be construed to be Government funds or appropriated monies; * * *

Since the funds derived from assessments on banks are not to be construed as Government funds or as appropriated monies, their expenditure for the employment of counsel cannot be said to be at the expense of the United States.

For this reason the representation of the Comptroller of the Currency by legal counsel of his own choice in the event that the motion to intervene is granted is not prohibited by 5 U.S.C. 49.

Conclusion

In view of the foregoing, the motion of the Comptroller of the Currency should be granted.

JAMES J. SAXON,
Comptroller of the Currency.

United States District Court, Eastern District of
Missouri, Eastern Division

Civil Action No. 65C-241(1)
UNITED STATES OF AMERICA, PLAINTIFF

v.
MERCANTILE TRUST COMPANY
NATIONAL ASSOCIATION AND
SECURITY TRUST COMPANY, DEFENDANTS
and
COMPTROLLER OF THE CURRENCY
JAMES J. SAXON, INTERVENING DEFENDANT

MEMORANDUM OF INTERVENOR IN OPPOSITION TO
PLAINTIFF'S MOTION FOR A PRELIMINARY INJUNCTION

I. Introduction

On April 30, 1965, Security Trust Co., St. Louis, Mo., and Mercantile Trust Co. National Association, St. Louis, Mo., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and title of the latter bank pursuant to the agreement entered into by both banks on April 29, 1965. In a decision dated June 24, 1965, attached hereto and made a part hereof as appendix A, the Comptroller of the Currency found the merger to be in the public interest and approved it to be effective on or about June 30, 1965. (The Bank Merger Act of 1960 (12 U.S.C. 1828(c)) and the National Banking Act (12 U.S.C. 215a).)

On July 6, 1965, plaintiff filed suit in this court under section 7 of the Clayton Act and section 1 of the Sherman Act seeking to enjoin the merger and, in the alternative, to require the resulting bank to divest itself of the Security Trust Co. Pending the trial in this action, plaintiff moved for a preliminary injunction preventing the merger. On July 9, 1965, the Comptroller of the Currency filed a motion for leave to intervene in the subject action as a party defendant. The motion was granted the same day.

The Comptroller of the Currency, as intervening defendant, herein addresses himself to the two principal questions raised by plaintiff's motion for preliminary injunction, viz, (1) what standards should the court apply in considering plaintiff's request for this extraordinary relief and (2) how do those standards apply to the case at bar.

II. Plaintiff's Burden

In order for plaintiff to prevail in its motion for a preliminary injunction, it must demonstrate to the

satisfaction of the court (1) that plaintiff will suffer immediate and irreparable injury if its motion is not granted; (2) that plaintiff will suffer a greater hardship if its motion is not granted than defendants will suffer if the motion is granted; and (3) that there is a reasonable probability that plaintiff will prevail upon the trial of the action.

A. Immediate and Irreparable Injury

The first element which must be established by the plaintiff to support its demand for a preliminary injunction is that it has an interest which will be irreparably injured unless such injunction is granted immediately. *United States v. E. I. DuPont de Nemours & Co.*, 167 F. Supp. 957 (N.D. Ill., 1958). Irreparable injury is injury which, once inflicted, cannot be adequately remedied. *United States v. Von's Grocery Co.*, 1960 Trade Cases ¶ 69,698 (S.D. Cal., 1960). The danger of irreparable injury must be immediate; it must be real, not fancied; actual, not prospective; and threatened, not imagined. *Fein v. Security Banknotes Co.*, 157 F. Supp. 146 (S.D.N.Y., 1957). Also, irreparable injury must be clearly shown by specific facts. *United States v. Continental Can Co.*, 1956 Trade Cases ¶ 68,479 (S.D.N.Y. 1956).

Plaintiff, as an agency of the United States, presumably will contend that its interest, which will be irreparably harmed if a preliminary injunction is not granted, is the public interest. The defendant Comptroller of the Currency, however, is also an agency of the United States charged with the protection of the public interest. In approving the proposed merger of the defendant banks, the Comptroller of the Currency, pursuant to his statutory obligation, determined that the public interest would be benefited, rather than injured.

The only ground asserted by plaintiff to sustain its claim that the public interest will suffer irreparable harm if its motion for a preliminary injunction is denied, is set forth on page 4 of the plaintiff's affidavit in support of such motion. Plaintiff there states:

* * * it is believed very important that pending final determination of the merits of the complaint, the present status of Mercantile Trust and Security Trust be maintained, in order to avoid complex problems of divestiture * * * [Emphasis supplied.]

This contention alone, however, is not sufficient to establish that plaintiff will suffer irreparable damage if the merger of defendant banks is consummated, since, if ultimately successful, plaintiff's relief may be accomplished by a decree of divestiture. *United States*

v. Continental Can Co., *supra*. Thus, in *United States v. Third Nashville Bank In Nashville*, 1964 Trade Cases ¶ 71,209 (M.D. Tenn., 1964), Chief Judge Miller denied plaintiff's motion for a preliminary injunction, stating as follows:

If Government success in the litigation should be the eventual outcome, it would be necessary to order a divestiture. This device, much discussed at the hearing, is concededly fraught with many problems and difficulties. Nevertheless, it is uncommon as a remedial procedure in antitrust litigation, and the Court is not prepared to say that a divestiture, if it should become necessary in this case, could not be successfully effected. The defendants are aware of the risks involved. They know that the final result in this case cannot be predicted with absolute certainty. They have indicated their willingness to assume the risks, aware that they may in the end have to undo what they have done. Such a willingness strengthens the belief that a substantial restoration of the status quo could be fairly brought about by divestiture if the merger should finally receive judicial condemnation.

In accord is *United States v. Crocker-Anglo National Bank*, 1963 Trade Cases ¶ 70,934 (N.D. Cal., 1963) where the Court said:

* * * should the Government make a case on final hearing, we would be confronted with a problem of divestiture. We appreciate the difficulties presented in such a case. But those alone do not warrant a preliminary injunction. [Emphasis supplied.]

To the same effect see *United States v. Continental Illinois Bank & Trust Co. of Chicago* (N.D. Ill., Civil Action No. 61-C-1441).

In addition, it is apparent plaintiff also believes that divestiture is an adequate remedy since it is continuing to prosecute the three cases last cited and, in the case of *United States v. First National Bank and Trust Company of Lexington*, 376 U.S. 665 (1964), a plan of divestiture is now being formulated.

It is therefore submitted that since divestiture is an adequate remedy, plaintiff cannot establish that it will suffer immediate and irreparable injury if the merger of defendant banks is consummated.

III. Relative Hardships

The second element which must be established by the plaintiff to support its demand for a preliminary injunction is that plaintiff will suffer a greater hardship if its motion is denied than defendants will suffer if the motion is granted.

The late Judge Hulen of this district stated the rule in *United States v. Brown Shoe Co.*, 1956 Trade Cases ¶ 68,244 (E.D. Mo. 1956) at pp. 71, 116:

It is our belief the equities should be considered—hardship to the defendants, if any, if the writ is granted. In this connection we should not overlook the status of the parties with

a view to effective enforcement of an order of this Court should the final judgment be adverse to the defendants.

* * * * *

There is no way to determine how long this case will take before the decree becomes final. *The merger depends upon economic and stock market factors. They are now favorable to consummation of the merger.* On the day of final judgment they may be such as to make the merger impossible. If there is a final judgment in favor of defendants, and economic and market conditions at that time are such as to make the merger impossible, plaintiff would have the victory in fact but not on the record. [Emphasis supplied.]

Judge Hulén's decision proved correct. While the plaintiff lost on the preliminary injunction, it ultimately prevailed and obtained divestiture.

It is submitted that in balancing the equities, the hardship to defendant banks in the event the preliminary injunction is granted far outweighs any alleged harm to the plaintiff. The banks will likely abandon their merger plans should the preliminary injunction issue; the merger will never take place and the defendant banks will therefore be permanently and immediately injured.

IV. Probability of Ultimate Success

The third element which must be established by the plaintiff to support its demand for a preliminary injunction is that there is a reasonable probability that plaintiff will prevail upon the trial of the action *United States v. Crocker-Anglo National Bank*, *supra*. In *United States v. Third National Bank In Nashville*, *supra*, the Court said:

It is well settled that in order to obtain a preliminary injunction the Government is required to establish a reasonable probability that it will ultimately prevail on the merits * * *

For plaintiff to prevail at trial it must show that it is reasonably probable that the effect of the merger "may be substantially to lessen competition" * * * "in any line of commerce in any section of the country." For this to be shown a relevant geographic market must first be found within which the competitive impact of this merger may be measured. Second, the effect of the merger upon competition within such market must be shown to lessen the same substantially.

Relevant geographic market

Plaintiff in paragraph 18 of the complaint alleges the relevant geographic market to be "in and around the City of St. Louis." However, in the affidavit in support of plaintiff's motion for preliminary injunction, the relevant geographic market is repeatedly described, on pages 2-3, as "the City of St. Louis" or "downtown St. Louis."

The Supreme Court in *United States v. Philadelphia National Bank*, 374 U.S. 321 (1963) stated with respect to the relevant geographic area in bank mergers that:

We recognize that the area in which appellees have their offices does not delineate with perfect accuracy an appropriate "section of the country" * * * But that in banking the relevant geographic market is a function of each separate customer's economic scale means simply that a *workable compromise must be found*; some fair intermediate delineation which avoids the indefensible extremes of drawing the market either so expansively as to make the effect of the merger upon competition seem insignificant, because only the very largest bank customers are taken into account in defining the market, or so narrowly as to place appellees in different markets, because only the smallest customers are considered. [Emphasis supplied.]

It is submitted that "The City of St. Louis" or "downtown St. Louis" are not meaningful banking markets in this case. Neither of these alleged geographic markets is a "workable compromise" as required by the *Philadelphia* case; it is arbitrary, unrealistic, and artificial.

In this case the decision of the Comptroller of the Currency, starting at page 8, concluded that the relevant market area differs for each banking product or service. The decision states on pages 10-11:

The relevant market area for personal checking accounts, for example, is typically small although banking by mail has been growing in importance in recent years. The relevant market for large business loans, in contrast, is national. St. Louis banks compete in this latter market with banks in San Francisco and New York as well as those in Kansas City and Chicago. The market for small and medium-size business loans is more difficult to define precisely. Small firms are generally confined to a limited geographical area in seeking funds, both by the cost of traveling and lenders' lack of knowledge of their business. For these loans, the relevant market would appear to be the metropolitan area, although allowance must be made for banks and other institutions on the fringe of the area.

The advisory opinion of the Department of Justice holds that the relevant geographic market area is downtown St. Louis. As we have stated the relevant market area varies with the product line. The banking product line with the smallest geographic area is the small-depositor market. Yet it is clear that even for this product line, downtown St. Louis can hardly be considered the relevant area. Few people live in the immediate downtown area. The thousands who work there live elsewhere in the metropolitan area, and have the banking alternative of the downtown banks and the suburban banks. The individual borrower or depositor has immediate access to banks in the neighborhood of his residence or of his place of employment. Commuting patterns link together all banks in the metropolitan area in one market. Thus, even for these customers, the relevant geographic market is the metropolitan area. With respect to the lending activities of banks, it is even more evident that the metropolitan area will be the

smallest relevant market. Business firms, in seeking loans, are able to shop among banks in the entire metropolitan area without being faced with either high travel costs or a bank's unwillingness to make loans outside of the area with which it is familiar.

The smallest relevant geographic market in this case, which is a "workable compromise," is the Standard Metropolitan Statistical Area. This area, the SMSA, is alluded to on page 1 of the Comptroller's decision in this case.

Starting at page 12 of the Comptroller's decision, it is pointed out that within the SMSA are 132 banks; that Mercantile Trust before the merger holds 18.7 percent of the deposits and 20.9 percent of the loans in that area; that the merging bank, Security Trust, the seventh largest bank in the area, holds only 2.8 percent of the deposits in this area; that after the merger the resulting bank will hold 21.4 percent of area deposits and 23.6 percent of area loans. (See table 5 attached to the Comptroller's decision.)

Apparently plaintiff agrees with these statistics. In paragraph 14 of the complaint it is alleged that after the merger Mercantile will control "between 21.5 percent and 23.6 percent of the deposits and between 23.6 percent and 24.6 percent of the loans held by all banks competing in and around the City of St. Louis." Therefore, plaintiff's phrase "in and around the City of St. Louis" is synonymous with the SMSA. See also, paragraph 18 (b) and (c) of the complaint, under "Offenses Charged," where the phrase "in and around the City of St. Louis" is also used.

Effect on competition

The traditional approach to ascertain the effect of the merger upon competition in the relevant geographic market is to establish the market shares of the merger participants before the merger and the anticipated market share of the combined participants.

Without stating what minimum percentage share of the market was unlawful, the *Philadelphia* case, *supra*, found a violation of section 7 of the Clayton Act where the resulting bank controlled "at least 30 percent of the commercial banking business in the four-county Philadelphia Metropolitan area." The *Lexington* case, *supra*, found a violation of section 1 of the Sherman Act where the institution resulting from the merger accounted for 52.7 percent of the assets in Fayette County, 51.95 percent of the deposits, and 54.2 percent of the loans in the area.

Based on a comparison of percentage shares between the instant case and the *Philadelphia* and *Lexington* cases, *supra*, it is clear that there is not a reasonable probability that the merger of Mercantile and Security

will violate section 7 of the Clayton Act. Since the merger is not likely to violate section 7, it is unlikely that it violates section 1 of the Sherman Act. This latter point was stated in *United States v. Crocker-Anglo National Bank*, *supra*, at pp. 78, 727:

Since the merger does not violate the Clayton Act, the possibility that it might be held to violate the more stringent standards of the Sherman Act seems most unlikely.

It is submitted, therefore, that even under the traditional standards for measuring the effect upon competition, plaintiff will be unable to fulfill its burden of establishing a reasonable probability of success at trial.

The defendant Comptroller, however, submits the traditional standard for measuring the effect of a merger upon competition in the relevant market, namely market shares, is inadequate with respect to bank mergers for the purpose of ascertaining whether or not the effect of the merger may be *substantially* to lessen competition. Although the traditional test of market shares may be adequate with respect to mergers in unregulated industries where such test was developed, the regulated banking industry poses different problems. In unregulated industries the competitive forces are given free sway. Therefore, unregulated industries should be subject to the traditional standards of the antitrust laws in order to preserve competition. Although competitive forces are at play in the banking industry, competition in banking is restricted by statutes and regulations. It follows that the concepts of competition developed through the application of the antitrust statutes to the unregulated industries are inappropriate when applied to the banking industry.

The Bank Merger Act of 1960 requires the bank supervisory agency having primary jurisdiction over a bank merger to consider seven criteria, including the competitive impact, in determining whether the merger will serve the public interest. The criteria are interrelated. The earning prospects of a bank are related to the convenience and needs of a community. The management factor relates to the competitive initiative of a bank. Without an aggressive and competent management a bank will not be competitive, will not serve its community, will not return a proper profit, and will not develop a history of successful operation. Thus competition in the banking industry is not the same as competition in the unregulated industries.

Defendant Comptroller submits, therefore, that the test for assessing the competitive impact of a bank merger under the antitrust laws should take cognizance of the nature of the banking industry. This may be

done, and should be done, by the courts' taking into account the banking factors enumerated in the Bank Merger Act to determine if the effect of the merger upon competition, if adverse, is sufficiently adverse as to constitute a *substantial* lessening of competition under the antitrust laws.

Nothing in the *Philadelphia* case, *supra*, or the *Lexington* case, *supra*, is contrary to this construction of the antitrust laws as they apply to bank mergers. In both cases, there were not present banking factors of significant proportions. Consequently, the competitive impact of those mergers could not be tempered by consideration of these factors. On the other hand, in the *Nashville* case, *supra*, a significant banking factor was present, namely management and personnel problems, and the Court considered this factor as mitigating the competitive impact to the point where it probably would not constitute a violation of the antitrust laws. Thus, the court said at page 79,827:

* * * it is to be observed that these reports were based primarily upon cold statistics without consideration of *other factors* having, in the Court's opinion, a direct bearing upon Nashville Trust's posture as a competitive factor in commercial banking in this area. [Emphasis supplied.]

In this case, not only the management factor but also the convenience and needs of the community must be considered in assessing the competitive impact.

This effort to harmonize the antitrust laws with the Bank Merger Act, as they bear on bank mergers, is supported by the statement of the Supreme Court in the *Philadelphia* case, *supra*, that:

It should be unnecessary to add that in holding as we do that the Bank Merger Act of 1960 does not preclude application of § 7 of the Clayton Act to bank mergers, we deprive the later statute [i.e., the Bank Merger Act] of none of its intended force. * * * If * * * bank mergers are subject to § 7, we do not see how the objectives of the 1960 Act are thereby thwarted * * * our point is simply that since Congress passed the 1960 Act with no intention of displacing the enforcement of the Sherman Act against bank mergers—or even of § 7 against pure stock acquisitions by banks—continued application of § 7 to bank mergers cannot be repugnant to the design of the 1960 Act.

To the same effect is the statement of the Senate Committee on Banking and Currency, in *S. Rept. 196* (86th Cong., 1st sess.) 24, with respect to the Bank Merger Act that:

The committee wants to make crystal clear its intention that the various banking factors in any particular case may be held to outweigh the competitive factors, and that the competitive factors, however favorable or unfavorable, are not, in and of themselves, controlling on the decision.

In this case, the management problem present in the merging bank and the convenience and needs of

the St. Louis metropolitan area, considered together with the competitive factor compel the conclusion that the effect of this merger may not be substantially to lessen competition and will not be an unreasonable restraint of trade in the St. Louis banking community.

V. Conclusion

For the foregoing reasons it is urged that plaintiff's motion for a preliminary injunction be denied.

Respectfully submitted,

JAMES J. SAXON,
Comptroller of the Currency.

RICHARD J. BLANCHARD,
*Deputy Comptroller of the Currency
for Branches and Mergers.*

CHARLES H. McENERNEY,
*Associate Chief Counsel to the
Comptroller of the Currency.*

ERNEST GINSBERG,
*Associate Chief Counsel to the
Comptroller of the Currency.*

CHARLES M. SHEA,
*Attorney, Office of Comptroller of
the Currency.*

JULY 13, 1965.

AUGUST 27, 1965.

HON. WILLIAM B. WIDNALL
*House of Representatives
Washington, D.C.*

This is in reference to your letter of August 25, 1965, in which you requested certain data relating to bank merger applications.

As shown by the first accompanying table, our Office has received 507 applications to date under the Bank Merger Act. Of these, 471 have been approved, 12 denied, 14 withdrawn, 1 rescinded, and 9 are currently pending.

You requested the number of "adverse" advisory opinions submitted to our Office by the Department of Justice. The second table provides a classification. You will note that, of the 471 opinions received concerning applications disposed of to date, 445, or 94.5 percent, held that an adverse effect on competition would result, in the varying degrees indicated. Our Office, which, as you know, must consider seven criteria in determining whether a bank merger is in the public interest, approved 435 of the 445 applications in question.

Should you need any additional information, I will be very pleased to supply it.

DISPOSITION OF APPLICATIONS FOR CONSOLIDATIONS,
MERGERS, AND PURCHASES BY THE OFFICE OF THE
COMPTROLLER OF THE CURRENCY UNDER THE BANK
MERGER ACT, THROUGH AUG. 27, 1965

	1960 ¹	1961	1962	1963	1964	1965	Total
Approved.....	58	72	110	89	88	54	471
Denied.....	1	2	6	2	0	1	12
Withdrawn.....	1	6	0	3	3	1	14
Rescinded.....	0	0	0	1	0	0	1
Pending.....						9	9
Total, applications received.....							507
Less pending.....							9
Total actions.....							498

¹ Following May 13, 1960.

CLASSIFICATION OF THE ADVISORY OPINIONS SUBMITTED TO THE OFFICE OF THE COMPTROLLER OF THE CURRENCY BY THE DEPARTMENT OF JUSTICE UNDER THE BANK MERGER ACT, FOR APPLICATIONS ACTED UPON THROUGH AUG. 27, 1965

Effect on competition (Justice's terminology insofar as possible):	
Favorable.....	1
No adverse effect.....	25
Not substantially adverse.....	151
Slightly adverse.....	16
Adverse.....	135
Significantly adverse.....	18
Substantially adverse.....	99
Substantially adverse and serious anticompetitive effect.....	26
Total.....	471

AUGUST 27, 1965.

HON. WILLIAM B. WIDNALL
House of Representatives
Washington, D.C.

Thank you for your letter of August 25, 1965, concerning S. 1698, a bill to amend the Bank Merger Act of 1960, with respect to which the Domestic Finance Subcommittee of the House Banking and Currency Committee is now conducting hearings. We are, of course, pleased to respond to the inquiries contained in your letter.

I

With respect to your request for information regarding studies of the effect of bank mergers on competition, we are enclosing a copy of a study which appeared in *The National Banking Review* in December 1964. Part III of this article (pp. 155-162) discusses the results of a recent before-and-after survey of mergers approved by this Office in 1962.

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The authors found that these mergers generally resulted in changes which have benefitted bank customers. For example, the banks acquired in these mergers were paying, on average, 3.14 percent interest on savings accounts prior to the merger; after the merger, these rates were raised to 3.40 percent. Rates on 24-month auto loans were lowered from 10.12 to 9.66 percent. Before merger, the acquired banks, on average, were making conventional mortgage loans with a maximum maturity of 13.7 years; after the merger, they began making 19-year loans.

In 89.3 percent of the mergers (50 out of 56), the changes that resulted were, on balance, favorable to bank customers. In only 5.4 percent of the mergers were the changes detrimental, and in another 5.4 percent the beneficial and detrimental changes were offsetting. Those results closely parallel a similar study conducted by the New York State Banking Department covering mergers in that State from 1951 to 1961.

It seems fair to conclude from these studies that mergers consummated with the approval of supervisory authorities have generally benefitted bank borrowers and depositors. This is so even though most of these mergers were approved after the Justice Department advised that the effect on competition would be adverse. We know of no study conducted by the Justice Department indicating that the adverse effects they warn against have materialized.

II

In our view, the provision of S. 1698 which would enjoin consummation of a bank merger whenever the Department of Justice files an antitrust lawsuit until the suit is finally determined is highly undesirable.

The operation of this provision, the so-called Proxmire amendment, taken in conjunction with the Bank Merger Act, would put banks in an even more disadvantageous position compared with the rest of industry than they are now. No one has advanced any justification for this result which is completely anomalous in view of the fact that banking is a highly regulated industry.

The anomaly results because under the Bank Merger Act the Department of Justice is furnished with a copy of the application to merge containing full economic data as to the effects of the proposed acquisition. In order to meet the requirements of the banking agencies, the applying banks must furnish data which, in effect, could result in self-incrimination if a lawsuit is later brought by Justice. This data is made avail-

able to Justice at a very early stage and it is thus handed a ready-made case if it decides to proceed in court against the merger. It is important and revealing to note that Justice has made repeated attempts to obtain from Congress similar premerger notification with respect to other industries. The latest such attempt is embodied in H.R. 7780. Apparently, because of the fact that this sort of premerger notification, in effect, gives Justice a regulatory rather than an enforcement authority, the Congress, to date, had refused to give it this power over any other industry.

Surprisingly enough, Attorney General Katzenbach, himself, in his testimony to the Committee virtually admitted the inequity inherent in the Proxmire amendment. He said:

I recognize it can be argued that a deadline for filing suit might not unduly hamper the Department because we already have effective premerger notification in the case of banks (because of our responsibility to make a report on the competitive effects pursuant to the Bank Merger Act of 1960). This argument also can be made because the bill would make a preliminary injunction automatic in bank merger cases whenever the Government brings suit.

Premerger notification and preliminary injunction upon suit would contribute to effective enforcement. This does not, however, make the case for applying such procedure on an ad hoc industry basis. To the contrary, it argues against piecemeal treatment. Were the Department to recommend legislation, for example, to require premerger notification of all types of business subject to the antitrust laws, the question of whether there should be a cutoff on the Department's right to sue, and, if so, how long the period should be, involve a variety of considerations. It is one thing to impose a cutoff of 30 days where the number of cases to be considered is small. It would be quite another if the Department, because of general premerger notification legislation, had to review large numbers of cases. It is, therefore, our conclusion that it is inappropriate and unwise to accord special treatment only to bank mergers.

The importance of this tactical advantage Justice has with respect to banks is underlined by the case of *U.S. v. Union Oil Co.*, U.S. Court of Appeals, 9th Circuit, March 18, 1965. CCH Trade Regulation Reports, paragraph 71,403. There the circuit court held that the Department of Justice may *not* use a Civil Investigative Demand pursuant to the Antitrust Civil Process Act, 15 U.S.C. 1311-1314, for the purpose of determining whether a *proposed* merger would constitute a violation of the antitrust laws.

The Proxmire amendment would add insult to injury, with respect to bank mergers, by providing for an automatic stay without court action upon the mere filing of a complaint by the Justice Department within a 30-day period. If it is argued that the banks must suffer these tactical disadvantages in exchange for the

immunity from further attack after the 30-day period, a sufficient answer is again contained in the testimony of Mr. Katzenbach who testified that in every one of the six mergers in litigation the Justice Department filed its suit within 30 days of the approval by the banking agency. It is thus apparent that Justice is in reality giving up nothing with respect to future mergers since their practice is to act immediately anyway. In other words, if Justice does not attack a merger within 30 days of its approval, as a practical matter, that merger is immune from attack. To use a perhaps overcolorful but in this case highly descriptive phrase, the Proxmire amendment is a "rubber sandwich" for the banks.

III

With respect to the antitrust actions brought by the Department of Justice against bank mergers approved by this Office, which are not yet decided by the courts, we are enclosing the following documents which reflect the considerations which prompted our approval of these mergers:

(1) Memorandum on the merger between Continental Illinois National Bank & Trust Co. of Chicago and City National Bank & Trust Co. of Chicago;

(2) Decision of Comptroller of the Currency James J. Saxon on the application to merge Crocker-Anglo National Bank, San Francisco, Calif., with Citizens National Bank, Los Angeles, Calif. [See Annual Report, Comptroller of the Currency, 1963, p. 161.]

(3) Decision of Comptroller of the Currency James J. Saxon on the application to merge Third National Bank in Nashville, Tenn., and Nashville Bank & Trust Co., Nashville, Tenn.; and

(4) Decision of the Office of the Comptroller of the Currency on the application to merge Security Trust Co., St. Louis, Mo., and Mercantile Trust Co. National Association, St. Louis, Mo.

The Continental Illinois merger was approved by the previous Comptroller of the Currency when it was not the practice of this Office to write and publish merger decisions. The enclosed Continental Illinois memorandum has, therefore, been prepared in response to your letter after a review of this Office's file.

IV

You have requested our comments on the amendment to the bill proposed by Mr. Baldwin Maull on behalf of the Association of Registered Bank Holding Companies. We believe that Mr. Maull has a good point in stating that the antitrust rules applicable to combinations of banks effected through the holding company device should, on principle, be the same as

those applicable to combinations effected through other means. Indeed, as he pointed out in his statement, it is not unusual for a holding company acquisition to also involve a merger since the holding company frequently exercises its stock control of a bank which it has recently acquired to merge that bank with another bank already in the same holding company system. Under S. 1698, as it presently stands, the merger part of such a transaction would get the benefit of the antitrust immunity afforded by the bill, but the original acquisition by the holding company would not.

As stated, we would support the principle of equal treatment for bank holding companies with other forms of bank ownership. Time has not permitted the detailed legal analysis necessary to determine whether the amendment offered by Mr. Maull would accomplish this in a completely equitable manner or whether other clarifying language would be needed.

MEMORANDUM ON THE MERGER BETWEEN CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO AND CITY NATIONAL BANK AND TRUST COMPANY OF CHICAGO

The following summarizes the basic considerations upon which the Office of the Comptroller of the Currency approved the merger of Continental Illinois National Bank & Trust Co. of Chicago and City National Bank & Trust Co. of Chicago.

The merger between Continental Illinois National Bank & Trust Co. of Chicago and City National Bank & Trust Co. of Chicago was informally discussed with this Office during the latter part of 1960. An application for approval of this merger was formally filed on January 20, 1961.

Subsequent to the filing the Department of Justice advised the Comptroller that it believed the proposed merger would be violative of the antitrust laws and that the Department would institute a suit to prevent it from being consummated. On March 20, 1961, an agreement was reached between Treasury and Justice which provided that approval of a merger would be deferred by the Comptroller if, after certain procedures had been followed, Justice advised that it planned to institute action. The subject merger fell under the provisions of this agreement.

The management situation at City National Bank & Trust Co. had started to deteriorate as early as 1955 when the bank's chief executive officer was ousted by a minority group of stockholders. After the ouster, the management of the bank was concentrated in the

hands of two older officers who worked on a year-to-year basis upon invitation of the board of directors. Both of these officers, the president and the chairman of the executive committee, has passed the normal retirement age at the time the merger was announced. The observation of the examining authority was that the president, then 66 years of age, was in failing health as a result of the strain and worry over the bank's situation. He had had a history of heart condition.

The board of directors consisted of 17 members, 11 of whom were more than 65 years old. It had made a concerted effort to replace the two acting chief executive officers and during 1960 had "in desperation" retained the management consultant firm of Booz, Allen and Hamilton to assist the bank in securing top management. The firm compiled a list of 123 men which was subsequently narrowed down to 17. Most of these 17 were contacted and as late as September 1960, 7 were interviewed for employment. None were interested.

The management problem also extended into the lower levels. Because of the lack of aggressiveness and youth in the top management, the bank found itself unable to retain its younger staff members and was unable to cope with the serious morale problem which apparently pervaded the institution.

Subsequent to the announcement of the merger, City National's position deteriorated even more rapidly. In the 5-month period from December 1, 1960, to May 31, 1961, City National lost 760 commercial accounts representing a total average balance of \$6.2 million and suffered a net loss of 126 commercial accounts compared with a net gain of 210 during the same period a year earlier. Deposits at City National declined from \$392 million at the end of December 1960 to \$341 million as of June 30, 1961. During the first 5 months of 1961, City's savings account declined 2.25 percent as compared to a 14.62 percent increase during the year 1960. The situation became so bad that the Comptroller sought to have an exception made to the aforementioned agreement with the Justice Department in order to permit the merger to take place immediately and thus prevent a further deterioration and the substantial hardship which would ensue. The seriousness of City's position became so pronounced that the Federal Reserve Bank of Chicago not only supported but urged the Comptroller to grant an early approval. When the inability of City's management to maintain the position of that bank under the circumstances then prevailing was communicated to the Justice Department, the Attorney General advised that Justice would not object to the ap-

proval of the merger but that the Department would not waive its right to take action in the matter. The Comptroller's approval was forthcoming on August 21, 1961, and the bank announced September 1, 1961, as the effective date of the merger. The Justice Department filed suit on August 29, 1961. No trial date has been set.

DECISION OF COMPTROLLER OF THE CURRENCY JAMES J. SAXON ON THE APPLICATION TO MERGE THIRD NATIONAL BANK IN NASHVILLE, NASHVILLE, TENN., AND NASHVILLE BANK & TRUST CO., NASHVILLE, TENN.

STATEMENT

On April 27, 1964, the \$341.7 million Third National Bank in Nashville, Nashville, Tenn., and the \$45.9 million Nashville Bank & Trust Co., Nashville, Tenn., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Nashville, in the heart of the TVA service area, is the State capital of Tennessee. With an estimated metropolitan population in excess of 400,000 persons, reflecting a 24-percent increase since 1950, Nashville's population growth compares most favorably with the 5 percent increase in population of the neighboring States of Alabama, Kentucky, Mississippi, and the rest of Tennessee, which Nashville serves. The city is the focal point of a community constituting eight counties whose residents are dependent upon Nashville for such necessities as shopping, employment, and medical care. Its wholesale trade area stretches across middle Tennessee into southern Kentucky, northern Alabama, and northern Mississippi and contains an estimated population of 2,265,800 persons. This area, which bridges the North and the South of our country, enjoys a diversified economy dependent on agriculture, industry, and commerce. The growth of this economy has been spurred by the availability of abundant and cheap electric power from TVA, and by such U.S. Government installations as Redstone Arsenal at Huntsville, Ala., and the Arnold Development Center at Tullahoma, Tenn. The availability of low-cost labor, cheap power, excellent transportation facilities by air, highway, and rail, gas and petroleum pipelines, and an abundant water supply favors Nashville's role as a center of the burgeoning mid-South.

The charter bank, founded in 1927, has grown, through capable and aggressive management, into a system having 14 branch offices. It is particularly active in the correspondent banking field and now has

a substantial number of correspondent banks, most of which are located within a radius of 250 miles. Within this region it competes vigorously with the large banks in northeastern Georgia, northern Alabama, western North Carolina, Kentucky, and Tennessee, although holding only 3.13 percent of total regional loans and deposits. Within the Nashville wholesale trade area, which covers middle Tennessee, southern Kentucky, northern Mississippi, and northern Alabama, the charter bank's share of total bank loans and deposits is but 12.5 percent. In the Nashville community, which consists of the city and eight surrounding counties, the charter bank holds about 29.7 percent of deposits while its closest competitors, the \$393.3 million First American National Bank, Nashville, and the \$217.4 million Commerce Union Bank, Nashville, hold 34.9 and 18.1 percent of deposits, respectively.

The merging bank, chartered in 1889 as a trust company, passed through a merger and reorganization and emerged in 1956 with its present title. In 1959 the bank opened its first and only branch. Prior to January 1964, it was controlled by a wholesale grocery firm, which sold its stock in the merging bank to a syndicate controlled by insurance interests. The new owners soon found that injection of a substantial amount of capital and effort would be required both to make the bank a competitor in the Nashville area and a profitable undertaking for the owners. Having no desire to divert their attention from the insurance field and being unwilling to put large sums into the bank, these interests gave consideration to the merger route for a solution. They were prompted in part by the fact that, during the period since assuming control, deposits in the merging bank declined from \$45.4 million to \$39.6 million, despite an increase of \$1.1 million in public fund deposits. By contrast, deposits in the other three banks in the city rose sharply after 1960 and continued to rise. Many of the merging bank's customers, who previously felt obligated to maintain deposits in the bank because of their business connections with the previous owners, the wholesale grocery firm, indicated that they were then free to move their accounts to larger banks. Additionally, the change of ownership resulted in a substantial loss of accounts in the bank's trust department.

One of the most determinative factors in the consideration of this merger is the problem of management succession. This Office has stated time and again that a bank is only as good as its management. In the case of the merging bank, the president is ill and anxious to retire. Further, there is no provision for succession. The dearth of young management personnel

and the unlikelihood of attracting new employees to the merging bank is due to the below-average salary scale and the lack of an adequate pension plan. The present owners of the bank show no intention of instituting costly reforms to attract employees capable of making the bank a vigorous competitor, responsive to the needs of the community. As a result, the merging bank is presently noncompetitive. Only through merger with the charter bank, where the resulting bank will be a national bank, will this Office have an opportunity to assist this noncompetitive State-chartered institution as well as the people of the Nashville community. We would, indeed, be derelict in our responsibilities to protect the public interest in banking were we to impede effective management from assuming the responsibilities of a declining and leaderless merging bank.

We turn now to the future earnings prospects of the applicant banks, another criterion established by law in the consideration of bank mergers. The future earnings prospects of the merging bank, in its present condition, are very gloomy. The recent substantial decline in deposits and the phlegmatic and incapacitated management bode ill for future earnings of the bank unless remedial steps are taken. If merger is the remedy, however, as we are convinced it is, the future earnings prospects of the resulting bank are excellent because of the dynamic management, existing branching system, and operating efficiency of the charter bank.

Only minimal competition exists between the two applicant banks due to difference in size and to diversity of market interests. As stated above, the charter bank serves numerous correspondent banks throughout its region. These correspondent banks' deposits account for 18.7 percent of the charter bank's deposits, as compared to the merging bank's correspondent deposits which amount to only 1.2 percent of the merging bank's deposits. Commercial loans make up 40 percent of the charter bank's total loans, but only 25.7 percent of the merging bank's total loans. Further contrast can be seen in the fact that, while real estate loans account for only 0.8 percent of the charter bank's loans, such loans constitute 34 percent of the merging bank's loans.

While the cold statistics presented by the application may indicate at first blush that some competition now exists between the applicants and that it will be eliminated by this merger, closer analysis of the complete picture dispels this hasty conclusion. A bank's competitive force in its community depends greatly upon the attitude of its management and board of directors.

To assess accurately competition between two banks, an effort must be made to weigh the aggressiveness, the capability, the experience and the desire of the management of each to compete. When, as in this case, we find that the management of the merging bank is more interested in insurance than in banking, has no desire to maintain the bank's relative standing in the banking community, and has made no effort to improve its internal operating procedures nor elevate the morale of its personnel through better salaries and an improved pension plan, we cannot realistically view it as a competitive bank. When a bank, such as the merging bank, is not disposed to compete, it is idle to speak of the elimination of competition by reason of a merger.

The hallmark of modern banking is branch competition. The inability of the merging bank to effectively serve the public is graphically illustrated in its failure to develop a modern branching system despite the fact that it was founded in 1889. With the three largest banks in Nashville having 20, 15, and 20 offices, respectively, it is manifest that Nashville Bank & Trust Co., with a single branch, cannot compete in the important area of branching.

The competition for funds in the Nashville community is not confined to commercial banks. It must be noted that savings and loan associations are particularly strong competitors. While competition is most desirable and indeed a basic tenet of the American economic system, the advantages to savings and loan associations arising from higher permissible interest and dividend rates, as well as tax privileges not available to commercial banks, make a difficult competitive situation for the banks. This fact is reflected in the 325 percent increase in savings and loan share accounts in the Nashville community since 1953 and the opening of three new savings and loan association branches during the past year. There is certainly a need for a stronger institution to compete for funds in such a market.

There is no tendency toward monopoly in the Nashville area or community. The charter bank has never been involved in a merger since its founding in 1927; its rapid growth has been internal. The number of Nashville banks has not declined during the past 30 years. Indeed, a relatively new bank, the Capital City Bank, which was chartered in 1960, now has almost \$7.5 million in resources and two branches. There is hardly a monopoly when a new bank can enter the market and prosper so remarkably in such a short time.

One of the best qualified authorities on banking in Tennessee has recognized the fact that the merger will be a salutary development. In a letter of April 25, 1964, Mr. M. A. Bryan, Superintendent of Banks, State of Tennessee, said of the proposed merger:

The competitive factor in my opinion will not be lessened by the merger. This assumption is based on the evident competition which now and will exist between existing First American National Bank, largest Nashville bank, the Commerce Union Bank, in third position, and Third National Bank, second in size, the surviving institution of the merger between themselves and Nashville Bank & Trust Co. which holds a minor position in the field insofar as competition is concerned.

Consummation of the proposed merger will improve the charter bank's ability to serve the convenience and needs of the Nashville public. It will be better able to meet the credit needs of its larger customers throughout the Nashville wholesale trade area. Automation will improve the operating efficiency for the benefit of the merging bank's customers. Increased salaries and other incentives such as the charter bank's pension plan will improve the morale of the merging bank's personnel. The more numerous banking services offered through the resulting bank's extensive branch system will better serve the needs of the merging bank's customers. Further, the assets of the merging bank will be pooled with those of the charter bank to be used more efficiently in promoting the economic well-being of the people of the Nashville community, the wholesale trade area which it serves, and the mid-South region of which it is the center.

In the light of all of the facts and circumstances here present, we are compelled to conclude that this merger application has met the statutory criteria and will promote the public interest. The application is therefore approved.

August 4, 1964

DECISION OF THE OFFICE OF THE COMPTROLLER OF THE CURRENCY ON THE APPLICATION TO MERGE SECURITY TRUST CO., ST. LOUIS, MO., AND MERCANTILE TRUST CO. NATIONAL ASSOCIATION, ST. LOUIS, MO.

JUNE 24, 1965.

STATEMENT

On April 30, 1965, Security Trust Co., St. Louis, Mo., and Mercantile Trust Co. National Association, St. Louis, Mo., applied to the Comptroller of the Currency for permission to merge under the charter and title of the latter.

I. *The Economy of the St. Louis Metropolitan Area.*

The St. Louis Standard Metropolitan Statistical Area (SMSA) as defined by the U.S. Bureau of the Census, includes the city of St. Louis, the Missouri counties of St. Louis, Franklin, Jefferson, and St. Charles, and the Illinois counties of Madison and St. Clair. The area so defined is treated as an economic unit for statistical purposes by numerous public and private agencies, including the Federal banking authorities. The integration of the Illinois counties within the St. Louis area has been facilitated by seven bridges which span the Mississippi River. These will soon be supplemented by three additional bridges which are a part of the Interstate Highway Program.

The area's population of over 2.2 million makes it the tenth largest metropolitan area in the United States. While the entire area has grown by 500,000 since 1950, the city has actually declined in population by 100,000. (See appendix, table 1.)

St. Louis is making a frontal assault on the problems of urban blight and decay which face most of our major cities. City officials estimate that by 1970 about \$2 billion in private and public funds will have been spent in the process of rejuvenation.

Symbolic of the city's renaissance is the 630-foot Gateway Arch, designed by the late Eero Saarinen, which, when completed this year, will be the tallest manmade monument in the United States. The arch will dominate the Jefferson National Expansion Memorial Park, which will occupy 80 acres of what had been a blighted riverfront area.

About 10 percent of the city's total area has been or will be razed in the renewal program to make way for modern commercial, industrial, residential, and public facilities. Construction of a 55,000-seat sports stadium and supporting facilities near the Archway park is underway at a cost of \$89 million. The \$45 million Mansion House project encompasses three 28-story apartment towers and associated commercial and office facilities. Largest of all the renewal projects is that for Mill Creek Valley, which will, by 1970, be a 465-acre industrial, commercial, and residential development built at a cost of \$200 million. The 220-acre Kosciuszko Industrial Park will, when completed, house industrial plants costing about \$100 million. A variety of smaller renewal projects are also underway.

Thus massive public and private efforts are being devoted to the task of creating a physical setting which will allow the St. Louis area to achieve its full economic potential. Despite the current prosperity and abundant evidence of private and public dynamism, there

has been some concern on the part of St. Louis leaders that the area, given its natural advantages, is not participating as fully in the national economic advance as might be expected.

These leaders point to such statistics as the following: While total employment in the United States was 2.7 percent higher in 1964 than in 1963, the increase for the St. Louis SMSA was 1.5 percent; total manufacturing employment showed about the same differential in the rate of growth, the figures being 1.9 and 0.8 percent, respectively; while the population of the St. Louis SMSA has been growing, the rate of growth has been somewhat less than the average for all U.S. metropolitan areas. City leaders are hopeful that the massive renewal program and a coordinated industrial development program now being mounted will improve the showing of the St. Louis area in these respects. The emergence of a bank whose capacity is more in keeping with the size of the St. Louis economy will give additional support to these efforts.

The economy of the St. Louis SMSA enjoys a number of natural and manmade advantages. Foremost is the location which allowed the city to become a major transportation center. Situated below the confluence of the Mississippi and Missouri Rivers, St. Louis is a key port on a system of 7,000 miles of navigable waterways, linking 29 large cities in 20 States. Over 8 million tons of barge freight is handled in the port of St. Louis each year.

With a highly developed water transportation system, it was logical for other forms of transportation to center here also. St. Louis has become the second largest rail center in the country, being served by 18 trunk line railroads with aggregate trackage of 132,000 miles, about 60 percent of the national total. A new terminal building at the municipal airport handles over 120 flights daily of seven scheduled airlines. Eight major U.S. highways pass through St. Louis. Major truck and bus line routes fan out in all directions from the city. Planning and construction are proceeding for a \$750 million network of new expressways, which will include inner and outer circumferential beltways.

The St. Louis industrial area is the only one in the country which produces six basic metals: iron, lead, zinc, copper, aluminum, and magnesium. This is made possible by the unique conjunction of the requisite ores and other raw materials within a limited area.

Building on this broad resource base, the economy of the St. Louis SMSA is very well diversified. The St. Louis Chamber of Commerce has published this sample listing of products of the area to illustrate the

diversity in manufacturing: atomic reactor feed materials, jet aircraft, ammunition, automobiles and parts, bakery products, beer, bricks, candy, caskets, chemicals, cement, containers (metal, paper, plastic, and glass), drugs and medicines, electrical machinery, food, footwear, furniture, glass products, hardware, iron and steel castings, machinery, machine shop products, meat packing, paints and varnishes, paper products, petroleum refining, piston rings, prepared animal feeds, printing and publishing, rapid transit and railroad cars, refrigeration equipment, roofing, space capsules, steel products, wearing apparel, and wirework.

As of 1963, 3,183 manufacturing establishments employed 267,000 people. The St. Louis SMSA ranks ninth in the country in manufacturing employees and value added by manufacture. The degree of diversification is illustrated by the fact that no more than 19 percent of the total employees worked within any one major industry group, as classified by the census. (See appendix, table 2.)

The largest single employer in the area is the McDonnell Aircraft Corp., which employs about 35,000 people in its production of F-4 Phantom II fighter-bombers, Gemini and Mercury space capsules, and related products. McDonnell ranked third among all corporations in its receipt of prime military contracts in fiscal 1964. The showing of McDonnell was largely responsible for Missouri's third place among the States, behind only California and New York, in the receipt of prime military contracts in that same year.

Operation of production facilities by General Motors, Ford, and Chrysler makes the St. Louis area the third largest location for automobile production in the country.

Since St. Louis is in the center of an important farming region, the handling and processing of agricultural products adds a further dimension to the diversity of the St. Louis economy. A number of leading meat-packing firms have plants in St. Louis, the second largest hog market in the world. Stockyard receipts in 1963 included 2.6 million hogs and almost 700,000 cattle. St. Louis is also a major grain market, with 1963 receipts about 124,000,000 bushels.

In addition to its immediate area, St. Louis serves as the major trading center for an area with a radius of 150 to 200 miles. This fact, coupled with the necessity of handling the demand for goods by the 2.2 million people in the metropolitan area, leads to an impressive volume of wholesale and retail activity. Close to 4,000 wholesale establishments, employing 45,000 people, had total sales of \$5.4 billion in 1963. Over

18,000 retail establishments, employing 105,000 people, enjoyed sales of \$2.6 billion in the same year. Current retail sales are about 5 percent higher than for the same period last year. Service activities occupy 53,000 employees in 13,000 establishments with total receipts of over a half-billion dollars.

Both industrial corporations and the local universities are rapidly expanding their scientific research activities. In 1964 the St. Louis Research Council was established to attain maximum coordination of the area's research projects and facilities, both academic and industrial.

II. Method of Acquisition

The agreement entered into by the participating banks, the Mercantile Trust National Association and the Security Trust, while not unknown in banking circles, is unusual. These banks have entered into an agreement to merge as provided by 12 U.S.C. 215a. When this agreement is consummated, the corporate existence of Security Trust will blend into and become part of Mercantile Trust which will simultaneously succeed to all right, title, and interest in the assets of Security Trust and become responsible for all the latter's liabilities by operation of law. This agreement differs from the usual form of merger agreement in that the consideration passing between the contracting parties is cash rather than the stock of the acquiring bank.

In view of the unusual nature of this proposal, the first inquiry must be directed to its standing under the anti-trust laws. While it may possess the superficial earmarks of a simple purchase of assets and assumption of deposit liabilities, it is in reality a merger under 12 U.S.C. 215a. If it were a simple purchase and sale, the corporate existence of Security Trust must be terminated by a complicated process of liquidation. Here, however, Security Trust, on merger with Mercantile Trust, ceases to exist immediately, without liquidation, in accordance with the provisions of the statute. The question remains as to how this cash merger must be evaluated in the light of section 7 of the Clayton Act and section 1 of the Sherman Act.

The Department of Justice in the advisory opinion submitted to the Comptroller of the Currency pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828 (c)) considers this proposal to be governed by the decision in *U.S. v. Philadelphia National Bank*, 374 U.S. 321 (1963), thereby ignoring the vital differences between this unusual St. Louis proposal and the normal Philadelphia situation. In the *Philadelphia* case the Supreme Court held that the plan for the consolida-

tion of the Philadelphia National Bank and the Girard Trust Corn Exchange Bank under the charter of the former, whereby the shareholders of the participating banks would exchange their shares in accordance with predetermined ratios for shares in the resulting bank, was a stock acquisition covered by section 7 of the Clayton Act. The rationale of the Court was clearly stated. Starting with the statute, the Court said,

By its terms, the present § 7 reaches acquisitions of corporate stock or share capital by any corporation engaged in commerce, but it reaches acquisitions of corporate assets only by corporations "subject to the jurisdiction of the Federal Trade Commission."

Since, as the Court ruled, the FTC has no jurisdiction over banks, it followed that,

* * * if the proposed merger be deemed an assets acquisition, it is not within § 7.

Conversely, it must be viewed as a stock acquisition to fall within section 7. This the Court did by reasoning that the merger before them, while neither a pure asset acquisition nor a pure stock acquisition, involved a little of both and so fell under the prohibition intended by Congress.

By reason of the unusual features of this proposal, it does not fall within the ambit of the Court's reasoning in the *Philadelphia* case. This is a cash merger as contemplated by the terms of 12 U.S.C. 215a. Upon consummation of this merger, Security Bank will cease its corporate existence; all its assets and liabilities will pass to Mercantile Trust by operation of law. It is a pure asset acquisition by merger. Since the consideration for this merger is cash, to be used to satisfy the interest of Security Trust shareholders, with a concomitant reduction in the capital structure of Mercantile Trust, it cannot be said to be a stock acquisition within the reach of the *Philadelphia* decision.

Whether this proposal comes within the purview of section 1 of the Sherman Act is another question. That act provides in pertinent part as follows:

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal.

The question to be resolved is whether this proposal, a contract, between two commercial banks is in restraint of trade or commerce. While the Department of Justice in its advisory opinion on the competitive aspects of this proposal says it falls within the proscription of section 1 as interpreted by the Supreme Court in *U.S. v. First National Bank and Trust Company of Lexington et al.*, 376 U.S. 665 (1964), even a cursory

reading of that case reveals that it is distinguishable on its determinative facts from this proposal.

When the First National Bank & Trust Co. of Lexington and the Security Trust Co. of Lexington consolidated, there were only six commercial banks serving the city, the only concentration of population in that section of the State of Kentucky. Mr. Justice Douglas, writing for the Court, said that “* * * it is clear that significant competition will be eliminated by the merger.” This conclusion rested on the following findings: that “Practically all of the business of the banks in Lexington originates in Fayette County.”; that “* * * commercial banks outside Lexington do a negligible amount of business in the county.”; that the resulting “* * * bank established by the consolidation was larger than all the remaining banks combined.”; that with respect to trust business, the participating banks “Between them * * * held 98.82 percent of all trust assets, 92.20 percent of all trust department earnings, and 79.62 percent of all trust accounts.”; and that three of the four competing banks testified that the consolidated bank will, by reason of its image of bigness, seriously affect their ability to compete effectively over the years and will tend to foreclose competition in the trust field. The facts surrounding this proposal are significantly different as will be demonstrated hereinafter.

III. General Character of Management.

The Bank Merger Act of 1960 lays down seven criteria which must be applied to all bank mergers to determine whether or not they are in the public interest. Three of these, viz, management, effect on competition, and the convenience and needs of the community, are particularly significant in this case.

Security Trust is faced with a management problem arising from a lack of men capable of assuming leadership in the bank. Executive authority rests almost exclusively in the president of Security Trust who is also a substantial shareholder. This vigorous officer is a seasoned and able banker; the problem here lies in lack of depth of competent and trained successors. Competing banks and death have taken his former associates and advisors. Since this application was filed several of his most trusted and dependable aides have died. Despite the competence of Security Trust's president, he has not been able, with his decimated staff, to oversee properly all activities in the bank and to give to each the attention good banking demands. The results of such a situation cannot help but be reflected ultimately in the bank's competitive posture.

IV. Effect on Competition.

Before proceeding to evaluate the effects of this cash merger on the banking markets involved, including its impact on competition, and to compare it with the situation prevailing in the Lexington case, it is suitable to comment here on the criteria properly to be considered in determining what is the relevant market.

A. *The Relevant Market.*—In its advisory opinion, the Department of Justice attempts to limit the relevant market to downtown St. Louis. Efforts to assess the competitive impact of this merger in these terms appear to stem from the Supreme Court's compromise in the *Philadelphia* case in which it equated the relevant market to the four-county area where branch banking was permitted by State law. Reference was made to Fayette County as the point of reference for assessing the competitive impact in the *Lexington* case; Kentucky banks may branch only in the county where the main office is located. In the present case in Missouri, a State which prohibits any branch banking, the advisory report would have us look only to the environs of the main offices, an acre or so in downtown St. Louis. Such a correlation of a relevant market to the Missouri antibranching statutes is not meaningful in this case. We shall demonstrate that neither legal boundaries nor legal branching limitations can fully define the relevant banking market.

Recent discussions of bank mergers have put heavy weight on concentration ratios as a measure of the effect of the merger on competition. Mechanical application of a concentration ratio approach is apparent in the advisory opinion of the Department of Justice on the present case. It is desirable, therefore, to determine the limits of usefulness of concentration ratios as well as the possible pitfalls in indiscriminate use of such ratios.

Calculation of concentration ratios involves a determination of the relevant product line to be analyzed as well as the relevant market area (section of the country). Both of these determinations are more difficult than they may appear.

Appropriate economic analysis of the effect of a bank merger on competition requires consideration of the impact on competition in each of the relevant products or services provided by commercial banks, taking account of competition from nonbank institutions and of the substitutability among financial services.

Commercial banks deal in a wide range of services and products, and face a substantial amount of competition from nonbank financial institutions. Commercial banks are not products, nor are “total deposits,” “total assets,” or even “total loans” products.

It is a more reasonable approach to the competitive problem to examine *each* of the relevant product lines and determine whether the merger will result in a substantial lessening of competition in the market for that product.

In examining the market for real estate loans, for example, it would be desirable to consider not only the amount of business done by the merging banks and the other commercial banks, but also the mortgage loan business done by mutual savings banks, savings and loan associations, and insurance companies. The same is true in the personal loan field, where commercial banks face intense competition from personal finance companies, sales finance companies and credit unions.

Business loans generally make up the bulk of commercial bank loans, but here also there is considerable competition with other institutions. Savings and loan associations and mutual savings banks make real estate loans to business firms. Finance companies and factors make loans on receivables and equipment. Insurance companies are strong competitors in the large business loan field. Even nonfinancial firms must be considered, as they extend trade credit to their customers. Trade credit is a particularly important alternative to bank loans for small firms.

The one product line in which commercial banks face no direct competition from other financial institutions is in the handling of demand deposits. Even here, however, there are substitutes. Currency, of course, is one alternative. Many savings banks and savings and loan associations sell money orders, as do some supermarkets. Travelers checks is another alternative.

The Supreme Court's justification in the *Philadelphia* case for disregarding nonbank competition is that commercial banking products or services enjoy "such cost advantages as to be insulated within a broad range from substitutes furnished by other institutions." As an example, the Court points out that, in competing with small loan companies in the personal loan market, commercial banks have a considerable advantage in that their rates are invariably lower. Nevertheless, there is competition between commercial banks and small loan companies. Perhaps more important, there is competition of both with credit unions and sales finance companies which charge rates comparable to those of the commercial banks.

It has been argued that, even where there are non-bank facilities competing in terms of price and cost with commercial banks, the banks enjoy a preferred position in the minds of consumers and that this preference insulates the banks, to some extent, from com-

petition. This may seem to be the case with savings deposits. Commercial banks do, of course, have some advantages in competing with other savings institutions. The convenience of "one-stop banking," inertia, or lack of knowledge may lead a savings depositor to maintain an account at a commercial bank while a savings bank across the street is paying a somewhat higher interest rate. But this does not mean that there is no competition between the two institutions. The depositor who may not cross the street for an extra one-fourth percent interest may do so for an extra one-half percent. The many commercial banks which have raised their time deposit rates in recent years have not all done so simply because of competition from other commercial banks.

It follows from this analysis that the relevant market area differs for each banking product or service. The relevant market area for personal checking accounts, for example, is typically small although banking by mail has been growing in importance in recent years. The relevant market for large business loans, in contrast, is national. St. Louis banks compete in this latter market with banks in San Francisco and New York as well as those in Kansas City and Chicago. The market for small- and medium-size business loans is more difficult to define precisely. Small firms are generally confined to a limited geographical area in seeking funds, both by the cost of traveling and lenders' lack of knowledge of their business. For these loans, the relevant market would appear to be the metropolitan area, although allowance must be made for banks and other institutions on the fringe of the area.

The advisory opinion of the Department of Justice holds that the relevant geographic market area is downtown St. Louis. As we have stated, the relevant market area varies with the product line. The banking product line with the smallest geographic area is the small-depositor market. Yet it is clear that even for this product line, downtown St. Louis can hardly be considered the relevant area. Few people live in the immediate downtown area. The thousands who work there live elsewhere in the metropolitan area, and have the banking alternatives of the downtown banks and the suburban banks. The individual borrower or depositor has immediate access to banks in the neighborhood of his residence or of his place of employment. Commuting patterns link together all banks in the metropolitan area in one market. Thus, even for these customers, the relevant geographic market is the metropolitan area. With respect to the lending activities of banks, it is even more evident that the metropolitan area will be the smallest relevant market. Busi-

ness firms, in seeking loans, are able to shop among banks in the entire metropolitan area without being faced with either high travel costs or a bank's unwillingness to make loans outside of the area with which it is familiar.

B. Competition and Banking Regulation.—Whatever the limitations of concentration ratios as a measure of market performance in banking, the entire concept of competition needs careful analysis in its application to banking. In *Brown Shoe Co. v. U.S.*, 370 U.S. 294, 344 (1962), it was held that Congress had indicated a preference for an economy of small businesses operating in unconcentrated industries. The Court gave no weight to the advantages to consumers resulting from the merger because it assumed that Congress was aware that some inefficiencies would result from its preference for an atomistic industry structure.

But we cannot fail to recognize Congress' desire to promote competition through the protection of viable, small, locally owned businesses. Congress appreciated that occasional higher costs and prices might result from the maintenance of fragmented industries and markets. It resolved these competing considerations in favor of decentralization. We must give effect to that decision.

Although this argument may be correct when applied to other industries, it is clearly not correct when applied to banking. Congress has clearly stated its preference for goals other than competition in the laws enacted which affect the banking structure. Federal banking legislation has imposed restrictions on bank entry and bank expansion as a means of preventing competition that could endanger the viability of the banking system. Other banking laws and regulations restrict certain activities of banks on the basis of bank size; legal lending limits are the most obvious example. These concepts of the proper relationship of government to banking are fundamentally different from those applied under the antitrust laws to the unregulated industries.

C. Banking Competition in St. Louis.—Although we have many reservations about the use of concentration ratios in analyzing banking markets, the heavy reliance on this technique in the advisory opinion of the Department of Justice makes imperative a detailed examination here of the situation in St. Louis.

Despite the fact that St. Louis is the 10th largest metropolitan area in the country, the largest bank in St. Louis, Mercantile Trust Co., is only the 42d largest bank in the United States. It has deposits of \$529.2 million. Mercantile Trust now holds 18.7 percent of the de-

posits and 20.9 percent of the loans of all banks in the St. Louis metropolitan area.

The merging bank, Security Trust, is the seventh largest of the 132 banks in St. Louis metropolitan area and the smallest of the downtown St. Louis banks. Its \$96.1 million of IPC deposits represent about 2.8 percent of these metropolitan area deposits.

After the merger, the resulting bank will ostensibly hold 21.4 percent of area deposits and 23.6 percent of area loans. It has been estimated that there will be an attrition of about 2 percent of deposits since it is reasonable to expect that not all customers of the closing bank will transfer their business to the survivor. Other St. Louis banks will undoubtedly gain deposits as a result of this merger.

It is useful in evaluating the significance of this increase in concentration ratios to compare the St. Louis banking structure with that of other large metropolitan areas. As of mid-1962, the percentage of total commercial bank deposits in the St. Louis metropolitan area held by the largest bank was 18.1 percent. The figure was higher than this in 76 of the other 80 large metropolitan areas included in a Federal Reserve study (see appendix, table 3). When the percentages of deposits held by the two largest banks are considered, the figure of 34.9 for St. Louis was exceeded in 75 of the other 80 areas. The same two ratios for the St. Louis metropolitan area had not changed significantly by mid-1964; the percentage of area deposits held by the largest bank was then 18.7 percent, a very slight increase, while the percentage held by the two largest banks had declined slightly, to 34.3 percent. If we interpose the post-merger estimate of 21.4 percent on the mid-1962 tabulation of concentration ratios for the other 80 metropolitan areas, we find that it would be exceeded in 69 of the 80 other areas. Even when only unit banking metropolitan areas are considered, only 3 of 21 such areas will have concentration ratios lower than St. Louis after the merger.

While the effects of this merger on aggregate concentration ratios is thus small, it is important to examine more specifically which borrowers and markets are affected by this increase in concentration. For this purpose, it is useful to consider two types of borrowers—large and small firms.

The large firms seek funds in the national financial market. Large banks all over the country compete in this market, and a merger of two banks can have only a negligible adverse effect on competition. In this merger, moreover, the competitive effect is favorable, on balance, since Security, because of its limited

size, is not a significant participant in the national market, and Mercantile's ability to compete after the merger will be enhanced.

Small firms are largely limited to banks in their immediate metropolitan area in seeking loan funds. The small manufacturer or merchant in St. Louis may seek a loan from a suburban bank or from a downtown St. Louis bank. He cannot ordinarily expect to borrow from banks in Chicago or New York. Even here, however, the effect of this merger is less than it may appear from gross concentration ratios. Mercantile's business is mainly with large firms; nearly two-thirds of its deposits are in accounts of over \$100,000. Correspondent banking business is also important to Mercantile; deposits of banks represent 18 percent of Mercantile's deposits. Its business and bank customers are scattered across the country. It is usually classified as a wholesale bank. Security, on the other hand is basically a retail bank, dealing with individuals and small firms in a more limited area. Nearly 40 percent of its deposits are in accounts of under \$10,000. Competition between the two banks is much more limited than gross deposit totals imply.

This is not to say that Mercantile and Security do not compete. They do compete for small business and individual accounts in the metropolitan St. Louis area. But Mercantile by no means has a dominant position in this market. The FDIC has examined the distribution of accounts of less than \$10,000 in the St. Louis metropolitan area. Whereas Mercantile holds 18.7 percent of total deposits in the metropolitan area, it holds only 7.0 percent of funds in accounts under \$10,000. Adding Security's 2.9 percent of such accounts brings the combined bank's share of this business to only 9.9 percent. The resulting increase in concentration in this product line (small business and individual accounts) is thus clearly negligible.

V. Convenience and Needs of the Community.

The comparison in part IV of the concentration ratios in St. Louis banking with those in other major metropolitan areas shows conclusively that the St. Louis SMSA does not have the services of a bank as large, relative to the size of its economy, as that in nearly all other metropolitan areas. While the St. Louis SMSA ranks 10th in the country in population, its largest bank, Mercantile Trust, ranks 42nd. All but one of the areas larger than St. Louis have at least one bank larger than Mercantile Trust. Nine areas with fewer people than the St. Louis area have a larger bank than does St. Louis.

A number of persuasive factors, indicate that the

economy of the St. Louis SMSA would benefit from the services of a larger bank than is now present. In part I, it was noted that while the St. Louis area is prosperous today, there has been considerable concern about its failure to match the growth in employment, population, and new industry experienced in some comparable areas. Giant strides have been taken to improve the physical and economic setting for industry. One further step is that entailed in this merger, which will provide a bank better able to meet the financial requirements of the larger firms with rapidly growing operations in the St. Louis area.

It is useful to note that each of the five U.S. cities which have surpassed St. Louis in population during the past five decades has at least one bank larger than any in St. Louis. Further, eight of the nine metropolitan areas which have fewer people but at least one bank larger than any in St. Louis are growing at a faster rate than is the St. Louis area.

The breadth of services offered is related to bank size. A very large bank will have a sufficient volume of loans to specific industries to hire loan officers who are experts on these industries. The combination of banking and industry expertise held by these men benefits all their customers, large and small.

The rates of growth of a number of industrial corporations with major operations in the St. Louis area have outdistanced the rates of growth of the major St. Louis banks in recent years. (See appendix, table 4.) For example, the rates of growth in total assets between 1950 and 1963 were as follows for these corporations: Brown Shoe Co., 319 percent; Emerson Electric Co., 505 percent; Granite City Steel Co., 1582 percent; McDonnell Aircraft Corp., 794 percent; Monsanto Co., 540 percent. In contrast, the comparable figure for Mercantile Trust was 109 percent.

Obviously, as local corporations expand to national operations, they will tend to enter the national loan market. Thus, it is not implied that local banks should be able to service all or even most of their credit needs. However, the ability of local banks to retain a reasonable proportion of these corporations' business will be beneficial for the borrowers and the local economy, as well as the banks. For example, the Monsanto Co., a St. Louis-based corporation, has just completed arrangements for a \$100 million loan. The company found it necessary to secure \$88 million of this outside St. Louis; only three St. Louis banks were able to participate in the remaining \$12 million. Because of the limited capacity of St. Louis banks, growing St. Louis corporations are having to place ever-greater reliance on Eastern and Chicago banks.

Although the legal lending limit of Mercantile will decline slightly because of the terms of the merger, the larger lending limit of Mercantile will apply to all the assets of Security. The acquisition of the deposits of Security Trust will bring the relationship between the lending limit and the deposits of Mercantile to a figure more nearly in accord with accepted banking practice. Mercantile is currently somewhat overcapitalized, ranking 42nd nationally in assets but 33rd in capital. As a result of the acquisition, the actual lending capacity of Mercantile will be increased. The larger resources of the resulting bank will allow greater loan diversification to be achieved so that the bank will be willing to approach its legal lending limit for individual loans more often than is now the case.

Large creditors will not be the only beneficiaries of the greater lending capacity of the resulting bank. The massive St. Louis urban renewal program has required a tremendous volume of credit. Mercantile and the other St. Louis banks have helped to meet these credit needs to the extent they were able to do so. For example, Mercantile's participation in the Downtown Sports Stadium project was crucial. The Mansion House project was more than \$1 million short of the funds required to secure a Federal Housing Authority commitment until Mercantile came to the rescue. Mercantile has also participated in the financing of the Gateway Arch, the Mill Creek Valley project, the Kosciusko Industrial Park, and the Bi-State Transportation Authority operations, among others.

It is from St. Louis that financial aid must come to improve the economies of southern Illinois and the rural areas of Missouri. Increasing the capacity of St. Louis' largest bank is likely to facilitate this flow of funds.

We cannot ignore, in considering this merger, the prohibition on branching faced by the banks in Missouri. This natural avenue of bank growth is not available to St. Louis banks. This is a major reason for the failure of the large downtown banks to keep pace with the growth of the economy of the St. Louis area. The population of the city of St. Louis has declined from 857,000 in 1950 to 739,000 in 1963, while the population of the area has increased by over 500,000.

(See appendix, table 1.) As could be expected, the deposits of city banks have grown much more slowly than have those of suburban banks. In the past decade, for example, while deposits of city-based banks have increased by 27 percent, deposits of banks in major suburban areas have increased by as much as 165 percent. If the city banks could have followed the population movement by branching, they would have been able to keep abreast of the overall economic and industrial growth and this merger might not have been required.

Public policies toward bank mergers, charters, and branches can best be evaluated as a unified whole, since all these policies shape the banking structure. With branching prohibited, the chartering of a new bank is the only way to provide new banking facilities, and merger may, on occasion, be required to allow the banking needs of certain customers to be met. The ideal of a balanced banking structure, capable of meeting the legitimate banking needs of all customers, large and small, may be achieved in nonbranch States through judicious application of chartering and merger policy.

In St. Louis, 132 commercial banks, 29 more than were operating 10 years ago, now serve the metropolitan area. An examination of the deposit distribution of the St. Louis banks, as it will be after this merger is consummated, indicates a desirable balance in the banking structure. (See appendix, table 5.) To the extent that varying sizes of banks are required to meet the differing needs of customers, large banks, as well as medium and small, are imperative to serve adequately an urban area. The effect of this merger is to increase this range; a bank larger than heretofore available will emerge in St. Louis, while a number of banks, which have operations comparable with those of the disappearing bank will remain.

VI. Conclusion.

Having considered the subject application in the light of the statutory criteria, we find the proposed merger to be in the public interest and it is, therefore, approved effective on or after June 30, 1965.

JUNE 24, 1965.

TABLE 1.—*Population of the St. Louis Metropolitan Area*

<i>Government unit</i>	<i>1950</i>	<i>1960</i>	<i>1963</i>	<i>Percentage change 1950-63</i>
Missouri:				
St. Louis City.....	856,796	750,026	739,000	-13.7
St. Louis County.....	406,349	703,532	813,000	100.1
Franklin County.....	36,046	44,566	48,000	33.2
Jefferson County.....	38,007	66,377	76,000	100.0
St. Charles County.....	29,834	52,970	60,000	101.1
Illinois:				
Madison County.....	182,307	224,689	239,000	31.1
St. Clair County.....	205,995	262,509	284,000	37.9
Total, metropolitan area.....	1,755,334	2,104,669	2,258,000	28.6

TABLE 2.—*Manufacturing establishments, employees, and value added by major industry groups, St. Louis Metropolitan Area, 1963*

<i>Industry groups</i>	<i>Establishments, Dec. 31, 1963</i>	<i>All employees, Dec. 31, 1963</i>	<i>Percent of total employees</i>	<i>Value added by manufacture 1963 (thousands of dollars)</i>	<i>Percent of total value added</i>
Total manufacturing.....	3,183	266,950	100.0	2,536,508	100.0
Food and kindred products.....	376	30,015	11.2	278,369	11.0
Tobacco products.....	5				
Textile mill products.....	24				
Apparel and related products.....	199	12,787	4.8	62,104	2.4
Lumber and wood products.....	95	1,288	0.5	9,895	0.4
Furniture and fixtures.....	110	4,283	1.6	29,116	1.1
Paper and allied products.....	125	9,471	3.5	81,799	3.2
Printing and publishing.....	484	15,680	5.9	123,140	4.9
Chemical and allied products.....	251	19,230	7.2	354,332	14.0
Petroleum and coal products.....	30	5,924	2.2	108,569	4.3
Rubber and plastic products.....	66	1,554	0.6	14,870	0.6
Leather and leather products.....	74	9,464	3.5	55,870	2.2
Stone, clay, and glass products.....	178	7,862	2.9	107,996	4.3
Primary metal products.....	103	21,028	7.9	171,114	6.7
Fabricated metal products.....	345	17,936	6.7	176,722	7.0
Machinery, except electrical.....	354	20,496	7.7	187,300	7.4
Electrical machinery.....	95	15,469	5.8	138,143	5.4
Transportation equipment.....	61	55,758	20.9	488,351	19.3
Instruments and related products.....	46	6,310	2.4	36,542	1.4
Miscellaneous manufacturing.....	154	9,969	3.7	96,289	3.8

TABLE 3.—Concentration of commercial bank deposits in largest metropolitan areas, June 30, 1962

Area	Number of banking institutions ¹	Total deposits (in mil- lions of dollars)	Percent of deposits		Area	Number of banking institutions ¹	Total deposits (in mil- lions of dollars)	Percent of deposits	
			Largest bank ¹	Two largest banks ¹				Largest bank ¹	Two largest banks ¹
States with statewide branch banking					States with limited branch banking— Continued				
Fresno, Calif.	7	438	59.2	76.8	Albany-Schenectady- Troy, N.Y.	19	1,047	33.9	59.6
Providence-Pawtucket, R.I.-Mass.	11	889	51.5	85.3	Richmond, Va.	8	723	32.9	60.6
Phoenix, Ariz.	8	955	49.6	80.7	Syracuse, N.Y.	11	625	31.7	55.2
Sacramento, Calif.	11	828	48.8	70.9	Springfield-Chicopee- Holyoke, Mass.	11	354	31.3	59.7
Wilmington, Del.-N.J.	17	590	47.0	68.5	Gary-Hammond-East Chicago, Ind.	22	439	31.2	41.0
Hartford, Conn.	14	764	44.7	88.9	Atlanta, Ga.	39	1,461	31.0	56.2
Bridgeport, Conn.	7	298	44.6	84.0	Cincinnati, Ohio-Ky.	25	1,372	29.3	54.7
New Haven, Conn.	10	311	43.0	66.3	Jersey City, N.J.	11	818	28.7	48.8
San Bernardino-River- side-Ontario, Calif.	15	746	41.7	80.4	Louisville, Ky.-Ind.	19	887	28.6	57.1
San Jose, Calif.	9	982	41.7	63.9	Harrisburg, Pa.	28	420	26.8	49.8
San Diego, Calif.	10	1,046	41.5	66.4	Youngstown-Warren, Ohio.	15	474	24.4	43.6
San Francisco-Oak- land, Calif.	25	8,399	41.1	65.1	Canton, Ohio.	14	327	20.7	41.1
Honolulu, Hawaii.	11	700	40.6	76.0	Newark, N.J.	42	2,490	19.8	36.3
Seattle, Wash.	21	1,552	39.7	59.6	Philadelphia, Pa.-N.J.	99	5,968	19.1	36.0
Portland, Oreg.-Wash.	19	1,243	39.2	77.0	New York, N.Y.	104	40,724	19.0	35.8
Tacoma, Wash.	10	289	38.1	67.8	Wilkes-Barre-Hazleton, Pa.	31	430	18.6	33.9
Los Angeles-Long Beach, Calif.	52	11,192	35.4	61.0	Allentown-Bethlehem-Easton, Pa.-N.J.	37	697	17.8	28.9
Baltimore, Md.	30	1,586	29.0	50.2	Paterson-Clifton- Passaic, N.J.	41	1,649	16.6	30.6
Salt Lake City, Utah.	10	618	28.7	55.1					
Washington, D.C.- Md.-Va.	41	2,523	21.8	37.7					
States with limited branch banking					States with unit banking				
Birmingham, Ala.	7	638	58.7	83.9	Minneapolis-St. Paul, Minn.	63	2,423	43.7	77.4
Columbus, Ohio.	13	923	52.3	74.3	El Paso, Tex.	8	311	42.0	83.6
Toledo, Ohio.	8	575	51.9	70.2	Wichita, Kans.	20	443	40.0	64.9
Pittsburgh, Pa.	58	3,961	49.9	72.5	Milwaukee, Wis.	36	1,823	38.1	56.6
Norfolk-Portsmouth, Va.	10	376	49.8	68.2	Omaha, Nebr.-Iowa.	30	664	37.5	59.1
Grand Rapids, Mich.	15	586	49.4	71.2	Fort Worth, Tex.	30	880	36.7	66.7
Buffalo, N.Y.	12	1,517	49.0	79.5	Tulsa, Okla.	33	747	36.4	68.6
Worcester, Mass.	11	243	48.3	67.6	Jacksonville, Fla.	18	640	35.6	59.9
Akron, Ohio.	7	563	46.4	68.8	Oklahoma City, Okla.	38	835	35.2	58.1
Mobile, Ala.	4	288	43.3	85.6	Dallas, Tex.	73	3,008	34.4	64.2
Rochester, N.Y.	7	796	43.0	68.7	Miami, Fla.	38	1,248	29.4	36.8
Memphis, Tenn.	9	869	41.8	79.9	Orlando, Fla.	18	313	28.7	43.3
Nashville, Tenn.	8	734	41.3	77.5	San Antonio, Tex.	25	765	28.1	50.2
Dayton, Ohio.	26	573	40.8	57.5	Houston, Tex.	64	2,726	27.9	44.5
Indianapolis, Ind.	6	1,224	40.3	76.5	Beaumont-Port Arthur, Tex.	17	305	27.3	47.3
Flint, Mich.	7	418	39.8	73.9	Denver, Colo.	61	1,450	22.8	44.3
Knoxville, Tenn.	12	348	39.7	65.6	Kansas City, Mo.- Kans.	91	1,979	22.5	38.0
Utica-Rome, N.Y.	15	323	39.5	77.8	Chicago, Ill.	255	14,375	21.2	42.2
Boston, Mass.	55	4,098	37.7	52.2	St. Louis, Mo.-Ill.	118	3,431	18.1	34.9
Detroit, Mich.	44	5,647	37.3	54.5	Fort Lauderdale- Hollywood, Fla.	18	411	16.9	31.6
Cleveland, Ohio.	11	3,724	37.2	58.9	Tampa-St. Petersburg, Fla.	41	942	12.7	25.0
New Orleans, La.	14	1,235	36.7	56.0					

¹ All banks in an area that were controlled by one holding company were considered as a single bank and their deposits were added together.

NOTE.—The "largest metropolitan areas" are the Census

Bureau's standard metropolitan statistical areas with populations of 300,000 or more.

Source: Federal Reserve Bulletin September 1963.

TABLE 4.—Growth of total assets of selected St. Louis manufacturing corporations and major St. Louis banks, 1950–63

Firms	1950	1963	Percentage increase
Manufacturing corporations:			
Brown Shoe Co.	36, 496, 324	153, 064, 874	319. 4
Emerson Electric	20, 526, 096	124, 226, 372	505. 2
Manufacturing Co.	12, 808, 187	215, 384, 376	1, 581. 6
Granite City Steel Co.	19, 117, 241	51, 447, 320	169. 1
Laclede Steel Co.	22, 430, 723	200, 611, 452	794. 4
McDonnell Aircraft Corp.	221, 377, 051	416, 072, 000	539. 7
Monsanto Co.	87, 808, 998	333, 799, 467	280. 1
Ralston-Purina Co.			
Banks:			
Mercantile Trust Co., N.A.	413, 143, 670	861, 756, 865	108. 6
First National Bank in St. Louis	522, 233, 687	742, 574, 933	42. 2
Boatmen's National Bank	164, 394, 000	255, 503, 000	55. 4
Bank of St. Louis	96, 914, 000	150, 372, 000	55. 2

Deposits of Metropolitan St. Louis Area Banks
June 30, 1964

Banks	Amount (thousands of dollars)	Percent of total SMSA deposits
Mercantile Trust Co., N.A. (includes Mercantile-Commerce National Bank)	750, 933	18. 66
Add Security Trust Co.	111, 363	2. 77
Total, resulting bank	862, 296	21. 43
First National Bank in St. Louis	628, 599	15. 62
Boatmen's National Bank	233, 275	5. 80
Bank of St. Louis	140, 892	3. 50
National Stock Yards National Bank (Ill.)	113, 206	2. 81
St. Louis County National Bank (Clayton)	104, 428	2. 60
Tower Grove Bank and Trust Co.	92, 565	2. 47
Manufacturers Bank and Trust Co.	67, 263	1. 67
Manchester Bank	63, 005	1. 57
State Bank and Trust Co. (Wells-ton)	55, 979	1. 39
Jefferson Bank and Trust Co.	50, 887	1. 26
Southwest Bank	47, 165	1. 17
Lindell Trust Co.	44, 645	1. 11
First National Bank and Trust Co. (Alton, Ill.)	38, 954	0. 97
117 additional banks	1, 473, 795	36. 63
Total	4, 023, 956	100. 00

BANKING PREMISES

APRIL 5, 1965.

HON. WILLIAM S. BROOMFIELD
House of Representatives
Washington, D.C.

This is in reply to your letter dated March 30, 1965, with reference to the amounts which a national bank is permitted to invest in the premises in which it conducts its business.

This matter is governed by 12 U.S.C. 371d as interpreted by paragraph 3100(d) of the *Comptroller's Manual for National Banks*. Copies of this statute and ruling are attached for your convenience.

Section 371d permits investment in banking premises, without prior approval of the Comptroller of the Currency in amounts up to the amount of the capital stock of the bank. It must be borne in mind that section 371d refers only to the total par value of the outstanding stock. The total capital account consists of the total par value of outstanding stock plus undivided profits and surplus.

In reply to your second inquiry, investment, as that term is used in section 371d, means not only the amount of cash invested but also the amount of liability incurred by the bank in connection with its premises.

As stated in paragraph 3100(d) of the *Comptroller's Manual*, it is the position of the Office that approval will ordinarily be given to investments in banking premises in amounts up to 50 percent of the total capital account of the bank where a reasonable need for such investment can be shown. The term total capital account as used in that paragraph includes total par value of outstanding stock, surplus and undivided profits.

BROKERED DEPOSITS

APRIL 22, 1965.

HON. JACOB K. JAVITS
United States Senate
Washington, D.C.

Reference is made to your transmittal of copies of correspondence from Messrs. Paul R. and Saul R. Gaynes of Gifts for Thrift, Inc., together with proposed amendments to the Federal Deposit Insurance Act, relating to the use of money brokers to obtain deposits

for banks insured by the Federal Deposit Insurance Corporation.

The position of this Office with respect to the use by National Banks of money brokers is set forth in the enclosed copy of a directive issued to all of our examining personnel on March 22, 1965. We anticipate that the policy set forth in the enclosed directive will early disclose the problems which may develop from money broker activities and thereby permit timely supervisory action.

MARCH 22, 1965.

DIRECTIVE TO ALL EXAMINING PERSONNEL:

1. *Brokered Deposits.* It is the view of this Office that it is an unsafe and unsound banking practice for National Banks to use a "money broker" as a means of obtaining deposits, whether or not commissions are paid therefor. Whenever such practice is found, the manner of its operation, as well as other points noted below, should be detailed on page 3A of the report of examination. All of the facts and circumstances covering outstanding brokered deposits should be obtained, including: (1) the aggregate amount of brokered money deposited in the bank; (2) the aggregate amount of commissions paid by the bank to the broker; (3) the aggregate amount of commissions passed on by the broker to the depositor; (4) the identity and address of each broker; and (5) the aggregate amount of brokered deposits originating outside of the bank's normal trading area.

Cases revealing substantial use of money brokers by a bank should also be separately reported promptly by letter to the Comptroller with a copy to the Regional Comptroller.

2. *Guideline Factors.* Special attention should be given to the following: (1) the acceptance through a broker or otherwise of a CD disproportionate in amount to the bank's usual deposit size; (2) acceptance through a broker or otherwise of CD's from depositors located outside of the bank's normal trading area; and (3) issuance of CD's disproportionate to the normal ratio such obligations bear to the bank's total deposit liabilities.

3. *Certificates of Deposit Generally.* Whether or not CD's have been obtained through "money brokers," if outstanding CD's exceed 10% of total deposits, the bank's liquidity position should be thoroughly analyzed. Wherever it appears that a liquidity problem may develop or practices which may lead to illiquidity are being followed, a schedule of outstanding CD's

should be set forth on page 3A of the report of examination including the following information: (1) amount of CD; (2) name and address of depositor; (3) identity and address of broker, if any; and (4) maturity date.

4. *Problem Cases.* In any case where the examiner, in his judgment, believes that a serious problem may exist, a separate letter report containing the foregoing information should be sent promptly to the Comptroller with a copy to the Regional Comptroller. The examiner in such cases shall also direct the management to institute immediate corrective measures and these should be continuously followed up by the Regional Comptroller.

5. *Traditional CD Areas.* In some communities the CD is frequently used in lieu of a savings account and is functionally similar to a savings account. Deposits represented by such CD's are usually as stable as savings accounts.

6. *Recognized Money Market.* Certain well established and nationally known firms, such as are well known in the New York money market, customarily maintain a market in negotiable CD's of leading banks and in commercial paper. It is not the intention of this directive, and examiners are hereby instructed not to criticize normal transactions of such firms in such market.

7. *Directive to Have Immediate Effect.* This directive is to be put into effect immediately by all examining personnel.

8. *Compliance Responsibility of Each Examiner.* Regional Comptrollers are responsible for seeing to it that each examiner carries out the instructions in this directive.

CERTIFICATES OF DEPOSIT

MARCH 1, 1965.

HON. DANTE B. FASCELL
Chairman, Legal and Monetary Affairs
Subcommittee of the Committee on
Government Operations
Washington, D.C.

This is in further reference to your letter of February 23, 1965, on the subject of Certificates of Deposit.

This Office has given careful consideration to the advisability and necessity of imposing limitations on the extent of Certificates of Deposit which a National Bank may issue in relation to its total deposits and also on the allied question of the activities of brokers in the placement of such deposits.

After careful consideration of the possible approaches which could be used in regulating against the occasional instance of bad banking in this area, it was our considered conclusion that the interference with normal business discretion which such regulation would impose on all the well-managed banks of the country, would more than outweigh the advantage to be gained in protecting against occasional bad judgment on the part of a very small minority of bankers.

COIN SHORTAGE

DECEMBER 8, 1964.

In your letter of November 17, 1964, you asked whether the ruling of July 30, 1964, relating to loans secured by United States coins could be liberalized to permit banks to make loans to collectors of an amateur standing without regard to the face value of the coins.

At the time the ruling was made, careful consideration was given to the possibility of providing an exception for collectors of rare coins. It is concluded, however, that it was not feasible, during a period when coins are scarce, to distinguish between coins kept out of circulation by professional dealers and collectors of recognized amateur standing and those kept out by speculators and hoarders. The very scarcity of coins has made coins which ought to remain in circulation objects of special interest to numismatists and other coin collectors and dealers.

Present circumstances do not appear to justify a change in this conclusion.

OCTOBER 1, 1964.

This is in response to your letter of September 3, 1964, in which you request an exemption by this Office for a loan. This loan is secured by a deposit of rare and rolled coins with a relatively high collector's value. None of the coins are dated subsequent to 1955. You state that as a coin collector, the borrower is operating his business in a normal manner and is not contributing to the current coin shortage by hoarding through a pyramiding of his inventory through loans of full face value.

The restriction contained in the letter of this Office to the presidents of all national banks dated July 30, 1964, provides that national banks would not thereafter be authorized to make any loan which is secured by coins of the United States where the loan is in an

amount in excess of 70 percent of the face value of the coins securing the loan. Loans made prior to July 30, 1964, are not subject to the foregoing restriction. However, the particular loan as set forth above and in your letter of September 3, 1964, even if made subsequent to July 30, 1964, may be deemed exempt from the foregoing restriction.

CONFIDENTIALITY OF REPORTS OF EXAMINATIONS

FEBRUARY 10, 1965.

The Honorable JOHN L. MCCLELLAN
United States Senate
Washington, D.C.

This is in reference to your letter of February 9, 1965, requesting that this Office turn over to the Permanent Subcommittee on Investigations copies of the Reports of Examination of three National Banks now in receivership. These banks are the San Francisco National Bank, San Francisco, California, First National Bank of Marlin, Marlin, Tex., and the Brighton National Bank of Brighton, Colo.

The Reports of Examination of National Banks made by the examiners of this Office in the 102 year history of this Office have been traditionally and uniformly regarded and protected as confidential and privileged documents. It has always been considered inadvisable to disclose the contents of these reports. To do so would substantially impair the effective exercise of the supervisory responsibilities of this Office.

The confidential nature of the Reports of Examination was referred to by Senator A. Willis Robertson in the debates on the Bank Merger Act.

... Much of their information is obtained from examiners' reports. These examiners' reports deal with all aspects of the bank's activities, including the caliber of the management, the ownership, a bank's loan activities, the character and financial status of borrowers, and all of the intimate details involving the debtor-creditor relationship. The wish of the banking agencies to keep bank examiners' reports confidential is just as great and as valid as the wish of the Attorney General to keep private FBI confidential reports. 105 Cong. Rec. 7692.

The only recent instance we recall in which a congressional demand was made for Reports of Examination occurred some time ago when the Senate Banking and Currency Committee made a request to the Federal Deposit Insurance Corporation for the Reports of Examination of the Southmore Bank in Illinois in connection with the Hodges matter. At that time we

are informed that the Federal Deposit Insurance Corporation declined to turn over the reports on the grounds of confidentiality and that this position was respected.

In addition this Office is bound by section 1905 of Title 18, U.S.C. which makes it a criminal offense for a government official to disclose such information as is contained in the Reports of Examination.

We feel certain that you as a director of The First National Bank of Little Rock, are aware of the policy considerations which weigh against disclosure of information about the depositors, borrowers and bank officers contained in bank examination reports, and that you will understand the position we feel obliged to take in this matter.

In view of the considerations outlined above, we are of the opinion that the questions of law and policy involved in your request are so serious that we cannot comply therewith.

As to the matter of our appointment on February 8, there must have been some misunderstanding which we regret. Our Office records do not indicate that a definite appointment was made by Mr. Cox. We shall, of course, be glad to meet with you at any time.

CORPORATE PRACTICES AND PROCEDURES

OCTOBER 30, 1964.

This is in reply to your letter of October 5, 1964, requesting our opinion on the question of age limitations for officers, employees and directors of national banks.

The fixing of qualifications for officers and employees, including age qualifications, is usually considered within the exclusive province of the board of directors. Whether or not the shareholders, by resolution, could enforce an age limit policy for directors is a question of general corporate law upon which this Office has not formally published an opinion.

The question of fixing age limits for directors for National Banks is further complicated by the provisions of 12 U.S.C. 61 which confers the right of mandatory cumulative voting upon shareholders of national banks.

This Office would not object to any national bank instituting a policy of mandatory retirement at a reasonable age for officers and directors whether such policy was instituted by resolution of the board of directors or by the shareholders.

MARCH 5, 1965.

HON. ABRAHAM J. MULTER
House of Representatives
Washington, D.C.

Thank you for your letter of February 24, 1965, regarding the use of voting trusts with respect to stock of national banks.

This Office had had no occasion to develop statistics reflecting the extent to which voting trusts of national bank stock are in use. However, the information available to us indicates the existence of few voting trusts relative to the number of national banks.

There is no provision of Federal banking law which prohibits voting trusts of national bank stock or which regulates the establishment and operation of such trusts. Consequently, in 1949, this Office took the position that the legality of a voting trust of national bank stock was largely a matter of law of the state in which the national bank was located and, from the supervisory viewpoint, such a trust was not objectionable, provided its actual operation did not adversely affect the welfare of the bank.

Recently, this Office had occasion to reconsider the foregoing rule. Upon reconsideration, it is still the view of this Office that voting trusts of national bank stock are not illegal, or even objectionable, in and of themselves. Indeed, such trusts can serve legitimate and useful purposes.

The Office now requires, however, that it be consulted prior to the creation of a new voting trust and prior to any modification, extension, or renewal of an existing voting trust. In addition, this Office now requires that each voting trust agreement contain provisions to the following effect:

1. The Comptroller of the Currency may terminate the agreement in whole or in part at any time he deems such termination to be in the best interest of the bank.
2. The Comptroller may require the resignation of any trustee at any time he deems such resignation to be in the best interest of the bank and each such trustee must agree to resign forthwith if required to do so by the Comptroller.
3. If the trust is to cover a number of shares sufficient to elect one or more directors of the bank by cumulative voting or otherwise, the trustees must agree not to nominate or cast their votes for any person as a director whom the Comptroller has designated as unacceptable.
4. The books and records of the trustees with re-

spect to the voting trust must be available to the Comptroller for examination upon demand.

The foregoing requirements, coupled with inquiry into the operation of the voting trust in connection with the examination of the bank, assures that no voting trust will work to the detriment of a national bank to which it relates.

HON. FRANK HORTON
House of Representatives
Washington, D.C.

This is in reply to your letter of March 15, 1965, requesting background information and arguments against or in favor of cumulative voting for national banks, especially, with regard to the provisions of H.R. 2839 which would amend the statute concerning cumulative voting.

Title 12 U.S.C. 61 provides that in all elections of directors of national banks, each shareholder has the right to vote the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate such shares and give one candidate as many votes as the number of directors multiplied by the number of his shares equals, or to distribute them on the same principal among as many candidates as he thinks fit.

The proponents of cumulative voting argue that it is necessary in order to provide minority interests with representation on the board of directors.

It has however, been the experience of this Office, insofar as national banks are concerned, that cumulative voting is undesirable. It frequently has been used to provide competitors and undesirable persons a means of access to the books and records at a bank. In many cases which have come to the attention of this Office, cumulative voting has been used to further the private interests of individuals and not in the interests of sound bank management.

As you know, on January 14, 1965, Congressman McDade introduced H.R. 2839, which was referred to the House Committee on Banking and Currency. This bill would make cumulative voting for national banks optional rather than mandatory. This Office strongly supports this bill.

MAY 27, 1965.

Attached hereto is a copy in final form of the new part 17 of the regulations of this Office providing for advance notice to the bank and to this Office of nominations for director. The regulation states that

any national bank may provide in its articles of association or bylaws, or both, for a requirement that any shareholder, other than one acting on behalf of management, who intends to nominate a person for director of the bank, must communicate such intention and the identity of the nominee to the bank and to this Office prior to the meeting in question. The final regulation provides for such notification to be made not less than 14 days nor more than 50 days prior to the meeting but with a provision that if less than 21 days' notice of the meeting has been given to the shareholders that the notification may be made not later than the close of the seventh day following the day on which the notice of meeting was mailed. The regulation, as enclosed, is in final form and will be effective on and after June 1, 1965.

The following is an acceptable form of article or bylaw provision under the regulation:

Nominations for election to the board of directors may be made by the board of directors or by any stockholder of any outstanding class of capital stock of the bank entitled to vote for the election of directors. Nominations, other than those made by or on behalf of the existing management of the bank, shall be made in writing and shall be delivered or mailed to the President of the bank and to the Comptroller of the Currency, Washington, D.C., not less than 14 days nor more than 50 days prior to any meeting of stockholders called for the election of directors, provided however, that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the bank and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Nominations not made in accordance herewith may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.

DEPARTMENT OF THE TREASURY

COMPTROLLER OF THE CURRENCY

[12 CFR Part 17]

REQUIRED NOTIFICATION TO NOMINATE BANK DIRECTORS

This part, issued pursuant to the authority contained in the National Banking Laws (R.S. 324 *et seq.*, as amended; 12 U.S.C. 1 *et seq.*), relates to the requirement that advance notice be given of the nomination of a national bank director. Notice of the proposed Part was published in the Federal Register on April 29, 1965, (30 F.R. 6074). All comments and suggested revisions received have been considered and some have resulted in changes which have been incorporated into this regulation.

The new part 17 will become effective on June 1, 1965.

Chapter 1, Title 12, of the Code of Federal Regulations is hereby amended by an addition of a new part 17 as follows:

PART 17.—REQUIRED NOTIFICATION TO NOMINATE BANK DIRECTORS

Any national bank may provide in its articles of association or bylaws, or both, for a requirement that any shareholder who intends to nominate or to cause to have nominated any candidate for election to the board of directors (other than any candidate proposed by the bank's present management) shall notify the bank and the Comptroller of the Currency. Such bylaw or amendment may provide that the notification shall be made in writing and delivered or mailed to the President of the bank and to the Comptroller of the Currency not less than 14 days nor more than 50 days prior to any meeting of stockholders called for the election of directors, provided however, that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be delivered or mailed to the president of the bank and to the Comptroller not later than the close of the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholders:

- (1) the names and addresses of the proposed nominee;
- (2) the principal occupation of each proposed nominee;
- (3) the total number of shares that to the knowledge of the notifying shareholders will be voted for each of the proposed nominees;
- (4) the name and residence address of the notifying shareholder; and
- (5) the number of shares owned by the notifying shareholder.

If a national bank duly adopts the foregoing notice requirements, any nomination for director not made in accordance therewith, may be disregarded by the chairman of the meeting and votes cast for each such nominee may be disregarded by the vote tellers. In the event the same person is nominated by more than one shareholder, the nomination shall be honored and all shares shall be counted if at least one nomination for that person complies with this regulation.

APRIL 27, 1965.

The attachments are amendments to part 12 of our regulations and provide specific further exemptions from the application of sections 16(a), 16(b) and 16(c) of the Securities Exchange Act of 1934, in respect of those banks and their affiliated personnel to which the exchange act applies.

TITLE 12—BANKS AND BANKING

CHAPTER I—BUREAU OF THE COMPTROLLER OF THE CURRENCY

DEPARTMENT OF THE TREASURY

PART 12—OWNERSHIP REPORTS OF CAPITAL STOCK

Scope and Application

This amendment issued under authority of R.S. 324, *et seq.*, as amended; 12 U.S.C. 1 *et seq.*, and Securities Exchange Act of 1934 (15 U.S.C. 78) specifies several exemptions from the application of certain provisions of section 16 of the Securities Exchange Act of 1934. Since the amendment generally relieves restriction, notice and public procedure are

found to be unnecessary and contrary to the public interest. Accordingly, this amendment will become effective upon publication.

Part 12, Chapter 1, Title 12 of the Code of Federal Regulations of the United States of America is amended by adding to the table and text of part 12 the following new sections:

Table

Sec.	
12.7	Exemption from section 16(b) of the Securities Exchange Act of certain transactions by registered investment companies.
12.8	Exemption from section 16(b) of the Securities Exchange Act of certain transactions effected in connection with a distribution.
12.9	Exemption of certain securities from section 16(c) of the Securities Exchange Act.
12.10	Exemption from section 16(c) of the Securities Exchange Act of certain transactions effected in connection with a distribution.
12.11	Exemption from section 16(c) of the Securities Exchange Act of sales of securities to be acquired.
12.12	Arbitrage transactions under section 16 of the Securities Exchange Act.

Regulations

§12.7 *Exemption from section 16(b) of the Securities Exchange Act of certain transactions by registered investment companies.* Any transaction of purchase and sale, or sale and purchase, of any equity security of a bank shall be exempt from the operation of section 16(b), as not comprehended within the purpose of that section, if the transaction is effected by an investment company registered under the Investment Company Act of 1940 and both the purchase and sale of such security have been exempted from the provisions of section 17(a) of the Investment Company Act of 1940 by an order of the Securities and Exchange Commission entered pursuant to section 17(b) of that act.

§12.8 *Exemption from section 16(b) of the Securities Exchange Act of certain transactions effected in connection with a distribution.* (a) Any transaction of purchase and sale, or sale and purchase, of an equity security of a bank that is effected in connection with the distribution of a substantial block of such securities shall be exempt from the provisions of section 16(b), to the extent specified in this §12.8, as not comprehended within the purpose of section 16(b), upon the following conditions:

(1) The person effecting the transaction is engaged in the business of distributing securities and is participating in good faith, in the ordinary course of such business, in the distribution of such block of securities;

(2) The security involved in the transactions is (i) a part of such block of securities and is acquired by the person effecting the transaction, with a view to the distribution thereof, from the bank or other person on whose behalf such securities are being distributed or from a person who is participating in good faith in the distribution of such block of securities, or (ii) a security purchased in good faith by or for the account of the person effecting the transaction for the purpose of stabilizing the market price of securities of the class being distributed or to cover an over-allotment or other

short position created in connection with such distribution; and

(3)(a) Other persons not within the purview of section 16(b) are participating in the distribution of such block of securities on terms at least as favorable as those on which such person is participating and to an extent at least equal to the aggregate participation of all persons exempted from the provisions of section 16(b) by this §12.8. However, the performance of the functions of manager of a distributing group and the receipt of a bona fide payment for performing such functions shall not preclude an exemption that would otherwise be available under this paragraph.

(b) The exemption of a transaction pursuant to this §12.8, with respect to the participation therein of one party thereto shall not render such transaction exempt with respect to participation of any other party therein unless such other party also meets the conditions of this §12.8.

§12.9 *Exemption of certain securities from section 16(c) of the Securities Exchange Act.* Any equity security of a bank shall be exempt from the operation of section 16(c) to the extent necessary to render lawful under such section the execution by a broker of an order for an account in which he had no direct or indirect interest.

§12.10 *Exemption from section 16(c) of the Securities Exchange Act of certain transactions effected in connection with a distribution.* Any equity security of a bank shall be exempt from the operation of section 16(c) to the extent necessary to render lawful under such section any sale made by or on behalf of a dealer in connection with a distribution of a substantial block of the bank's securities, upon the following conditions:

(a) The sale is made with respect to an over-allotment in which the dealer is participating as a member of an underwriting group, or the dealer or a person acting on his behalf intends in good faith to offset such sale with a security to be acquired by or on behalf of the dealer as a participant in an underwriting, selling, or soliciting-dealer group of which the dealer is a member at the time of the sale, whether or not the security to be so acquired is subject to a prior offering to existing security holders or some other class of persons; and

(b) Other persons not within the purview of section 16(c) are participating in the distribution of such block of securities on terms at least as favorable as those on which such dealer is participating and to an extent at least equal to the aggregate participation of all persons exempted from the provisions of section 16(c) by this §12.10. The performance of the functions of manager of a distributing group and the receipt of a bona fide payment for performing such functions shall not, however, preclude an exemption that would otherwise be available under this §12.10.

§12.11 *Exemption from section 16(c) of the Securities Exchange Act of sales of securities to be acquired.* (a) Whenever any person is entitled, as an incident to his ownership of an issued equity security of a bank and without the payment of consideration, to receive another security of the bank "when issued" or, "when distributed," the security to

be acquired shall be exempt from the operation of section 16(c) if—

(1) The sale is made subject to the same conditions as those attaching to the right of acquisition;

(2) Such person exercises reasonable diligence to deliver such security to the purchaser promptly after his right of acquisition matures; and

(3) Such person reports the sale on the appropriate form for reporting transactions by persons subject to section 16(a).

(b) This §12.11 shall not be construed as exempting transactions involving both a sale of a security "when issued" or "when distributed" and a sale of the security by virtue of which the seller expects to receive the "when-issued" or "when-distributed" security, if the two transactions combined result in a sale of more units than the aggregate of those owned by the seller plus those to be received by him pursuant to his right of acquisition.

§12.12 *Arbitrage transactions under section 16 of the Securities Exchange Act.* It shall be unlawful for any director or principal officer of a bank to effect any foreign or domestic arbitrage transaction in any equity security of the bank unless he shall include such transaction in the statements required by section 16(a) of the Securities Exchange Act and §12.2 and shall account to such bank for the profits arising from such transaction, as provided in section 16(b). The provisions of section 16(c) shall not apply to such arbitrage transactions. The provisions of §12.2 and of section 16 shall not apply to any bona fide foreign or domestic arbitrage transaction insofar as it is effected by any person other than such director or principal officer of the bank issuing such security.

APRIL 23, 1965.

The attached is a copy of a Notice of Proposed Rule Making sent this date to the Federal Register for publication. It adds a new part 17 of the regulations of this Office and requires that, if so provided in the bank's articles of association or bylaws, a shareholder must give prior notice of his intention to nominate any person to the bank's board of directors.

DEPARTMENT OF THE TREASURY

COMPTROLLER OF THE CURRENCY

[12 CFR Part 17]

REQUIRED NOTIFICATION TO NOMINATE BANK DIRECTORS

Notice of Proposed Rule Making

Notice is hereby given that the Comptroller of the Currency, pursuant to the authority contained in the National Banking Laws (R.S. 324 *et seq.*, as amended; 12 U.S.C. 1 *et seq.*), is considering the adoption of a new regulation to be designated 12 CFR Part 17, relating to the requirement that notice be given prior to the nomination of a national bank director.

Prior to the adoption of the regulation, consideration will be given to any written comments pertaining thereto which are submitted within 30 days of the publication hereof to the

Comptroller of the Currency, Washington, D.C. All national banks and other interested parties are invited to submit such comments.

The proposed regulation follows:

A new part 17 is added to read "*Required Notification to Nominate Bank Directors.*"

Any national bank may provide in its articles of association or bylaws for a requirement that any shareholder who intends to nominate or to cause to have nominated any candidate for election to the board of directors (other than any candidate proposed by the bank's present management) shall notify the bank's chief executive officer and the Comptroller of the Currency. Such notification shall be sent by first class registered mail to each of the foregoing persons at least 21 days before the scheduled meeting of shareholders at which directors will be elected and shall contain to the extent known to the shareholder giving such notification:

- (1) the names and addresses of all nominees;
- (2) the principal present occupations of all such nominees;
- (3) the total number of shares that to the knowledge of the nominating shareholders may be voted for each of the proposed nominees;
- (4) the name and residence address of the nominating shareholder.

If a national bank duly adopts the foregoing notice requirements, any nomination for director not in accordance therewith, may be disregarded by the chairman of the meeting and the votes cast for each nominee may be disregarded by the vote tellers. In the event a person is nominated by more than one shareholder, the nomination shall be honored and all shares shall be counted if at least one nomination for that person complies with this regulation.

FEBRUARY 16, 1965.

The attached is a copy of a Notice of Rule Making sent this date to the Federal Register for publication. It amends section 11.5 of the regulations of this Office by requiring those persons who solicit proxies other than on behalf of management, to notify the bank's management in writing at the time of the solicitation.

DEPARTMENT OF THE TREASURY

COMPTROLLER OF THE CURRENCY

[12 CFR Part 11]

SOLICITATION OF PROXIES

Notice of Rule Making

Notice is hereby given that the Comptroller of the Currency pursuant to the authority contained in paragraph Seventh of R.S. 5136, as amended, 12 U.S.C. 24, has adopted a revision of part 11 relating to the solicitation of proxies from shareholders of national banks.

All national banks and other interested parties were invited to submit comments on January 7, 1965.

The proposed revision, to be effective immediately, amends part 11 of title 12 of the Code of Federal Regulations of

the United States by inserting after the first sentence of section 11.5(c) the following:

Simultaneously with the filing of such material with the Comptroller, one copy of all such material shall be sent by first class, registered or certified mail to the attention of the president or senior vice president of the bank at its main office.

DECEMBER 31, 1964.

Since the passage of the recent amendments to the Internal Revenue Code dealing with the subject of employee stock option and stock purchase plans, many banks have expressed interest in adopting employee stock option or stock purchase plans which might not qualify for the special tax treatment afforded to restricted and qualified stock option plans and to stock purchase plans meeting the definitions contained in the Code.

Employees and banks operating under a non-qualified plan presumably would be subject to taxation in the usual manner on transactions entered into pursuant thereto. This Office perceives no consideration of public policy which should prevent the management of a national bank, desiring to adopt a non-qualified plan, from doing so on the basis of the same business and competitive conditions which govern the actions of business corporations generally in this area.

Accordingly, we have amended our regulations this date, a copy of which is attached, to eliminate as a prerequisite to the approval of this Office, that stock option or purchase plans must qualify under the Internal Revenue Code of 1954, as amended. In place of the former requirements, a set of general guidelines for obtaining approval of this Office for plans, is contained in the amended regulations.

DEPARTMENT OF THE TREASURY

COMPTROLLER OF THE CURRENCY

[12 CFR Part 13]

EMPLOYEE STOCK OPTION AND STOCK PURCHASE PLANS PART 13—EMPLOYEE STOCK OPTION AND STOCK PURCHASE PLANS

This amendment issued under authority of R.S. 324, et seq., as amended, 12 U.S.C. 1, et seq., permits national banks, desiring to do so, to adopt employee stock option or stock purchase plans which do not qualify for special tax treatment under the Internal Revenue Act. Since the amendment relieves restriction, notice and public procedure are found to be unnecessary and contrary to the public interest. Accordingly, this amendment will become effective on publication.

Part 13, Chapter I, title 12 of the Code of Federal Regulations of the United States of America is amended by revising § 13.1 to read as follows:

§ 13.1 *Scope and Application.* Any national bank may grant options to purchase, sell, or enter into agreements to sell,

shares of its capital stock to its employees, whether or not such transactions qualify for special tax treatment under the Internal Revenue Code of 1954, as amended, and regulations promulgated thereunder, provided that the following conditions are met:

(a) Application for approval shall be made to the Comptroller of the Currency, Washington, D.C., 20220, in the form of a letter accompanied by the following information:

- (1) A description of all material provisions of the plan.
 - (2) Proposed notice of shareholders' meeting, proxy and proxy statement.
 - (3) Number of shares of authorized but unissued stock to be allocated to the plan.
 - (4) Proposed amendments to articles of association creating authorized but unissued stock and eliminating preemptive rights as to the shares reserved under the plan;
- (b) The plan is administered by a committee, none of whose members may participate in the plan;
- (c) The number of shares allocable to any person under the plan is reasonable in relation to the purpose of the plan and the needs of the bank; and
- (d) In the case of a stock option plan, the number of shares subject to the plan is not unreasonable in relation to the bank's capital structure and anticipated growth.

SEPTEMBER 24, 1964.

This will acknowledge receipt of your letter of July 9, 1964, in which you ask whether a director's qualifying shares may be held jointly with another director, as tenancy in common, for the purposes of 12 U.S.C. 72.

Title 12 U.S.C. 72 requires that every director must own in his own right shares of capital stock aggregating not less than \$1,000 par value. Each coowner, in a tenancy in common, owns outright an undivided portion of the whole and upon his death title to his portion passes to his estate, not to a surviving coowner. Because of the nature of tenancy in common, stocks held in this manner will qualify under 12 U.S.C. 72 if the aggregate par value of shares held in this manner is sufficient to allow \$1,000 par value to be held by each coowner when the total par value held in this manner is divided by the number of coowners.

AUGUST 19, 1965.

To the Presidents of all National Banks:

We are pleased to enclose herewith copies of the latest revised forms of articles of association and bylaws for national banks. These sample documents have been prepared and are being distributed as a service to the directors and officers of national banks. There is no statutory or regulatory requirement that any set form of articles or bylaws be adopted.

Our law department has endeavored to incorporate in the sample articles and bylaws the most modern provisions for corporate practice. In particular, the sample documents incorporate model provisions covering all of the rulings issued by this Office, the use of which has been made contingent upon particular provisions being contained in the articles or bylaws.

The attention of management is especially called to the following new provisions incorporated in the sample documents:

I. Articles of Association

(a) *Adding Directors Between Shareholder Meetings.* Article THIRD permits the number of the directors to be fixed, within the minimum and maximum limits contained in the Articles, by resolution, from time to time, of the shareholders or by the Board of Directors acting by majority vote of the full board. In this connection careful attention is directed to Section 2.2 of the new model Bylaws attached hereto. New suggested Bylaw 2.2 provides that where the number of directors last elected by shareholders is fifteen or less, the directors are permitted, by vote of a majority of the full Board, to increase the Board by not more than two over the number last elected by shareholders. Where the number of directors last elected by shareholders is sixteen or more, the Board of Directors, by vote of a majority of the full Board, may increase the Board by not more than four members over the number last elected by shareholders. This represents a change in our published Regulation 7.5, which limits increases between shareholder meetings to not more than two directors regardless of the size of the Board. A revised Regulation 7.5 is being published in the Federal Register and a copy is enclosed.

(b) *Date for Annual Meeting of Shareholders.* Article FOURTH takes advantage of the statute enacted last year which permits the date of the annual meeting of shareholders to be set in the Bylaws rather than in the Articles.

(c) *Advance Notice of Nonmanagement Nominations for Director.* Article FOURTH also contains provisions for advance notice of nonmanagement nominations for directors as permitted in our recently published Regulation 17. An addition to the suggested form which was sent out with Regulation 17 on May 27, 1965, has been made, in that the items of information required to be contained in the notice of nomination have been set out in the Articles.

(d) *Authorized but Unissued Shares.* In Article FIFTH, provisions have been made for the reservation of authorized but unissued shares. Alternative provisions providing for pre-emptive rights or eliminating them are given.

(e) *Issuance of Capital Debentures Without Specific Shareholder Approval.* A provision is added to Article FIFTH authorizing the Association to issue debt obligations, including capital notes, without the specific approval of shareholders. This is a modification of the rule previously contained in Section 14.5(b) of our regulations. A revised Regulation 14.5 is being published in the Federal Register and a copy is enclosed.

(f) *Calls of Special Meetings of Shareholders by Minority Shareholders.* In Article NINTH the number of shareholders necessary to call a special meeting, without the approval of the Board of Directors, has been increased from 10 percent to 25 percent of outstanding stock.

(g) *Indemnification of Directors.* Provisions indemnifying directors and officers against legal expenses and other expenses incurred in defending suits brought against them by reason of their connection with the bank have been revised to provide the maximum protection available in this area.

II. Model Bylaws

(a) *General Form.* The Bylaws have been divided into Articles and Sections so that not more than one subject is taken up in each Section. All of the provisions concerning the Trust Department are contained in Article FIFTH so that banks without Trust Departments may merely omit the entire Article.

(b) *Special Shareholder Meetings.* The provision for calling special shareholder meetings referred to in paragraph I(f) above is also contained in Section 1.2 of the Bylaws.

(c) *Nominations for Directors.* The provision for advance notice of non-management nominations referred to in paragraph I(c) above is also contained in Section 1.3 of the Bylaws.

(d) *Number of Directors.* Provisions for increases of the Board within the expanded limits discussed in paragraph I(a) above is contained in Section 2.2 of the Bylaws.

(e) *Committees of the Board.* Article III contains some suggested provisions for setting up committees. However, it is emphasized in instructions that the Board of Directors is solely responsible for the management of the Association and that this responsibility may not be delegated. The manner of delegating duties, as distinguished from responsibilities rests solely in the discretion of the Board of Directors.

(f) *Cashier Not Necessary.* In Section 4.4, the duties previously ascribed to a Cashier have been assigned to the Secretary, Cashier or any other designated officer whom the Board of Directors wishes to carry on the functions usually performed by a corporate secretary.

(g) *Trust Department.* Article V contains all the provisions applicable to the Trust Department. Here, as in connection with committees generally, it is in the sole discretion of the Board of Directors to determine how it wishes to delegate its fiduciary duties. The only required committee is that contained in Regulation 9 that there be a Trust Audit Committee. The appointment of trust officers and a Trust Investment Committee is up to the discretion of the Board, if it is desired to have such officers or committees. Sample provisions are provided in this regard.

(h) *Stock Certificates, Corporate Seal, Execution of Instruments, etc.* All references to the Cashier have been amplified to permit his functions to be carried out by a Secretary, Assistant Secretary or any other designated officer.

We trust that the enclosures will be helpful to both new and existing banks in the modernization of their corporate documents. National Bank officers and directors are invited to consult members of our Law

Department at any time on questions concerning their use.

DEPARTMENT OF THE TREASURY

COMPTROLLER OF THE CURRENCY

[12 CFR Part 7]

INTERPRETATIONS

This amendment, issued pursuant to the authority contained in the national banking laws (R.S. 324 *et seq.*; as amended; 12 U.S.C. 1 *et seq.*) modifies the interpretation of 12 U.S.C. 71a on the subject of the election of directors of national banks. Since the amendment relieves restriction, notice and public procedure are found to be unnecessary in the public interest. Accordingly, this amendment will become effective upon publication.

Section 7.5(c) of part 7, chapter 1, title 12 of the Code of Federal Regulations is amended to read as follows:

(c) The Comptroller is of the opinion that, if so authorized by the bank's Articles of Association or an amendment thereto, a majority of the full board of directors of a national bank may properly increase the number of directors within the limits specified in 12 U.S.C. 71a and appoint persons to fill the resulting vacancies between meetings of stockholders. It is, however, the Comptroller's view that such authority should not be exercised to increase the number of directors to a number which: (i) exceeds by more than two the number of directors last elected by shareholders where such number was fifteen or less; (ii) which exceeds by more than four the number of directors last elected by shareholders where such number was sixteen or more.

DEPARTMENT OF THE TREASURY

COMPTROLLER OF THE CURRENCY

[12 CFR Part 14]

CHANGES IN CAPITAL STRUCTURE

This amendment, issued pursuant to the authority contained in the national banking laws (R.S. 324 *et seq.*; as amended; 12 U.S.C. 1 *et seq.*) permits the issuance of capital debentures by national banks without specific approval by shareholders, where such procedure is authorized by the bank's Articles of Association. Since the amendment relieves restriction, notice and public procedure are found to be unnecessary in the public interest. Accordingly, this amendment will become effective upon publication.

Section 14.5(b) of part 14, chapter 1, title 12 of the

Code of Federal Regulations is amended by the addition of the following after the word "vote": ", or without such approval if authorized by its Articles of Association."

DEPARTMENT OF THE TREASURY

COMPTROLLER OF THE CURRENCY

[12 CFR Part 13]

EMPLOYEE STOCK OPTION AND STOCK PURCHASE PLANS

This amendment issued under authority of R.S. 324 *et seq.*, as amended, 12 U.S.C. 1, *et seq.*, permits national banks to issue stock certificates to those who have purchased the bank's stock pursuant to the exercise of stock options under an approved stock option or purchase plan duly approved by the bank's shareholders and the Comptroller of the Currency, prior to the submission of a notice of the Comptroller that the purchase price of such stock has been paid into the bank and prior to the receipt of the Comptroller's certificate of approval.

Since the amendment relieves existing restriction, notice and public procedure are found to be unnecessary and contrary to public interest. Accordingly, this amendment will become effective on publication.

Part 13, chapter I, title 12 of the Code of Federal Regulations of the United States of America is amended by revising section 13.3 to read as follows:

13.3 Terms and Procedures. Employee stock option and stock purchase plans or agreements may provide that options may be exercisable or that shares may be purchased on any business day. Stock certificates representing the shares purchased pursuant to the exercise of options may be validly issued to such purchasers upon receipt of the purchase price.

The increase in capital represented by stock certificates issued pursuant to this section will not be applicable, however, for the purposes of permitted investment in banking premises, 12 U.S.C. 371d, permitted indebtedness, 12 U.S.C. 82, branches, 12 U.S.C. 36 and other like purposes, until a notarized notice specifying the amount paid into the bank therefor, shall be executed by the president, vice president or cashier of the bank and filed with the Comptroller, and until the Comptroller's Certificate has been obtained specifying the amount of such increase of capital stock, and his approval thereof, and that it has been duly paid in as part of the capital of such association.

THE _____ NATIONAL BANK

Charter No. _____

ARTICLES OF ASSOCIATION

For the purpose of organizing an Association to carry on the business of banking under the laws of the United States, the undersigned do enter into the following Articles of Association:

[The paragraphs marked with an asterisk are optional. Other provisions not contrary to law may be added.]

FIRST. The title of this Association shall be _____

SECOND. The main office of the Association shall be in _____ County of _____ State of _____.

The general business of the Association shall be conducted at its main office and its branches.

THIRD. The Board of Directors of this Association shall consist of not less than five nor more than twenty-five shareholders, the exact number of Directors within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board of Directors or by resolution of the shareholders at any annual or special meeting thereof. Unless otherwise provided by the laws of the United States, any vacancy in the Board of Directors for any reason, including an increase in the number thereof, may be filled by action of the Board of Directors.

FOURTH. The annual meeting of the shareholders for the election of Directors and the transaction of whatever other business may be brought before said meeting shall be held at the main office or such other place as the Board of Directors may designate, on the day of each year specified therefor in the Bylaws, but if no election is held on that day, it may be held on any subsequent day according to the provisions of law; and all elections shall be held according to such lawful regulations as maybe prescribed by the Board of Directors.

Nominations for election to the Board of Directors may be made by the Board of Directors or by any stockholder of any outstanding class of capital stock of the bank entitled to vote for election of directors. Nominations, other than those made by or on behalf of the existing management of the bank, shall be made in writing and shall be delivered or mailed to the President of the bank and to the Comptroller of the Currency, Washington, D.C., not less than 14 days nor

more than 50 days prior to any meeting of stockholders called for the election of directors, *Provided, however*, That if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the bank and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) The name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the bank that will be voted for each proposed nominee; (d) the name and residence of the notifying shareholder; and (e) the number of shares of capital stock of the Bank owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee.*

FIFTH. The authorized amount of capital stock of this Association shall be ----- shares of common stock of the par value of ----- dollars (\$ -----) each; but said capital stock may be increased or decreased from time to time, in accordance with the provisions of the laws of the United States.

Instruction: With the prior approval of the Comptroller of the Currency, the authorized amount of capital stocks may include a number of shares to be held by the association as authorized but unissued shares. Authorized but unissued shares may be issued from time to time in the discretion of the Board of Directors, with the prior approval of the Comptroller of the Currency, for any proper consideration.

[Use one of the following two paragraphs or insert other lawful provisions as to shareholders' preemptive rights.]

If the capital stock is increased by the sale of additional shares thereof, each shareholder shall be entitled to subscribe for such additional shares in proportion to the number of shares of said capital stock owned by him at the time the increase is authorized by the shareholders, unless another time subsequent to the date of the shareholders' meeting is specified in a resolution adopted by the shareholders at the time the increase is authorized. The Board of Directors shall have the power to prescribe a reasonable period of time within

which the pre-emptive rights to subscribe to the new shares of capital stock must be exercised.*

No holder of shares of the capital stock of any class of the corporation shall have any pre-emptive or preferential right of subscription to any shares of any class of stock of the corporation, whether now or hereafter authorized, or to any obligations convertible into stock of the corporation, issued or sold, nor any right of subscription to any thereof other than such, if any, as the Board of Directors, in its discretion, may from time to time determine and at such price as the Board of Directors may from time to time.*

The Association, at any time and from time to time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the shareholders.*

SIXTH. The Board of Directors shall appoint one of its members President of this Association, who shall be Chairman of the Board, unless the Board appoints another director to be the Chairman. The Board of Directors shall have the power to appoint one or more Vice Presidents; and to appoint a Cashier and such other officers and employees as may be required to transact the business of this Association.

The Board of Directors shall have the power to define the duties of the officers and employees of the Association; to fix the salaries to be paid to them; to dismiss them; to require bonds from them and to fix the penalty thereof; to regulate the manner in which any increase of the capital of the Association shall be made; to manage and administer the business and affairs of the Association; to make all Bylaws that it may be lawful for them to make; and generally to do and perform all acts that it may be legal for a Board of Directors to do and perform.

SEVENTH. The Board of Directors shall have the power to change the location of the main office to any other place within the limits of -----, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency; and shall have the power to establish or change the location of any branch or branches of the Association to any other location, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency.

EIGHTH. The corporate existence of this Association shall continue until terminated in accordance with the laws of the United States.

NINTH. The Board of Directors of this Association, or any three or more shareholders owning, in

the aggregate, not less than 25 percent of the stock of this Association, may call a special meeting of shareholders at any time.¹ Unless otherwise provided by the laws of the United States, a notice of the time, place, and purpose of every annual and special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least 10 days prior to the date of such meeting to each shareholder of record at his address as shown upon the books of this Association.

TENTH. Any person, his heirs, executors, or administrators, may be indemnified or reimbursed by the Association for reasonable expenses actually incurred in connection with any action, suit, or proceeding, civil or criminal, to which he or they shall be made a party by reason of his being or having been a director, officer, or employee of the Association or of any firm, corporation, or organization which he served in any such capacity at the request of the Association: *Provided, however,* That no person shall be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding as to which he shall finally be adjudged to have been guilty of or liable for negligence or willful misconduct in the performance of his duties to the Association: And, *Provided further,* That no person shall be so indemnified or reimbursed in relation to any matter in such action, suit, or proceeding which has been made the subject of a compromise settlement except with the approval of a court of competent jurisdiction, or the holders of record of a majority of the outstanding shares of the Association, or the Board of Directors, acting by vote of directors not parties to the same or substantially the same action, suit, or proceeding, constituting a majority of the whole number of the directors. The foregoing right of indemnification or reimbursement shall not be exclusive of other rights to which such person, his heirs, executors, or administrators, may be entitled as a matter of law.*

ELEVENTH. These Articles of Association may be amended at any regular or special meeting of the shareholders by the affirmative vote of the holders of a majority of the stock of this Association, unless the vote of the holders of a greater amount of stock is required by law, and in that case by the vote of the holders of such greater amount.

¹ If this language is not used, alternative procedure for the calling of special meetings of shareholders should be provided for.

IN WITNESS WHEREOF, we have hereunto set our hands this _____ day of _____, 19__.

(To be signed by not less than five persons uniting to form the Association)

----- NATIONAL BANK

BYLAWS

Article I

Meetings of Shareholders

SECTION 1.1 Annual Meeting. The regular annual meeting of the shareholders for the election of directors and the transaction of whatever other business may properly come before the meeting, shall be held at the Main Office of the Association, No _____ Street, City of _____, or such other place as the Board of Directors may designate, at _____ o'clock, on the _____ of _____ of each year. Notice of such meeting shall be mailed, postage prepaid, at least 10 days prior to the date thereof, addressed to each shareholder at his address appearing on the books of the Association. If, from any cause, an election of directors is not made on the said day, the Board of Directors shall order the election to be held on some subsequent day, as soon thereafter as practicable, according to the provisions of law; and notice thereof shall be given in the manner herein provided for the annual meeting.

SEC. 1.2. Special Meetings. Except as otherwise specifically provided by statute, special meetings of the shareholders may be called for any purpose at any time by the Board of Directors or by any three or more shareholders owning, in the aggregate, not less than 25 percent of the stock of the Association. Every such special meeting, unless otherwise provided by law, shall be called by mailing, postage prepaid, not less than 10 days prior to the date fixed for such meeting, to each shareholder at his address appearing on the books of the Association, a notice stating the purpose of the meeting.*

SEC. 1.3. Nominations for Director. Nominations for election to the Board of Directors may be made by the Board of Directors or by any stockholder of any outstanding class of capital stock of the bank entitled to vote for the election of directors. Nominations,

other than those made by or on behalf of the existing management of the bank, shall be made in writing and shall be delivered or mailed to the President of the bank and to the Comptroller of the Currency, Washington, D.C., not less than 14 days nor more than 50 days prior to any meeting of stockholders called for the election of directors, provided however, that if less than 21 days' notice of the meeting is given to shareholders, such nomination shall be mailed or delivered to the President of the bank and to the Comptroller of the Currency not later than the close of business on the seventh day following the day on which the notice of meeting was mailed. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) The name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the total number of shares of capital stock of the bank that will be voted for each proposed nominee; (d) the name and residence address of the notifying shareholder; and (e) the number of shares of capital stock of the bank owned by the notifying shareholder. Nominations not made in accordance herewith may, in his discretion, be disregarded by the chairman of the meeting, and upon his instructions, the vote tellers may disregard all votes cast for each such nominee. #

SEC. 1.4. *Judges of Election.* Every election of directors shall be managed by three judges, who shall be appointed from among the shareholders by the Board of Directors. The judges of election shall hold and conduct the election at which they are appointed to serve; and, after the election, they shall file with the Cashier a certificate under their hands, certifying the result thereof and the names of the directors elected. The judges of election, at the request of the Chairman of the meeting, shall act as tellers of any other vote by ballot taken at such meeting, and shall certify the result thereof.*

SEC. 1.5. *Proxies.* Shareholders may vote at any meeting of the shareholders by proxies duly authorized in writing, but no officer or employee of this Association shall act as proxy. Proxies shall be valid only for one meeting, to be specified therein, and any adjournments of such meeting. Proxies shall be dated and shall be filed with the records of the meeting.

SEC. 1.6. *Quorum.* A majority of the outstanding capital stock, represented in person or by proxy, shall constitute a quorum at any meeting of shareholders, unless otherwise provided by law; but less than a quorum may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice. A majority of the votes cast shall

decide every question or matter submitted to the shareholders at any meeting, unless otherwise provided by law or by the Articles of Association.

ARTICLE II

DIRECTORS

SEC. 2.1. *Board of Directors.* The Board of Directors (hereinafter referred to as the "Board"), shall have power to manage and administer the business and affairs of the Association. Except as expressly limited by law, all corporate powers of the Association shall be vested in and may be exercised by said Board.

SEC. 2.2. *Number.* The Board shall consist of not less than 5 nor more than 25 shareholders, the exact number within such minimum and maximum limits to be fixed and determined from time to time by resolution of a majority of the full Board or by resolution of the shareholders at any meeting thereof; *Provided, however,* That a majority of the full Board of Directors may not increase the number of directors to a number which; (i) exceeds by more than 2 the number of directors last elected by shareholders where such number was 15 or less; and (ii) to a number which exceeds by more than 4 the number of directors last elected by shareholders where such number was 16 or more, but in no event shall the number of directors exceed 25.

SEC. 2.3. *Organization Meeting.* The Cashier, upon receiving the certificate of the judges, of the result of any election, shall notify the directors-elect of their election and of the time at which they are required to meet at the Main Office of the Association for the purpose of organizing the new Board and electing and appointing officers of the Association for the succeeding year. Such meeting shall be appointed to be held on the day of the election or as soon thereafter as practicable, and, in any event, within thirty days thereof. If, at the time fixed for such meeting, there shall not be a quorum present, the directors present may adjourn the meeting, from time to time, until a quorum is obtained.

SEC. 2.4. *Regular Meetings.* The Regular Meetings of the Board of Directors shall be held, without notice, on the ----- of each ----- at the Main Office. When any regular meeting of the Board falls upon a holiday, the meeting shall be held on the next banking business day unless the Board shall designate some other day.

SEC. 2.5. *Special Meetings.* Special meetings of the Board of Directors may be called by the -----

----- of the Association, or at the request of three (3) or more directors. Each member of the Board of Directors shall be given notice stating the time and place, by telegram, letter, or in person, of each such special meeting.*

SEC. 2.6. *Quorum.* A majority of the directors shall constitute a quorum at any meeting, except when otherwise provided by law; but a less number may adjourn any meeting, from time to time, and the meeting may be held, as adjourned, without further notice.*

SEC. 2.7. *Vacancies.* When any vacancy occurs among the directors, the remaining members of the Board, in accordance with the laws of the United States, may appoint a director to fill such vacancy at any regular meeting of the Board, or at a special meeting called for that purpose.

ARTICLE III

COMMITTEES OF THE BOARD

[Instruction: The Board of Directors has power over and is solely responsible for the management and administration of the Association. The Board of Directors may delegate such of its powers (but not any of its responsibilities) to such persons or Committees as the Board may determine. If it is desired to have a Discount Committee, Examining Committee, or other Committees, the following sections may be used.]

SEC. 3.1. *Discount Committee.* There shall be a Discount Committee composed of ----- Directors, appointed by the Board annually or more often. The Discount Committee shall have power to discount and purchase bills, notes and other evidences of debt, to buy and sell bills of exchange, to examine and approve loans and discounts, to exercise authority regarding loans and discounts, and to exercise, when the Board is not in session, all other powers of the Board that may lawfully be delegated. The Discount Committee shall keep minutes of its meetings, and such minutes shall be submitted at the next regular meeting of the Board of Directors at which a quorum is present, and any action taken by the Board with respect thereto shall be entered in the minutes of the Board.

SEC. 3.2. *Examining Committee.* There shall be an Examining Committee composed of not less than ----- Directors appointed by the Board annually or more often, whose duty it shall be to make an examination every 6 months into the affairs of the Association, and to report the result of such examination in writing to the Board at the next regular meeting thereafter.

Such report shall state whether the Association is in a sound condition, whether adequate internal audit controls and procedures are being maintained and shall recommend to the Board such changes in the manner of doing business or conducting the affairs of the Association as shall be deemed advisable.

SEC. 3.3. *Other Committees.* The Board of Directors may appoint from time to time, from its own members, other committees of one or more persons, for such purposes and with such powers as the Board may determine.

ARTICLE IV

OFFICERS AND EMPLOYEES

SEC. 4.1. *Chairman of the Board.* The Board of Directors shall appoint one of its members to be Chairman of the Board to serve at the pleasure of the Board. He shall preside at all meetings of the Board of Directors. The Chairman of the Board shall supervise the carrying out of the policies adopted or approved by the Board. He shall have general executive powers, as well as the specific powers conferred by these Bylaws. He shall also have and may exercise such further powers and duties as from time to time may be conferred upon, or assigned to, him by the Board of Directors.

SEC. 4.2. *President.* The Board of Directors shall appoint one of its members to be President of the Association. In the absence of the Chairman, he shall preside at any meeting of the Board. The President shall have general executive powers, and shall have and may exercise any and all other powers and duties pertaining by law, regulation, or practice, to the office of President, or imposed by these Bylaws. He shall also have and may exercise such further powers and duties as from time to time may be conferred upon, or assigned to, him by the Board of Directors.

SEC. 4.3 *Vice President.* The Board of Directors may appoint one or more Vice Presidents. Each Vice President shall have such powers and duties as may be assigned to him by the Board of Directors. One Vice President shall be designated by the Board of Directors, in the absence of the President, to perform all the duties of the President.

SEC. 4.4 *Secretary.* The Board of Directors shall appoint a Secretary, Cashier, or other designated officer who shall be Secretary of the Board and of the Association, and shall keep accurate minutes of all meetings. He shall attend to the giving of all notices required by these Bylaws to be given. He shall be custodian of the corporate seal, records, documents and papers of the Association. He shall provide for

the keeping of proper records of all transactions of the Association. He shall have and may exercise any and all other powers and duties pertaining by law, regulation or practice, to the office of Cashier, or imposed by these Bylaws. He shall also perform such other duties as may be assigned to him, from time to time, by the Board of Directors.

SEC. 4.5. *Other Officers.* The Board of Directors may appoint one or more Assistant Vice Presidents, one or more Trust Officers, one or more Assistant Secretaries, one or more Assistant Cashiers, one or more Managers and Assistant Managers of Branches and such other officers and Attorneys-in-fact as from time to time may appear to the Board of Directors to be required or desirable to transact the business of the Association. Such officers shall respectively exercise such powers and perform such duties as pertain to their several offices, or as may be conferred upon, or assigned to, them by the Board of Directors, the Chairman of the Board, or the President.

SEC. 4.6. *Clerks and Agents.* The Board of Directors may appoint, from time to time, such Paying Tellers, Receiving Tellers, Note Tellers, Vault Custodians, bookkeepers and other clerks, agents and employees as it may deem advisable for the prompt and orderly transaction of the business of the Association, define their duties, fix the salaries to be paid them and dismiss them. Subject to the authority of the Board of Directors, the President, or any other officer of the Association authorized by him, may appoint and dismiss all or any clerks, agents and employees and prescribe their duties and the conditions of their employment, and from time to time fix their compensation.

SEC. 4.7. *Tenure of Office.* The President shall hold his office for the current year for which the Board of which he shall be a member was elected, unless he shall resign, become disqualified, or be removed, and any vacancy occurring in the office of President shall be filled promptly by the Board of Directors.

ARTICLE V##

TRUST DEPARTMENT

SEC. 5.1. *Trust Department.* There shall be a department of the Association known as the Trust Department which shall perform the fiduciary responsibilities of the Association.

[Instruction: The Board of Directors has power and is solely responsible for the management and administration of the Trust Department. The Board of Directors may delegate such of its

fiduciary powers (but not any of its fiduciary responsibilities) to such persons or Committees as the Board may determine. It is a requirement of Regulation 9 that there be a Trust Audit Committee. If it is desired to have a Trust Officer or Trust Investment Committee, Sections 5.2 and 5.3 may be used.]

SEC. 5.2. *Trust Officer.* There shall be a Trust Officer of this Association whose duties shall be to manage, supervise and direct all the activities of the Trust Department. He shall do or cause to be done all things necessary or proper in carrying on the business of the Trust Department in accordance with provisions of law and applicable regulations. He shall act pursuant to opinion of counsel where such opinion is deemed necessary. Opinions of counsel shall be retained on file in connection with all important matters pertaining to fiduciary activities. The Trust Officer shall be responsible for all assets and documents held by the Association in connection with fiduciary matters.

The Board of Directors may appoint such other officers of the Trust Department as it may deem necessary, with such duties as may be assigned.

SEC. 5.3. *Trust Investment Committee.* There shall be a Trust Investment Committee of this Association composed of ----- members, who shall be capable and experienced officers or directors of the Association. All investments of funds held in a fiduciary capacity shall be made, retained or disposed of only with the approval of the Trust Investment Committee; and the Committee shall keep minutes of all its meetings, showing the disposition of all matters considered and passed upon by it. The Committee shall, promptly after the acceptance of an account for which the bank has investment responsibilities, review the assets thereof, to determine the advisability of retaining or disposing of such assets. The Committee shall conduct a similar review at least once during each calendar year thereafter and within fifteen months of the last such review. A report of all such reviews, together with the action taken as a result thereof, shall be noted in the minutes of the Committee.

SEC. 5.4. *Trust Audit Committee.* The Board of Directors shall appoint a committee of ----- Directors, exclusive of any active officers of the Association, which shall, at least once during each calendar year and within fifteen months of the last such audit make suitable audits of the Trust Department or cause suitable audits to be made by auditors responsible only to the Board of Directors, and at such time shall ascer-

tain whether the department has been administered in accordance with law, Regulation 9, and sound fiduciary principles.

SEC. 5.5. *Trust Department Files.* There shall be maintained in the Trust Department files containing all fiduciary records necessary to assure that its fiduciary responsibilities have been properly undertaken and discharged.

SEC. 5.6. *Trust Investments.* Funds held in a fiduciary capacity shall be invested in accordance with the instrument establishing the fiduciary relationship and local law. Where such instrument does not specify the character and class of investments to be made and does not vest in the bank a discretion in the matter, funds held pursuant to such instrument shall be invested in investments in which corporate fiduciaries may invest under local law.

ARTICLE VI

STOCK AND STOCK CERTIFICATES

SEC. 6.1. *Transfers.* Shares of stock shall be transferable on the books of the Association, and a transfer book shall be kept in which all transfers of stock shall be recorded. Every person becoming a shareholder by such transfer shall, in proportion to his shares, succeed to all rights and liabilities of the prior holder of such shares.

SEC. 6.2. *Stock Certificates.* Certificates of stock shall bear the signature of the President (which may be engraved, printed, or impressed), and shall be signed manually or by facsimile process by the Secretary, Assistant Secretary, Cashier, Assistant Cashier, or any other officer appointed by the Board of Directors for that purpose, to be known as an Authorized Officer, and the seal of the Association shall be engraved thereon. Each certificate shall recite on its face that the stock represented thereby is transferable only upon the books of the Association properly endorsed.

ARTICLE VII

CORPORATE SEAL

The President, the Cashier, the Secretary or any Assistant Cashier or Assistant Secretary, or other officer thereunto designated by the Board of Directors, shall have authority to affix the corporate seal to any document requiring such seal, and to attest the same. Such seal shall be substantially in the following form:

(Impression of Seal)

ARTICLE VIII

MISCELLANEOUS PROVISIONS

SEC. 8.1. *Fiscal Year.* The fiscal year of the Association shall be the calendar year.

SEC. 8.2. *Execution of Instruments.* All agreements, indentures, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, proxies and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted in behalf of the Association by the Chairman of the Board, or the President, or any Vice President, or the Secretary, or the Cashier, or, if in connection with the exercise of fiduciary powers of the Association, by any of said officers or by any Trust Officer. Any such instruments may also be executed, acknowledged, verified, delivered or accepted in behalf of the Association in such other manner and by such other officers as the Board of Directors may from time to time direct. The provisions of this Section 8.2 are supplementary to any other provision of these Bylaws.

SEC. 8.3. *Records.* The Articles of Association, the Bylaws and the proceedings of all meetings of the shareholders, the Board of Directors, standing committees of the Board, shall be recorded in appropriate minute books provided for the purpose. The minutes of each meeting shall be signed by the Secretary, Cashier or other officer appointed to act as Secretary of the meeting.

SEC. 8.4. *Banking Hours.* The Main Office of the Association shall be open for business from --- o'clock, a.m., to ---- o'clock, p.m., of each day, excepting Saturdays, when the hours shall be from ---- o'clock, a.m., to ---- o'clock, and Sundays and days recognized by the laws of the State of ----- as legal holidays. #

ARTICLE IX

BYLAWS

SEC. 9.1. *Inspection.* A copy of the Bylaws, with all amendments thereto, shall at all times be kept in a convenient place at the Head Office of the Association, and shall be open for inspection to all shareholders, during banking hours.

SEC. 9.2. *Amendments.* The Bylaws may be amended, altered or repealed, at any regular meeting

of the Board of Directors, by a vote of a majority of the whole number of the Directors.

I, _____, CERTIFY that: (1) I am the duly constituted (Secretary) or (Cashier) of _____ and Secretary of its Board of Directors, and as such officer am the official custodian of its records; (2) the foregoing Bylaws are the Bylaws of said Bank, and all of them, as now lawfully in force and effect.

IN TESTIMONY WHEREOF, I have hereunto affixed my official signature and the seal of the said Bank, in the City of _____, on this ____ day of _____, 19__.

Secretary (or Cashier).

AUGUST 25, 1965.

This Office fully supports and approves of the plans of the First National City Bank of New York to establish a commingled fund for agency accounts. Since April of 1963, when Regulation 9 was revised to open the door to such activities by banks, we have sought to have removed the artificial restraints which have heretofore needlessly kept them from offering these constructive services. It is believed that a significant benefit will be derived for the public and the economy—one which banks have been uniquely qualified to perform since they entered the fiduciary field. As we have pointed out many times previously, the collective investment of agency accounts involves no more than an economic combination of services which have heretofore been performed separately by bank trust departments.

We have been aware from its inception of the intent of First National City Bank to explore the possibility of working out a way of operating a commingled fund which satisfied the staff of the SEC that their laws were being complied with, and which did not involve prohibitive burdens upon the bank. We have approved and encouraged this course of action as we have similarly encouraged other substantial and qualified efforts to provide these services. The proposed arrangement was given the specific approval of this Office early this year, and if it is put into operation, Regulation 9 will be amended to include a general provision authorizing such funds so that specific approval will not be necessary. It is our hope that this development will lead to the resolution of the difficulties which have existed previously and that no

*These paragraphs are not mandatory. However, the subject covered by such paragraphs should be adequately covered by alternative provisions in a manner consonant with law. #These paragraphs are optional and may be omitted.

obstacles will be raised now or in the future which would serve unduly to hamper or preclude bank operation of commingled funds for agency accounts.

CREDIT BUREAU

APRIL 28, 1965.

This is in response to your letter of April 1, 1965, in which you inquire whether it would be proper for your bank or for your subsidiary to purchase control of a credit bureau. This credit bureau presently serves your community by furnishing credit information on a confidential basis to subscribing merchants, wholesalers, and financial institutions. Your problem is to reduce your own credit investigation cost and provide your loan department with a higher quality of credit information.

Under paragraph seventh of 12 U.S.C. 24, a national bank may exercise by its board of directors and duly authorized officers, employees and agents, all such incidental powers as shall be necessary to carry on the business of banking. A National Bank may acquire and operate an existing credit bureau. Although the primary purpose of such an acquisition and operation would be to provide better credit analysis facilities for the bank, the bank may, as a matter of economics and efficiency in the operation of such facilities, extend them to others.

DEBT CANCELLATION CONTRACTS

OCTOBER 16, 1964.

Reference is made to your letter of October 1, 1964, with which you forwarded a copy of a letter from a State insurance commissioner addressed to the national banks in that State threatening penalties and judicial proceedings should they enter into loan agreements containing debt cancellation clauses. Similar communications have been issued by other State insurance commissioners and in some instances these communications have been accompanied by opinions of the various State attorney generals, in which the following conclusions have been reached: (1) A loan agreement with a debt cancellation clause is a contract of insurance, (2) national banks lack the authority to engage in the business of writing such insurance contracts, and (3) even if national banks have such authority, they must comply with the State's regulatory insurance laws.

As has been stated in previous letters from this Office, it is clearly a part of the business of banking

as authorized by paragraph seventh of 12 U.S.C. 24 for a national bank to enter into a loan agreement containing a debt cancellation clause and in connection therewith, maintain a reserve for its own benefit and sole protection. Notwithstanding, a number of the State insurance commissioners persist in their views as set forth above, and the repeated threats of retaliatory action by these officials which are designed to persuade national banks to continue to protect themselves in their lending activities through credit life insurance which is not entirely satisfactory for commercial banks when viewed in an economic and competitive context. This matter should, therefore, be resolved.

Accordingly, this Office would welcome an opportunity to confer with any national bank and its counsel, and indeed, with the appropriate officials of any State in connection with this matter. Similarly, any National Bank within your region which elects to use the banking tools available to it should be advised that this Office will assist it in every possible way should such bank become a party to litigation involving these issues.

DIRECT LEASING

DECEMBER 4, 1964.

Reference is made to your letters of November 9, 1964, in which you request the opinion of this Office with respect to certain proposed leasing arrangements whereby the lessor will enter into transactions involving the lease of equipment with lessees who are customers of the bank.

Each such lease transaction will be originated by the bank which will participate in the negotiations of the lease terms. If the lessor approves the lease transaction, and the terms imposed by the lessor are satisfactory to the bank, the bank will purchase a participating interest. The price paid by the bank to the lessor for the bank's participating interest will be an amount equal to that percentage of the lessor's cost of the equipment which is equal to the bank's participation percentage. The lessor will own all the equipment as to be leased and, upon execution of the lease, will handle all transactions relating to the lease and the equipment subject thereto. The bank and the lessor would agree that, as a result of the bank's purchase of a participating interest in such lease transaction up to the agreed percentage of the aggregate cost to the lessor of the equipment involved, the bank would be entitled to receive its pro rata share (i.e., its participating percentage) of the net rental payments collected by the lessor

under the lease and any subsequent lease of such equipment and of the net proceeds of any sale by the lessor of such equipment. The bank will have no obligation with respect to the leased equipment, nor will it have title to, or any interest in, the leased equipment except its rights to receive its pro rata share in the rent and/or sale proceeds as stipulated in said participation agreement.

Pursuant to the agreement of lease of equipment to be entered into between the lessor and the lessee, the lessee would agree with the bank, as the purchaser of a participating interest in the lease transaction, that the lessee is unconditionally and absolutely obligated to pay to the lessor all amounts at any time owed under the lease by the lessee (including amounts payable by the lessor to the bank, in the latter's participating capacity), irrespective of the cancellation or termination of the lease, whether by the lessor, lessee, or by operation of law or otherwise. The lessee further agrees that it will not assert against either the lessor or the bank, as participant, any right to abatement, deduction or setoff of any amount whatsoever. The rentals, the amounts of which are payable by the lessor to the bank, in the latter's participating capacity, will be equal to the bank's participating investment.

This will confirm the advice given to you by telephone on November 10, 1964, that the transactions as outlined above and in your letters of November 9, 1964, are within the powers of a national bank pursuant to paragraph Seventh of 12 U.S.C. 24.

JUNE 17, 1965.

Reference is made to your letters of May 5, 1965, and June 9, 1965, relating to the aircraft lease transaction between United Airlines, Inc. and a group of commercial banks, insurance companies, and other institutional investors.

A group of commercial banks which are authorized to own and lease property and which are hereinafter described as the owner participants, together with a group of insurance companies and banks acting as trustees for various pension trusts and other funds hereinafter described as the loan participants, will provide funds under a participation agreement for the purchase of jet aircraft for a purchase price per aircraft of approximately \$4,500,000. United will assign all of its rights but not its obligations under a purchase agreement to trustees under a trust agreement to be entered into between the owner participants, the trustees and First National City Bank as fiscal agent for the trustees. Upon completion of each aircraft

title thereto will be transferred from the manufacturer to the trustees and the trustees will, on the same day, lease such aircraft to United for a term of thirteen years under a lease agreement to be entered into between the trustees and United.

The lease agreement will provide for equal quarterly rental installments payable in advance by United to the fiscal agent throughout the 13-year lease term for each aircraft. Each quarterly rental payment will be in amounts equal to a certain specified percentage of the lessor's cost for the respective aircraft. The lease agreement will contain no provisions for renewal or any purchase action whereby United may acquire title to the aircraft. It will provide that if an aircraft become obsolete or surplus to United's requirements, United may cause the trustees to call the aircraft to any one other than United or an affiliate of United. In the event of such sale, United must pay the trustees any deficiency between the net sales price and the termination value for such aircraft as set forth in a schedule annexed to the lease agreement. Any profits on any such sale of an aircraft is to be retained by the trustees and distributed to the owner participants after payment in full of loan certificates issued in connection with such aircraft. These loan certificates, which will be issued to the loan participants, will be payable in 51 quarterly level payments of principal and interest commencing at the beginning of the 13-year lease term and continuing throughout said lease term.

Although the owner participants will look to two sources to recover their original investments plus a return thereon (i.e., the rental payments from United and the tax savings resulting from the investment credit, accelerated depreciation and the deduction for interest paid to the loan participants), the lease agreement is a full payout lease since it is estimated that the owner participants will recover their original investments plus a fair return thereon without taking into account the residual value of the aircraft at the end of the 13-year lease term. It is contemplated that for Federal income tax purposes the owner participants will be considered the owners of the aircraft and will be entitled to the investment credit and to accelerated depreciation with respect to the aircraft as well as to a deduction for interest paid to the loan participants. The loan participants will treat the transaction as a loan for tax purposes and will be entitled to payment prior to the owner participants in the event of failure by United to pay in full the amount required by the lease agreement.

A national bank may, as a lawful exercise of its powers, be an owner participant in the leasing trans-

action outlined above and in your letters of June 9, 1965 and May 5, 1965, and in the several attachments thereto.

DISCLOSURE REQUIREMENTS

OCTOBER 29, 1964.

DIVISION OF TRADING AND MARKETS
U.S. Securities and Exchange Commission
425 Second Street NW.
Washington, D.C.

In accordance with Securities Exchange Act Release No. 7432, we are submitting the following comments with respect to proposed rule 11b-1.

Inasmuch as the proposed rule and the amendments to the rules governing specialists of the American Stock Exchange and New York Stock Exchange released on September 24, 1964, evolved from the conferences held at the Commission, our remarks are directed at the entire "rule package," with primary focus on the proposed rules of the New York Stock Exchange.

At the outset, we wish to observe that the rule package represents significant advances in several important areas of investor protection. The imposition of increased capital requirements, the requirement to commit such capital, the tighter safeguards against imbalances in the market, the necessity to grant customer preference and the prohibition upon trading with certain insiders are all noteworthy achievements. So too, are the provisions of the proposed rule which reaffirm the Commission's disciplinary powers over individual specialists and specialist units. In view of the possibility that certain national banks may list their shares for trading on the New York Stock Exchange and consequently be directly affected by this rule package, we feel compelled to comment on certain aspects of these rules where it appears that greater achievements in the fields of shareholder safety and investor enlightenment could have been obtained—especially during this period of market reform and industry cooperation.

1. *Disclosure of Specialists' Purchases and Sales*

This Office was in full agreement with the recommendation of the special study which called for the public disclosure of a specialist's purchases and sales, as dealer, in his individual specialty stocks. We still believe that this is a desirable objective, particularly in the view of the fact that the depth of market for a particular security is a factor affecting that security's price movement. This factor assumes even greater

importance in the case of certain securities that enjoy a wide institutional preference such as the securities of the larger national banks which are owned and traded by institutional investors to a greater degree than most listed securities. It is our belief that both the individual and institutional sectors of the investing public should be informed as to the specialists' purchases and sales, as dealer, in order to better assess the extent to which the price of a particular security is supported and maintained by (1) the demand of other investors willing to purchase the security or (2) whether and to what extent such price is dependent primarily on purchases (or sales) of the specialist unit. Under the present system, there is no clear picture of the demand factors that affect the price level and stability of a particular security.

2. *Disclosure of Profit, Income and Inventory*

Although the disclosure of specialists' profit, income and inventory was not a recommendation of the special study, it appears that as part of its surveillance program, the New York Stock Exchange will require periodically, information as to specialists' commission income and dealer profits and losses in each specialty stock. Also, the Exchange will receive (and make available to the Commission) from time-to-time, a statement of each specialist's position in a limited number of stocks.

We have taken the position in the past and continue to believe that the virtual monopoly granted to the specialists in making a market for their specialty stocks should carry with it the obligation to disclose information similar to that required of the corporate insiders of the companies whose shares are listed on the Exchange. When compared with the public disclosure required of exchange-listed companies and their insiders, the lack of similar disclosure by the specialists may be thought of as creating a "double standard" within the stock exchange community. No doubt, the Exchange could properly argue that the purpose of requiring disclosure from exchange-listed companies and their insiders is to better inform the investing public in the appraisal of alternate possible commitments for their capital. Nevertheless, these very same objectives could even better be served by also requiring of the specialist the disclosure of his financial resources, income and profit from particular securities, and his position and dealings in his specialty stocks. Again, we must reiterate that by virtue of the Exchange regulations which prohibit off-board trading by member firms in listed securities, plus the absence of competition among specialist units in ex-

change-listed securities, the specialist enjoys a virtual monopoly in creating and maintaining the market for the vast majority of investment-grade equity securities. These factors coupled with the recently disclosed extreme diversity in specialists' performance following President Kennedy's assassination, underscore the crucial effect that the specialist has on the market price of a security.

Members of the investing public, rather than being sealed off from such price-determining factors, should be informed as to whether or not the specialists handling their particular portfolio securities are carrying out their mandated functions. The record of performance of a specialist in attempting to maintain an orderly market may certainly be considered by an investor in evaluating alternative capital commitments. As an example; if an investor knew that the specialist in a certain security had a history of selling with the trend rather than buying against it when a condition of over supply existed, or if he knew that the specialist was short of adequate financial resources, these factors would properly bear upon his decision whether he should invest in one of the stocks assigned to that specialist.

We need not belabor the point with other examples, but simply call attention to the inherent contradiction of the "double standard" in the regulatory pattern—which with one hand seeks to promote informed investment judgment through disclosure of corporate information, while the other hand shields the public's eyes from readily available, vital price-determining information.

INSURANCE FUNCTION

OCTOBER 16, 1964.

HON. RAY MADDAN
House of Representatives
Washington, D.C.

This Office is not sponsoring, and is unaware of any proposed legislation to allow national banks located in any place having a population in excess of 5,000 persons to act as a general agent in the sale of insurance.

However, in this connection, your attention is directed to 12 U.S.C. 92 under which national banks are authorized to act as general agents for any life or casualty company in any place the population of which does not exceed 5,000 inhabitants. National banks, wherever located, may also act as agents in the issuance of insurance incidental to banking transactions, as, for example, when a bank sells to a customer a de-

clining term life insurance policy to pay off the balance of a mortgage loan in the event of the customer's death. In addition, national banks which possess trust powers may act as a general agent in the sale of insurance where any corporation which comes into competition with national banks is permitted to act as a general insurance agent under the laws of the State in which the national bank is located.

MAY 7, 1965.

HON. PHIL M. LANDRUM
House of Representatives
Washington, D.C.

This is in response to your letter of May 5, 1965, where you ask for detailed information on how this Office arrived at a ruling concerning the right of national banks to act as insurance agents.

Pursuant to 12 U.S.C. 92, a national bank is authorized to act as a general agent for any life or casualty insurance company in any place the population of which does not exceed 5,000 inhabitants. In addition, this Office has ruled that a national bank, wherever located, may, pursuant to its enumerated corporate powers contained in paragraph Seventh of 12 U.S.C. 24, participate in insurance transactions which are incident to banking transactions. An example would be a bank selling to a customer credit life insurance to pay the balance of a loan held by the bank, in the event of the customer's death.

A national bank has an insurable interest in an automobile on the security of which it has extended credit to a customer. A bank also has an interest in maintaining through liability insurance the creditworthiness of its customer, so long as the loan is outstanding, in order that its ability to collect from the customer is not impaired by judgments arising out of the negligent operation or use of the automobile. The bank's interest in the automobile and in the unimpaired creditworthiness of the customer, so long as the loan is outstanding, can be protected by making insurance available to the customer. It is unreasonable and entirely without justification to expect a bank to gratuitously supply this service for an insurance company without receiving any payment for the necessary expenses which the bank incurs through the use of its employees and facilities. Congress has consistently recognized that the business of banking covers a wide range of activities. In the National Bank Act of 1864, Congress wisely refused to define the business of banking as it then existed, foreseeing that the banking business would change and develop with the passing years.

It is clear that the business of banking is advanced by financial and related services, and powers necessary to achieve and promote the fundamental purposes of banking must be regarded as powers incidental to those expressly granted by paragraph Seventh of 12 U.S.C. 24. Moreover, there is no evidence contained in the legislative history of 12 U.S.C. 92 that Congress intended to prohibit National Banks from acting in the limited capacity as agents in the issuance of insurance which is incidental to banking transactions.

With respect to a national bank's acting as insurance agent, it should be noted that this Office has also ruled that a national bank which possesses trust powers may, pursuant to 12 U.S.C. 92a, act in any fiduciary capacity, including as general agent in the sale of insurance, where any State bank, trust company, or other corporation which comes into competition with national banks is permitted to act in such a fiduciary capacity under the laws of the State in which the national bank is located.

MR. PAUL NELSON
Acting Clerk and Staff Director
Committee on Banking and Currency
House of Representatives
Washington, D.C.

This is in reply to your letter of March 31, 1965, requesting this Office's position on a letter and an attachment addressed to Congressman Matson O'Neal by Mr. Edwin T. Smith of Thomasville, Ga. The attachment, prepared by the Association of Independent Insurance Agents, alleges that the Citizens and Southern National Bank, Atlanta, Ga., is planning to sell automobile physical damage and liability insurance in conjunction with over-the-counter automobile loans. The attachment states that the bank's plan is based on rulings issued by this Office and it challenges the legality of these rulings in light of 12 U.S.C. 92.

Pursuant to 12 U.S.C. 92, a national bank is authorized to act as a general agent for any life or casualty insurance company in any place the population of which does not exceed 5,000 inhabitants. In addition, this Office has ruled that a national bank, wherever located, may, pursuant to its enumerated corporate powers contained in paragraph Seventh of 12 U.S.C. 24, participate in insurance transactions which are incident to banking transactions. An example would be a bank selling to a customer credit life insurance to pay the balance of a loan held by the bank, in the event of the customer's death.

A national bank has an insurable interest in an automobile on the security of which it has extended credit

to a customer. A bank also has an interest in maintaining through liability insurance the creditworthiness of its customer, so long as the loan is outstanding, in order that its ability to collect from the customer is not impaired by judgments arising out of the negligent operation or use of the automobile. The bank's interest in the automobile and in the unimpaired creditworthiness of the customer, so long as the loan is outstanding, can be protected by making insurance available to the customer. It is unreasonable and entirely without justification to expect a bank to gratuitously supply this service for an insurance company without receiving any payment for the necessary expenses which the bank incurs through the use of its employees and facilities. Congress has consistently recognized that the business of banking covers a wide range of activities. In the National Bank Act of 1864 Congress wisely refused to define the business of banking as it then existed, foreseeing that the banking business would change and develop with the passing years. It is clear that the business of banking is advanced by financial and related services, and powers necessary to achieve and promote the fundamental purposes of banking must be regarded as powers incidental to those expressly granted by paragraph Seventh of 12 U.S.C. 24. Moreover, there is no evidence contained in the legislative history of 12 U.S.C. 92 that Congress intended to prohibit National Banks from acting in the limited capacity as agents in the issuance of insurance which is incidental to banking transactions.

With respect to a national bank's acting as insurance agent, it should be noted that this Office has also ruled that a national bank which possesses trust powers may, pursuant to 12 U.S.C. 92a, act in any fiduciary capacity, including as general agent in the sale of insurance, where any State bank, trust company, or other corporation which comes into competition with national banks is permitted to act in such a fiduciary capacity under the laws of the State in which the national bank is located.

MARCH 30, 1965.

HON. JOHN L. MCCLELLAN
Chairman, Committee on Government Operations
U.S. Senate
Washington, D.C.

This is in reply to your letter of March 18, 1965, stating that the Senate Permanent Subcommittee on Investigations has received allegations that national banks are permitted to act as agents for the issuance of insurance contrary to applicable statutes. Specifi-

cally, it is alleged that the Comptroller of the Currency has ruled that national banks in any locality may act as agents for the issuance of insurance which is incidental to banking transactions, and that the controlling statute prohibits national banks from acting as insurance agents except in a place where the population does not exceed 5,000 inhabitants. You request the views of this Office as well as the statutory basis for the pertinent rulings.

Pursuant to 12 U.S.C. 92, a national bank is authorized to act as a general agent for any life or casualty insurance company in any place the population of which does not exceed 5,000 inhabitants. In addition this Office has ruled, that a national bank, wherever located, may, pursuant to its enumerated corporate powers contained in paragraph Seventh of 12 U.S.C. 24, participate in insurance transactions which are incidental to banking transactions. An example would be a bank selling to a customer credit life insurance to pay the balance of a loan held by the bank, in the event of the customer's death.

A national bank has an insurable interest in the life of a customer to the extent of the balance of the customer's loan. It was concluded that the bank's interest could be protected by making insurance available to its customer. It was deemed unreasonable and entirely without justification to expect a bank to gratuitously supply this service for an insurance company without receiving any payment for the necessary expenses which the bank incurs through the use of its employees and facilities. Congress has consistently recognized that the business of banking covers a wide range of activities. In the National Bank Act of 1864 Congress wisely refused to define the business of banking as it then existed, foreseeing that the banking business would change and develop with the passing years. It is clear that the business of banking is advanced by financial and related services, and powers necessary to achieve and promote the fundamental purposes of banking must be regarded as powers incidental to those expressly granted by paragraph Seventh of 12 U.S.C. 24. Moreover, there is no evidence contained in the legislative history of 12 U.S.C. 92 that Congress intended to prohibit national banks from acting in the limited capacity as agents in the issuance of insurance which is incidental to banking transactions.

With respect to a national bank's acting as insurance agent, it should be noted that this Office has also ruled that a national bank which possesses trust powers may, pursuant to 12 U.S.C. 92a, act in any fiduciary capacity, including as general agent in the

sale of insurance, where any State bank, trust company, or other corporation which comes into competition with national banks is permitted to act in such a fiduciary capacity, including as general agent for an insurance company, under the laws of the State in which the national bank is located.

INTERNATIONAL OPERATIONS

JULY 7, 1964.

This is in reply to your letter of July 1, 1964, requesting our views on the application of the National Bank of Pakistan, Karachi, Pakistan, to establish a branch in the city of New York, N.Y.

Approval of the application will complement the reciprocal branching privileges presently granted by Pakistan to American banking institutions and to that extent is consistent with national objectives to promote international financial cooperation. In addition, establishment of the branch office can reasonably be expected to stimulate banking competition among both branches of foreign banks and domestic banking offices without unduly adverse effects on present banking competition in the city of New York. Moreover, the banking activities of the proposed branch office will be subject to domestic regulation with appropriate safeguards provided for domestic depositors and other creditors.

Accordingly, we would urge, as a general proposition, approval of applications of this order. However, without the opportunity to review the application in detail, we are not in a position to comment more definitively or specifically on this case.

SEPTEMBER 1, 1964.

This is in further regard to the expansion of the supervisory activities of this Office in the field of international banking and finance. The comments that we have received from national banks affected by our new regulation have been most encouraging.

In our July meeting with a number of institutions active in overseas operations, we discussed, as a tentative proposition, the formation of an Advisory Committee on International Banking and Finance. We have since determined that a Committee of this order would serve an important function in our overall program by providing this Office with technical advice and suggestions. It is anticipated that this Committee will meet at least semiannually, or at the call of its chairman or the Comptroller.

In order, therefore, that this Office might have the benefit of the advice and suggestions of your bank, we invite you to designate a representative to take part in the work of this Committee.

JANUARY 29, 1965.

Pursuant to the provisions of 12 U.S.C. 161, each national bank is required to make a report to the Comptroller of the Currency for each of its affiliates organized under 12 U.S.C. 611-631 (Edge Act) or which have entered into an agreement or undertaking pursuant to 12 U.S.C. 603.

The report shall be made within 10 days after receipt of this letter and should be prepared in triplicate and verified by a responsible officer of the affiliate. The original is to be submitted to this Office with a copy to the Regional Comptroller of your region. One copy is to be retained in your file.

The report should contain the following information:

- (1) Name and location of the affiliate and the location of its branches, if any.
- (2) Number of shares outstanding of the affiliate's common stock, as well as the number and carrying value of the shares owned by your bank.
- (3) Comparative balance sheets as of the close of business December 31, 1964, and December 31, 1963.
- (4) A list of equity investments owned by the affiliate on December 31, 1964, and December 31, 1963, including the number of shares owned, purchase price, carrying value, market value and total number of shares outstanding.
- (5) Comparative statements of income and expenses disclosing net operating income after applicable taxes and cash dividends paid for the fiscal years ending December 31, 1964, and December 31, 1963.
- (6) A reconciliation of capital accounts which summarizes any changes between December 31, 1963, and December 31, 1964.

FEBRUARY 4, 1965.

Enclosed is a copy of our January 29 letter calling for national banks to submit information on their Edge and agreement corporation affiliates. The banks and their affiliates are shown on the attached list.

Please instruct your examiners to verify the accuracy of the required reports during their regular examinations. A bank's copy of the report should be compared to the affiliate's records maintained at the bank

and to the call report of the affiliate submitted to the Federal Reserve.

Although we do not intend to make on-the-spot examinations of these affiliates at this time, we must be fully informed regarding their condition and operations. Therefore, instruct the examiner in charge of the examination of the National Bank's international or foreign department to review carefully the operations and future prospects of the affiliate with responsible bank officers. These officers will usually also be officers of the affiliate. As heretofore, current balance sheets, profit and loss statements and lists of equity investments are to be included in the affiliate section of our reports of examination.

The examiner should also review the bank's copy of the most recent Federal Reserve Examiner's Report on the condition of the affiliate. (If any difficulty is encountered in obtaining these reports from the banks, phone our Office of International Banking and Finance.)

Based on his review of the Federal report and his discussions with bank officers, the examiner is to report to this Office on the condition, scope of operations and future prospects of the affiliate. The report should be in the form of a brief letter for the attention of our Department of International Banking and Finance. This information is intended to supplement the affiliate information presently in our report of examination. Report schedules should not be duplicated in the letter.

We will not charge the banks for these reviews of their Edge and agreement corporation operations.

MARCH 5, 1965.

Thank you very much for your February 23, 1965, letter and the copy of your February 1 letter to the Netherlands Overseas Bank. Your international activities are certainly expanding at a rapid pace. With the prospective increased investment in the Netherlands Overseas Bank as well as the formation of banking affiliates in France, Germany, Spain and Italy, your bank will have achieved very broad and beneficial European coverage.

As outlined in your letters, the corporate arrangements necessary to accomplish this expansion sound rather formidable—increasing the capital of your Edge affiliate and forming a new holding company subsidiary of the affiliate. These impediments provide excellent examples of the difficulties of indirect investments as compared to direct acquisitions. In accordance with the advisory committee's recommendation, we have already ruled that national banks may

acquire both directly and indirectly stock interests in foreign banks. I hope the remaining obstacles to the achievement of this needed flexibility and efficiency in conducting overseas operations will soon be overcome.

We will follow the implementation of your plans with great interest and wish you every success. Please call upon us if we can be of any assistance.

FEBRUARY 12, 1965.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM
Washington, D.C.

This is in response to your January 29, 1965, letter requesting our comments on a proposed addition to regulation M. The amendment was proposed by a national bank and would permit the overseas branches of national banks to pay preferential rates of interest on deposits of their officers and employees, providing the payment at preferential rates is consistent with local law and practice.

The petitioning national bank correctly states that application of 12 U.S.C. 376, to an overseas branch "places the branch in a most undesirable competitive position with respect to the hiring and development of a top grade staff." We believe that this competitive restriction indirectly hinders the furtherance of U.S. foreign commerce.

This is an appropriate relaxation of the restrictions imposed by regulation M. We recommend the adoption of the proposed amendment.

APRIL 7, 1965.

To All National Bank Examiners and Trust Personnel:

The President in his message on the balance of payments requested the Chairman of the Board of Governors of the Federal Reserve System to work closely with the Secretary of the Treasury and the Nation's banks in a program that would sharply limit bank loans abroad. This Office and the Federal Deposit Insurance Corporation are cooperating with the Federal Reserve System and the Treasury in this undertaking.

National bank examiners will assist in the appraisal of the effectiveness of this program as a part of their regular examination of the commercial, foreign and trust departments of each National Bank which has loans and obligations of, or balances with, foreigners. If a bank has no such foreign assets, no further action with respect to this program is required of the Examiner.

Where a bank has loans and obligations of, or balances with, foreigners the examiner will ascertain and report whether, and by what means, the bank is following the guidelines furnished to the banks by the Board of Governors. The program is a voluntary program and the examiner will not in any sense endeavor to require adherence to the guidelines. He will note the extent to which a bank holds such foreign assets, any growth in this type of business, particularly in any banks not previously active in the field, and will observe whether any foreign assets are being sold to United States residents.

The report will be in the form of a supplemental memorandum prepared on blank yellow examination report paper. The Regional Comptroller will retain copies for the examiner and the bank file and will forward one copy to the Officer in Charge of Examination at the Federal Reserve Bank for the Federal Reserve District in which the bank is located and one copy to this Office marked for the attention of International Banking and Finance.

INTERNATIONAL OPERATIONS REGULATION

[12 CFR Part 20]

Sec.

- 20.1 Authority and policy.
- 20.2 Definitions and terms.
- 20.3 Prior notification of international operations.
- 20.4 Reporting of international operations.
- 20.5 Effective date.

§ 20.1 *Authority and policy.*

(a) *Authority.* This part is issued under the authority of the national banking laws, 12 U.S.C. 1 et seq.

(b) *Policy.* (1) In furtherance of the effort to pursue the overall improvement of supervisory methods and tools, this Office has undertaken a stepped-up program of examination and supervision of the international operations of national banks. A special corps of national bank examiners has been assigned to a newly established Department of International Banking under a Deputy Comptroller of the Currency. These examiners will be based in Washington, and will make periodic on-the-spot examinations in foreign countries of the international operations of national banks. This Office is also expanding its economic research in the international field to lay the groundwork for more intensive supervision in this area.

(2) Two developments in recent years have prompted these expanded activities in this Office. National banks which are long-established in the international field have been extending their foreign activities. Some national banks are undertaking, or are planning to undertake, their first foreign ventures. The expansion of international financial activities enhances their importance to the sound condition of a bank. These are matters which fall within the supervisory responsibilities of the Comptroller of the Currency for national banks.

(3) Prior notification will be required of the intention of a national bank to establish a branch in a foreign country, to acquire directly a controlling interest in an Edge Act corporation, agreement corporation or foreign bank, to establish offices of such controlled corporations or foreign banks, or to acquire a controlling interest in banks or other enterprises through such corporations or foreign banks. Actions of this nature, which may involve substantial risk, are not easily reversed, and hence, there is a need for advance knowledge by the Comptroller of the Currency. In addition, certain other international operations, such as the acquisition of less than a controlling interest in a foreign bank, must be reported to the Comptroller within 30 days of the event. The required notifications and reports will provide the basis, where needed, for special examinations by this Office, and for the issuance of appropriate instructions to a bank whenever such instructions are required in the exercise of the Comptroller's supervisory responsibilities.

(4) The prior notification and reporting procedure was chosen as the least burdensome means of supervising these important activities of national banks, considering the licensing authority over foreign branches and Edge Act corporations which rests with the Federal Reserve Board. This aspect of bank regulation would be greatly simplified if the licensing authority were lodged with the supervisory agency, rather than separated as it is at present. Pending such a transfer of authority, however, this Office will rely on the prior notification and reporting procedure, together with instructions issued under its supervisory authority, to provide the required supervision of the international financial activities of national banks.

§ 20.2 *Definitions and terms.*

For the purposes of this part:

(a) "Edge Act corporation" means a corporation organized under the provisions of 12 U.S.C. 611-632.

(b) "Agreement corporation" means a corporation which has entered into an agreement or undertaking in accordance with the provisions of 12 U.S.C. 603.

(c) "Foreign bank" means a corporation or other association organized under the laws of a foreign country, or of a dependency or insular possession of the United States or a foreign country, which is principally engaged in a commercial banking business.

(d) "Control" of a bank or corporation by a national bank or by an Edge Act corporation or an agreement corporation shall be presumed where a national bank, an Edge Act corporation or an agreement corporation has acquired 25 percent or more of the voting shares of the bank or corporation.

§ 20.3 *Prior notification of international operations.*

On and after the effective date hereof:

(a) *Prior notification.* Prior notification to the Comptroller of the Currency shall be required before a national bank may engage in any of the following international operations:

(1) The establishment of a branch of a national bank in a foreign country, or in a dependency or insular possession of the United States or a foreign country.

(2) The establishment in the United States, in a foreign country, or in a dependency or insular possession of the United States or a foreign country, of an office, branch or

agency of an Edge Act corporation, agreement corporation or foreign bank which is controlled by a national bank.

(3) The direct acquisition by a national bank of a controlling interest in an Edge Act corporation, agreement corporation or foreign bank.

(4) The acquisition by a national bank, through an Edge Act corporation, agreement corporation or foreign bank which is controlled by it, of a controlling interest in a foreign bank or in any other corporation or association organized under the laws of a foreign country, or under the laws of a dependency or insular possession of the United States or a foreign country.

(b) *Forms.* Prior notification shall be made on forms provided by the Comptroller of the Currency.

§ 20.4 *Reporting of international operations.*

On and after the effective date hereof:

(a) *Reports.* A report shall be made to the Comptroller of the Currency within 30 days of the occurrence of any of the following international operations:

(1) The relocation of a branch of a national bank in a foreign country, or in a dependency or insular possession of the United States or a foreign country.

(2) The relocation in the United States, in a foreign country, or in a dependency or insular possession of the United States or a foreign country, of an office, branch, or agency of an Edge Act corporation, agreement corporation or foreign bank which is controlled by a national bank.

(3) The direct acquisition by a national bank of an interest in an Edge Act corporation, agreement corporation or foreign bank, where the acquisition does not result in control of the Edge Act corporation, agreement corporation or foreign bank.

(4) The acquisition by a national bank, through an Edge Act corporation, agreement corporation or foreign bank which is controlled by it, of an interest in a foreign bank or in any other corporation or association organized under the laws of a foreign country, or under the laws of a dependency or insular possession of the United States or a foreign country, where the acquisition does not result in control of the foreign bank or other corporation or association.

(b) *Forms.* Reports shall be made on forms provided by the Comptroller of the Currency.

§ 20.5 *Effective date.*

This regulation supersedes the requirements set forth in the letter of the Comptroller of the Currency to the presidents of all national banks dated May 1, 1964.

This regulation shall be effective on and after September 7, 1964.

KEY MAN INSURANCE

FEBRUARY 17, 1965.

This is to acknowledge receipt of your letter dated December 28, 1964, in which you request an opinion of this Office concerning the retention of four single payment life insurance policies on four officers. You state that Regional Comptroller of the Currency Dunn

advised the bank to liquidate these policies involving income to the bank and benefit provisions for survivors of the insured. You inquire whether it might be possible to maintain the policies on the lives of the four officers in view of the decision handed down by the Comptroller's Office and published in *The National Banking Review*, December 1964, volume 2, number 2, paragraph 13, under Current Legal and Regulatory Developments. The policies to which you refer amount to \$400,000. These policies insure the officers to the age of 101 and provide deferred compensation to these individuals as well as insurance on their lives for which their families would benefit. The policies further provide for an income whereby the bank would receive the full amount of their investment at the time of the expiration of the policies without any cost to the bank for the deferred compensation and insurance, for which the families would receive the benefit. The four officers concerned include the president, vice president, and cashier, and two vice presidents. The president's salary is \$25,000, and the remaining three receive \$8,000 per year.

As is stated in paragraph 1115 of the Comptroller's Manual for National Banks, a national bank may purchase insurance for the benefit of the bank, on the life of an officer whose death would be of such consequence to the bank as to give it an insurable interest in his life. And as is further stated in paragraph 5220 of the Comptroller's Manual the board of directors of a national bank, pursuant to paragraph fifth of 12 U.S.C. 24, may enter into employment contracts with its officers and employees upon reasonable terms and conditions. Such authority extends to employment contracts which provide for deferred compensation, and the bank may protect itself against such contractual obligations by means of an insurance program.

However, the amount of such insurance coverage must bear a direct relation to the bank's risk of loss of key personnel, and to its obligations under employment contracts. Under no circumstances may such an insurance policy represent a part of the investment program of the bank. Such an investment would be contrary to the provisions of paragraph Seventh of 12 U.S.C. 24.

In the case of at least the three employees of the bank referred to above who receive annual salaries of \$8,000 per year, their salary level alone does not warrant a conclusion that their services are of such value to the bank that they must be properly regarded as key personnel. To the extent that said employees cannot properly be regarded as key personnel of the bank,

any insurance policy protecting the bank against an unexpected loss of their services represents an investment contrary to the provisions of paragraph Seventh of 12 U.S.C. 24.

Accordingly, all insurance policies which do not protect the bank against the unexpected loss of employees who are in fact key personnel must be liquidated. Similarly, all insurance policies purchased to indemnify the bank for all post employment payments to the bank's employees must be liquidated to the extent that the bank is not obligated to make such payments.

LENDING LIMITS

NOVEMBER 20, 1964.

The text below, which is from the revised part 6 of the Regulation of the Comptroller of the Currency (12 CFR 6), relates to loans by national banks secured by obligations of the United States. The revised regulation, which became effective immediately upon its publication in the Federal Register on November 20, 1964, is authorized by 12 U.S.C. 84(8) and, under 12 U.S.C. 248(m), is also applicable to State-chartered banks which are members of the Federal Reserve System.

Prior to this revision, part 6 permitted loans to be made without any limitation based on the bank's capital and surplus when secured by direct obligations of the United States maturing not more than 18 months from the making of the loan. This revised regulation, from which the 18-month maturity requirement has been removed, extends the lending limit exception to such loans when secured by any direct obligations of the United States. This regulation now provides that:

The obligations to any national banking association of any person, copartnership, association, or corporation, secured by not less than a like amount (at par of face value) of direct obligations of the United States, shall not be subject to any limitation based upon capital and surplus of the association.

OCTOBER 14, 1964.

The attached notice of an amendment to part 6 of the Regulations of the Comptroller of the Currency (12 CFR 6), relating to loans made by National Banks secured by direct obligations of the United States, will appear in the Federal Register of October 15, 1964.

Part 6 now permits loans to be made without limitation when secured by direct obligations of the United States maturing not more than 18 months from the making of the loan. This proposed amendment would remove the 18-month maturity requirement and extend the exception to such loans when secured by any direct obligations of the United States.

Any comments concerning this proposed amendment should be submitted to the Comptroller of the Currency, Washington, D.C., by Friday, October 30, 1964. It is contemplated that the proposed amendment, with such revisions thereof as may be appropriate in the light of comments submitted, will become effective on or about November 9, 1964.

TITLE 12—BANKS AND BANKING

CHAPTER I—BUREAU OF THE COMPTROLLER OF THE CURRENCY

DEPARTMENT OF THE TREASURY

PART 6—LOANS MADE BY NATIONAL BANKS SECURED BY DIRECT OBLIGATIONS OF THE UNITED STATES

Pursuant to the authority contained in paragraph (8) of R.S. 5200, as amended, 12 U.S.C. 84(8), the Comptroller of the Currency, with the approval of the Secretary of the Treasury, is considering the amendment to part 6, relating to loans made by national banks and secured by direct obligations of the United States. Pursuant to 12 U.S.C. 248(m), the proposed regulation would also be applicable to State member banks.

Paragraph (8) of 12 U.S.C. 84 authorizes the Comptroller of the Currency, with the approval of the Secretary of the Treasury, to permit, by regulation, exceptions to the limitations imposed by the statute upon loans made by national banks secured by obligations of the United States. Part 6 now permits such loans to be made without limitation when secured by direct obligations of the United States maturing not more than 18 months from the making of the loan. This amendment would remove the 18-month maturity requirement and extend the exception to such loans when secured by any direct obligations of the United States.

Prior to the adoption thereof, consideration will be given to written comments pertaining thereto which are submitted to the Comptroller of the Currency, Washington, D.C., within 15 days after the date of the publication of this notice. It is contemplated that the proposed amendment, with such revisions thereof as may be appropriate in the light of comments sub-

mitted, will become effective on or about November 9, 1964.

The proposed amendment to Part 6 of Title 12 of the Code of Federal Regulations of the United States reads as follows:

Sec.

6.1 Scope and application.

6.2 General authorization.

Authority: §§ 6.1 and 6.2 issued under R.S. 5200, as amended; 12 U.S.C. 84(8).

§ 6.1 *Scope and application.*

(a) This part is issued by the Comptroller of the Currency with the approval of the Secretary of the Treasury under authority of paragraph (8) of section 5200 of the Revised Statutes, as amended (12 U.S.C. 84), and section 321(b) of the Act of August 23, 1935 (49 Stat. 713);

(b) This part applies to loans made by National Banks secured by direct obligations of the United States.

§ 6.2 *General authorization.*

The obligations to any national banking association of any person, copartnership, association, or corporation, secured by not less than a like amount of direct obligations of the United States, shall not be subject to any limitation based upon the capital and surplus of the association.

OCTOBER 23, 1964.

Reference is made to your letter of September 25, 1964, in which you request the opinion of this Office regarding the lending limit of the national bank of which you are president. You inquire whether, in the case of loans made to *A*, *B*, and *C*, who are brothers owning 86 percent of *X* Company, and who in turn lend all of such funds to *X* Company, such individual loans must be combined for lending limit purposes. The aggregate indebtedness of *A*, *B*, and *C* would be in excess of the bank's lending limit. The loans to *A*, *B*, and *C* as individuals would be secured by collateral that consists of neither the stock nor the assets of *X* Company.

The obligations of *A*, *B*, and *C* need not be combined in applying the bank's lending limit if the loans would be based upon either the financial net worth of each of them or collateral or other repayment arrangements satisfactory to the bank as a credit matter. However, if the bank were to make loans to *A*, *B*, and *C*, in reliance on *X* Company and its earnings or assets as the source of repayment, such an arrange-

ment would in substance be an extension of a single credit to *X* Company in which case the loans to *A*, *B*, and *C* must be combined in determining whether the bank had exceeded its lending limit to a single borrower.

NEW BANK CHARTERS

DECEMBER 1, 1964.

The statutory minimum invested capital requirements for the organization of a national bank vary according to the population of the place in which the bank is to be located. Based on legal requirements alone, a national bank organized in a place having a population of not more than 6,000 would be required to have a minimum capital of \$50,000. A minimum capital of \$100,000 would be required in a place the population of which is in excess of 6,000 but not more than 50,000 and a minimum capital of \$200,000 would be required in a city the population of which is in excess of 50,000. The law also requires that a national bank have a paid-in surplus equal to at least 20 percent of its capital. However, we frequently require a substantially larger initial capitalization, depending upon the facts revealed by our investigation, and in every case an adequate paid-in undivided profits account to meet expenses with some margin of safety until the operations of the new bank have become profitable.

We ask that you notice particularly the certification embodied in the application relating to fees or commissions for procuring subscriptions to or selling stock in the proposed bank. We also wish to advise that fees for any legal services, economic surveys or other services should be held to a reasonable limit.

The consideration of a new bank application by this Office necessarily must be predicated primarily upon a complete and exhaustive field investigation by a national bank examiner. In this connection, it will be expected that the applicants for a national bank charter will be ready for the field investigation to be commenced within thirty days from the date of filing of an application in good order. Unless this requirement is complied with, we shall consider the application abandoned.

REAL ESTATE LOANS

SEPTEMBER 3, 1964.

We are pleased to report that two pieces of legislation sponsored by this Office have recently been enacted into law.

On September 2, 1964, the President signed a bill increasing the maximum amount and maturity, under which national banks may make real estate loans, to 80 percent of the appraised value of the security and 25 years, respectively. This amendment is contained in the Housing Act of 1964, Public Law 88-560.

On June 30, 1964, the President signed Public Law 88-341, liberalizing the terms upon which national banks may make loans on the security of timberland. The present maximum amount of "40 percent of appraised value of economically marketable timber" is expanded to "60 percent of the appraised fair market value of the growing timber, lands, and improvements thereon." The maximum maturity for such loans is increased from 2 to 3 years for unamortized loans and 10 to 15 years for amortized loans.

APRIL 13, 1965.

HON. WRIGHT PATMAN
Chairman, Committee on Banking and Currency
House of Representatives
Washington, D.C.

Enclosed with your letter of April 8, 1965, is a copy of H.R. 6824 introduced by Representative Harvey of Michigan.

Generally speaking, H.R. 6824 amends the first paragraph of S. 24 of the Federal Reserve Act by adding a clause (5). The new clause (5) permits a national bank to make a loan to a person, owning real property in an urban area, for the purpose of redeveloping such property. Such loans are limited in an amount not to exceed the cost of the redevelopment involved or 90 per centum of the appraised value of the property (as redeveloped), whichever is less, for a term not longer than 30 years, on the condition that the local governing body certifies to the bank that such redevelopment is in accordance with an official plan.

In the opinion of this Office the proposed bill would not only be beneficial to national banks by giving them greater latitude in making local real estate loans but would be of great benefit to the local communities throughout the nation which would be encouraged to promote and develop various projects in making those communities a better place in which to live. In fostering the development of local communities, national banks, under this bill, would be able to lend greater assistance with respect to finance and know-how. It is usually the case that national banks are thoroughly familiar with the economic conditions of the area in which they are located.

TRAVEL SERVICES

OCTOBER 26, 1964.

HON. EDWARD J. GURNEY
House of Representatives
Washington, D.C.

This refers to your inquiry of October 14, 1964, concerning national banks acting as travel agents.

The corporate powers of a national bank are enumerated in 12 U.S.C. 24. Paragraph seventh of that section authorizes a national bank—

To exercise * * * all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing and circulating notes according to the provisions of this title.

That the business of banking covers a wide range of activities has been consistently recognized by the Congress. In the National Bank Act of 1864 Congress wisely refused to define the business of banking as it then existed, foreseeing that the banking business would change and develop with the passing years.

Traditionally, national banks have been excluded from direct participation in the production of raw materials, manufacturing, or commerce, so as to immunize the banking system from the risks inherent in the employment of venture capital. Subject to this restriction, however, it is clear that the business of banking is the furthering by financial and related services of commerce and industry and the convenience of the public. Powers necessary to achieve the fundamental purposes of banking must be regarded as powers incidental to those expressly granted.

Admittedly, a bank could not exist primarily for the purpose of operating a travel agency. Where, however, the travel services provided by a national bank are related, yet clearly and measurably subordinate, to its overall financial and banking services, there is no conflict with the corporate purposes nor any question but that the corporate powers are ample to permit the rendition of travel services with entire legality.

In conclusion, banking is an industry presently and historically affected with the public interest and regulated in the public interest. The business of travel agencies is not historically affected with the public interest nor subject to any manner of governmental regulation. If the avowed purposes of an enterprise (as stated in its charter or as demonstrated by its practice) are such as primarily to be those of a travel agency,

then it should be barred from engaging simultaneously in the banking business. On the other hand, if a national bank, which is primarily engaged in the business of banking, chooses to provide travel services for its customers as an incident of the banking business, it has adequate corporate power to do so. The rendering of such services is not in conflict whatsoever with its corporate purposes but rather is in furtherance of the corporate purposes.

APRIL 29, 1965.

Reference is made to your letter of April 16, 1965, relating to a proposal being considered to establish a subsidiary corporation to engage in the business of providing travel and related services for the bank's customers. In addition to the transportation, hotel, travelers' checks and travel insurance services now offered directly by the bank, the proposed subsidiary might actively seek and develop other compatible activities such as auto rentals and credit card facilities.

The foregoing activities, which would be performed by the proposed corporation, are appropriate activities for the bank itself. It is entirely lawful for a national bank to perform such services through the medium of a separate subsidiary corporation owned and controlled by the bank. In this connection, it should be noted that judicial decisions have recognized the principle that a national bank may hold stock in a subsidiary corporation as a reasonable business measure to carry on activities lawful for it. We conclude, therefore, that the bank may properly cause the establishment and hold the stock of a subsidiary corporation to be controlled and managed by the bank which will engage in the business of offering for profit the types of travel and related services described in your letter of April 16, 1965.

TRUST REGULATIONS

OCTOBER 14, 1964.

This Office has given consideration to an inquiry recently made by you relative to a proposed procedure for the handling of mortgage loan investments in collective investment funds operated by the bank as fiduciary, which funds include as participants retirement, pension, profit-sharing, stock bonus, or similar trusts exempt from Federal income taxation under the Internal Revenue Code.

It is our understanding that the bank proposes to enter into a formal arrangement with a mortgage bank-

ing firm whereby such firm would originate mortgage loans, offering them to the trust department for placement in the collective investment fund in groups of such size as may be mutually agreed upon. On the basis of data furnished by the firm relative to such loans, the trust department would purchase all or such portion of the loans as it desired. The mortgage banking firm would maintain all supporting records, receive payments, and furnish not less often than monthly a detailed statement showing principal, interest, other payments or charges, balances due and any other pertinent information on the individual loans comprising the group. The mortgage banking firm would not less often than monthly advise the trust department of defaults in payments on loans, delinquencies in payment of taxes, insurance, etc. and would act to adjust such matters as instructed by the trust department.

The trust department would retain the right to sell any specified mortgage note or notes out of a particular group at any time. The agreement between the bank and the mortgage banking firm would contain a binding commitment on the part of the latter to repurchase at no loss to the bank any notes later found not to be as represented in the offering data. The agreement would also specify that all records and documentation in the possession of the mortgage banking firm relative to groups of notes owned by the trust department would be subject to verification and inspection at any time by representatives of the bank or its auditors.

The primary intention of this proposed arrangement would be to relieve the bank of costly bookkeeping and processing details, permitting the trust department for this purpose to utilize the facilities of an organization especially set up to handle mortgage loans. Entries on the trust department bookkeeping records would be in gross, rather than in detail and the trust department would maintain the periodic statements from the mortgage banking firm as subsidiary information supporting the entries in gross.

A fee would be paid to the mortgage banking firm for its services, but the net cost to the collective investment fund would be less than if the bank itself handled all details relating to the mortgages and charged the fund for expenses incurred, as authorized by Regulation 9.

Subject to the following comment, this Office has no objection to the proposed method of handling mortgage notes. It is our opinion that the notes should

be held by the trust department, but all supporting documentation may be retained by the mortgage banking firm, provided it is made available at the bank or on the firm's premises to representatives of this Office for inspection at the time of an examination.

While your inquiry related only to the possibility of handling FHA-insured and VA-guaranteed mortgage loans in this manner, this Office has no objection to similar handling of conventional mortgage loans. Likewise, it is agreeable to this Office that the method outlined to be employed in handling mortgage loans for other types of collective investment funds and for an individual trust account if the size of the account so warrants, and other considerations suggest its use.

If the bank enters into such an agreement as outlined above, this Office will appreciate receiving a copy of the agreement between the parties which will set forth their respective duties and obligations.

UNDERWRITING

OCTOBER 15, 1964.

In response to your request, the foregoing is submitted: The bank in its fiduciary capacity may vote its stock so held by it where permissible pursuant to the terms of the appropriate governing instrument in all matters except the election of directors. In the instance of the election of directors certain requirements are imposed by 12 U.S.C. 61. Pursuant to that section, a settlor may prescribe in the governing instrument that the shares of the bank may be voted in accordance with his directions, or those of a named beneficiary. In executing that direction the settlor or beneficiary may designate a person or persons, who may or may not be an officer of the bank, either by office or by name to vote according to a generalized direction such as "in accordance with the views of management," or even according to the judgment of the party vested with such power.

Further, it is our opinion that such a direction need not be issued at the time of each election but rather, a single such direction may be made which by its terms would have validity in all succeeding elections of directors until revoked. We would point out that such a direction would be revoked should the settlor or beneficiary become incompetent.

I trust that the foregoing sets forth the information desired in comprehensible form, if not, please advise and I will try again.

HON. WRIGHT PATMAN
Chairman, Committee on Banking and Currency
House of Representatives
Washington, D.C.

Enclosed are replies by this Office to certain questions raised by members of the committee during and subsequent to my testimony on April 26, 1965, in support of H.R. 7539.

Question by Mr. Hansen:

Why would the denial of underwriting privileges to commercial banks make it logical to adjudge revenue bonds as being ineligible for investment by national banks?

H.R. 7539 would permit commercial banks to underwrite and deal in only those revenue bonds issued by state and local governments which banks are at present allowed to purchase for their own accounts. The Comptroller, in his testimony in support of H.R. 7539, made the argument that if commercial banks, are denied, for reasons of quality and economic considerations, the right to underwrite revenue bonds of state and local governments in which they may now invest and in which they have long been entitled to invest, raises the question of the investment eligibility of these bonds for banks. It is illogical and inconsistent to deny banks, for reasons of quality and economics, the right to underwrite any obligation in which the banks may invest their depositors' funds. This inconsistency is inescapable for the reason that the greater risk lies in investing in bonds than in the underwriting of the same bonds. Underwriting typically is a short-term transaction and in virtually all instances requires a commercial bank to tie up its funds in the bonds of a particular obligor for a period of no more than two or three weeks. Investment, on the other hand, generally involves a long-term holding of bonds during which time there may be many variations in market and economic conditions.

Question by Mr. Todd:

Discuss studies of effect of commercial bank underwriting on—

- (1) underwriting spreads;
- (2) rates on revenue bonds;
- (3) rates on general obligations.

To our knowledge, two such studies have been undertaken: one by the Federal Reserve and one by Professor Bertrand Fox for the "Committee for Study of Revenue Bond Financing." Both these studies used similar techniques and, not surprisingly, reached similar conclusions. We believe that both studies have the same shortcomings.

Both studies examined price data for a sample of bonds. In the Federal Reserve study the sample consisted of offerings made in the first half of 1963 in amounts of \$2 million or more and which were rated "A" by Moody's. The Fox sample consisted of issues of over \$1 million offered from 1957-61.

The apparent lower yields on general obligations (when quality is held constant) is explained in part by the longer average maturity of revenue bonds. After taking account of this factor, both studies found a differential of 11 basis points by which yields on revenue bonds exceeded those on comparable general obligations. Mr. Martin testified that this differential "might be narrowed by permitting commercial banks to underwrite revenue bonds."

The sponsors of both studies suggest that this potential saving—one-tenth of 1 percent—is too small to be worth bothering about. We think that the studies under discussion underestimate the yield spread between general obligations and revenue bonds, but even on the basis of their results the benefits of wider commercial bank participation in the revenue bond market seem large. There were about \$4 billion of revenue bonds sold in 1964 and this amount promises to increase. A saving of one-tenth of 1 percent, multiplied by billions of dollars each year is clearly significant.

The reason for believing that these studies understate the difference in yields lies in the way in which the sample data were drawn. Both studies examined only relatively large, competitively sold, issues. This is not where we would expect the significant effects of commercial bank participation. It is in the smaller issues that broader commercial bank interest would be most helpful. Obviously it is investment in such securities by commercial banks rather than underwriting that is necessary to effect yields, but, as Professor Roland Robinson has pointed out in his *Postwar Market for State and Local Government Securities*, since "commercial banks cannot underwrite these issue, they are less enthusiastic investors in them."

The measurement of the potential effect of revenue bond underwriting by commercial banks on underwriting spreads poses difficult problems. Both studies found that spreads are virtually identical on revenue bond underwritings and general obligation bonds. They concluded that since spreads on revenue bonds are now as small as spreads on G.O.'s, there is nothing to be gained by allowing commercial banks to underwrite revenue bonds.

Both studies suffer from a serious bias in the sample data used. Both studies consider only sales through

competitive bidding and exclude sales of bonds through negotiation with one underwriter. It is in the latter case that we would expect large spreads. Yet nearly 40 percent of revenue bonds are sold in this manner. These issues do not have the benefit of competition between underwriters which has been so effective in keeping spreads down on the large issues covered by the studies under consideration. All these studies show, therefore, is that when several competing bids are received from underwriters (as they are on sizable issues, revenue bond or G.O.) underwriting spreads are small. They shed no light on the spreads smaller governmental units must pay in order to sell their revenue bonds.

One other aspect of the measurement of spreads should be mentioned. When an underwriter obtains an issue at a bargain price, he may decide to simply add on his normal spread and sell the issue quickly at a bargain price (perhaps with only one phone call). When this happens, the statistics do not show a higher than normal spread, but the issuer has still paid more in interest than would be necessary in a competitive situation. We do not know how common this is, but it is an old maxim that one of the benefits of a monopoly position is "a quiet life." It would not be surprising if the typical reaction of the underwriter who obtains a bargain through a noncompetitive situation simply takes a modest profit and sells the issue quickly with little risk or effort.

The question has also been raised as to the effect of increased interest in revenue bonds on yields on general obligation bonds. The Federal Reserve has argued that any improvement in yields on revenue bonds would be offset to some extent by an increase in yields on general obligations.

The justification for this position is that there is a fixed amount of money available for investment in tax-exempt bonds. If more of this is attracted to revenue bonds, less will be left for general obligation bonds, and hence their yields will rise. This argument seems rather farfetched. There is not any fixed pool of funds for investment in municipal securities. Rational investors balance their portfolios to equate marginal returns on alternative investments, and any tendency for G.O. yields to increase would produce an increase in the amount of funds devoted to municipal securities. This argument may have had merit years ago when the only investors in municipal securities were the few individuals in very high tax brackets. Now that corporations and banks buy such securities in large amounts, viewing the funds to be invested in municipals as a rigidly fixed sum has no validity.

Of course, even if this argument were valid, it still does not justify an arbitrary interference with the allocation of resources between revenue bonds and G.O.'s that would result from free market forces in the absence of artificial constraints.

One other aspect of this question should be considered. If commercial banks enter the revenue bond underwriting field, and succeed in winning some volume of new issues, the investment bankers will feel a drop in the volume of their business. They may seek to make up for this by bidding more vigorously for general obligation issues. Thus one effect of commercial bank underwriting of *revenue bonds* may be a reduction in spreads on *general obligation* bonds.

The general conclusion that results from analysis of these studies is that savings small in percentage terms but significant in amount would result from commercial bank participation in underwriting of sizeable revenue bond issues. We would expect large savings

to accrue to those issuers who must now sell their revenue bonds through negotiation rather than competitive bidding.

Question by Mr. Stanton:

Present data on the number of cases in which there was only one bidder for an issue of revenue or general obligation bonds.

It is much more common for revenue bonds than for G.O.'s to be sold through negotiated sales. That is, sales handled by negotiation with one underwriter rather than through competitive bidding. One reason for this, of course, is that commercial banks have not been allowed to bid for the revenue bond issues. The Investment Bankers Association reported that in 1961, 38 percent of the revenue bonds issued were handled through negotiated sales whereas only 3 percent of the general obligation bonds were placed in this way.

	General obligations		Revenue bonds	
	Amount	Percent	Amount	Percent
Competitive bidding	\$5,855,950,000	96.9	\$1,456,400,000	60.6
Negotiates sales	177,637,000	2.9	922,031,000	38.4
Private placements	11,137,000	.2	24,735,000	1.0
Total	6,044,724,000	100.0	2,403,166,000	100.0

Source: "Comparative Regulations of Financial Institutions," p. 189.

Even when issues are sold through competitive bidding, there are fewer bidders for revenue bonds than for general obligation bonds. Professor Fox presented data on this matter on behalf of a committee of investment bankers to the House Banking & Currency Committee in 1963. Even on the basis of the investment bankers' figures it seems clear that competition is greater in bidding for general obligations (in which commercial banks participate) than for revenue bonds.

The figures show that in 1962, 82 percent of all G.O. issues of over \$1 million offered for public bidding attracted four or more bidders. Only 72 percent of the revenue bond offerings of this size had four or more bids. Put another way, in 16 percent of the revenue bond issues there were only one or two bids received, while this was true in only 8 percent of the general obligation issues.

NUMBER OF BIDS SUBMITTED FOR GENERAL OBLIGATION AND REVENUE ISSUED \$1,000,000 AND LARGER, 1962

<i>Number of bids</i>	<i>Revenue bonds</i>		<i>General obligation bonds</i>	
	<i>Number of issues</i>	<i>Percent of total</i>	<i>Number of issues</i>	<i>Percent of total</i>
1	5	2.2	9	0.9
2	32	13.8	77	7.3
3	27	11.6	107	10.1
4 and over	168	72.4	864	81.7
Total	232	100.0	1,057	100.0

Adapted from table in "Increased Flexibility for Financial Institutions," p. 733.

In total, about 40 percent of revenue bonds are sold without benefit of competitive bidding by two or more underwriters.

Question by Mr. Annunzio:

Mr. Annunzio requested Mr. Balderston to supply a statement on the legal authority of the Board to rule in opposition to the Comptroller's ruling on the Washington State School Bonds.

The Comptroller desires to make the following statement on this subject:

The Congress has provided in 12 U.S.C. 335 that State member banks shall be subject to the same limitations and conditions with respect to the purchasing, selling, underwriting and holding of investment securities and stock as are applicable in the case of national banks under paragraph "Seventh" of section 24 of this title. In August of 1963 the Comptroller of the Currency ruled on the request of a national bank that certain school bonds issued by the State of Washington were eligible for purchase and underwriting by national banks under paragraph Seventh of 12 U.S.C. 24 (12 CFR 1.127). Early in September when national banks and State member banks had already undertaken to finance this issue, the Board of Governors of the Federal Reserve Bank ruled that these bonds were not eligible for underwriting by State member banks (12 CFR 105, 28 FR 9840). Why in the face of the standard of uniformity set forth in 12 U.S.C. 335 did the Federal Reserve Board announce an eligibility interpretation different from that applicable to National Banks and what authority did the Board have to do so?

Section 24 of Title 12 of the United States Code sets forth the corporate powers of national banks. The Comptroller of the Currency is charged by the national banking laws (12 U.S.C. 1, *et seq.*) with the execution of this section and all the laws relating to the organization, operation, regulation and supervision of national banks. Paragraph Seventh of Section 24 which relates to the corporate authority of national banks, including the authority to purchase securities specifically authorizes the Comptroller to prescribe limitations (within a 10 percent statutory limitation) and restrictions on the purchase of investment securities and to supplement the statutory definition of the term "investment securities." A reading of this paragraph with its authorizations, prohibitions, limitations, restrictions, provisos, exceptions and exemptions makes it abundantly clear that the interpretation of the legal effect of the paragraph is not a simple matter. The administrative offi-

cer responsible for its execution must provide useful standards for the application of the law to particular securities. This the Comptroller has done through the Investment Securities Regulation which became effective September 12, 1963 (12 CFR 1).

In November of 1963 the Board of Governors of the Federal Reserve System in an opinion issued under their regulation relating to the membership of State banks in the Federal Reserve System ruled that the Investment Securities Regulation of the Comptroller is, under the provisions of 12 U.S.C. 335, applicable to member State banks as well as to national banks insofar as it conforms to paragraph Seventh of 12 U.S.C. 24 (12 CFR 208.107, 28 F.R. 1261). With this proposition the Comptroller is in agreement. The opinion, however, expressed disagreement with the Comptroller's interpretation of the legal effect of some of the language contained in paragraph Seventh of 12 U.S.C. 24 stating particularly that the definition of public security contained in the Regulation would include securities not eligible for underwriting under the law.

An illustration of the Board's interpretation of the law applicable to underwriting may be found in their ruling on the Washington School Bonds. Although the Supreme Court of the State of Washington had swept away some of the legal technicalities surrounding the authorization and issue of these bonds and had ruled that the bonds were "in truth debts of the State," the Board of Governors reexamined these technicalities and concluded that since the bonds were payable from the proceeds of sales taxes, they were not supported by the full faith and credit of the State and its plenary taxing power. The Board thus rejected the decision of the Supreme Court of the State of Washington on the nature of an obligation of the State of Washington and on that basis concluded that the ruling of the Comptroller, the officer responsible for the administration of paragraph Seventh of 12 U.S.C. 24, failed to conform to the law.

What authority does the Board have to take such action? The Board's September (28 F.R. 9840) and November (28 F.R. 12611) opinions were issued under the authority of 12 U.S.C. 248(i). The text of the opinions interpreted 12 U.S.C. 335 and 12 U.S.C. 24. Section 248(i), a part of the Federal Reserve Act authorizes the Board to "perform the duties, functions, or services specified in this Act, and make all rules and regulations necessary to enable said board effectively to perform the same." Section 335, also a part of the Federal Reserve Act, subjects State member banks to the same limitations and conditions as are applicable

to national banks under section 24. It would seem that when the limitations and conditions applicable to National Banks have been determined by the Comptroller, either by regulation or with reference to a particular issue of securities by an eligibility ruling, the responsibility of the Board would not extend to a reconsideration of the Comptroller's ruling.

Chairman Martin expressed the Board's position on this question in a letter of May 6, 1963 addressed to the Comptroller:

* * * the Board believes that, in order to discharge effectively its supervisory functions with respect to State member banks, the Board must, when occasion demands, necessarily interpret any provision of Federal banking laws and regulations that are applicable to such banks.

Obviously, it is desirable that Federal laws and regulations applicable to both national banks and State member banks be interpreted, as far as possible, in the same manner for both categories of banks. Over the years, this objective has generally been achieved through consultation between the Comptroller and the Board.

With particular reference to interpretation of regulations, it seems clear that, where Congress has empowered a Governmental agency to issue regulations to implement particular provisions of law, interpretations of such regulations by the issuing agency should be given persuasive weight unless they seem clearly erroneous. The Board has always followed this approach with respect to interpretations by your Office of your regulations regarding investment securities, issued pursuant to provisions of section 5136 of the Revised Statutes that are made applicable to State member banks by section 9 of the Federal Reserve Act.

Question by Mr. Weltner:

Are there any other cases (besides Georgia State Authorities) in which commercial bank participation has resulted in savings to the issuer?

One example that has been cited is the experience in financing the Chicago Civic Center. During the last week in June, 1963, \$87 million of bonds were sold by competitive bidding to pay for construction. The civic center is to be leased from the public building commission by the city of Chicago with rent payable from tax revenues. In line with the ruling in the case of the Georgia authorities we determined that these bonds are, in fact, general obligations and may be underwritten by commercial banks.

The winning bid was submitted by a syndicate managed by the Continental Illinois National Bank and which included many large commercial banks. The

winning bid was a 3.33 percent interest cost to the city of Chicago while the next best bid was 3.40 percent. It is, of course, impossible to determine accurately what the winning bid would have been without bank participation in the action, but if the second bid had been low, the additional cost to the city would have been approximately \$60,000 over the life of the bonds.

Another example is the sale by the Port of New York Authority of \$25 million of bonds in November 1964. The highest bid submitted by the investment banker groups competing for this issue was a cost to the authority of 3.51 percent. The Chase Manhattan Bank submitted a bid at 3.43 percent thus saving the authority 8 basis points (Chase bought the entire issue for its own account).

In March of this year the North Kern (California) Water Storage District sold \$2.25 million of bonds to Security-First National Bank of Los Angeles at a net interest cost of 3.82 percent. The next lowest bidder offered 3.84 percent.

Question by Mr. Todd:

Why should commercial banks be denied the right to underwrite and deal in any securities, including corporate securities, which are eligible for investment by commercial banks inasmuch as underwriting involves less risk than investment?

H.R. 7539 would permit commercial banks to underwrite and deal in only those revenue bonds issued by State and local governments which banks are at present allowed to purchase for their own accounts. No bank could acquire revenue bonds of lesser quality or in greater amount than that which it is now permitted to acquire for its investment portfolio. The Office of the Comptroller of the Currency urges passage of H.R. 7539 in order to achieve full benefits of bank participation in the area of public finance and thus to enable commercial banks to meet their responsibility of using the deposits from their communities to assist these communities in meeting their financial needs. This was the goal which Congress had in mind when, as an exception to the restrictions of the Glass-Steagall Act of 1933, it permitted commercial banks to underwrite bonds issued by State and local governments. In order that the attainment of this goal not be frustrated in the coming decades merely because State and local governments are placing increasing reliance on revenue bonds, a little used form of public financing in 1933, the Comptroller urges passage of H.R. 7539.

As was stated in the Comptroller's testimony, it would be an anomaly to deny commercial banks the right to underwrite revenue bonds issued by State and local governments and yet permit them to invest in

such bonds inasmuch as there is less risk in underwriting, a typically short-term transaction, than there is in investing.

Although commercial banks are also permitted to invest in corporate securities which meet the eligibility standards of the Investment Securities Regulation, the Comptroller's Office does not take the further position that banks should be permitted to underwrite these securities, even though there is less risk in underwriting than there is in investing in such securities. It is pri-

marily the need to assist State and local governments with their public financing rather than a recognition of the intrinsic value of certain of the revenue bonds issued by them which persuades the Comptroller's Office that commercial bank underwriting of such revenue bonds is in the public interest. Although the Comptroller's Office recognizes the intrinsic value of certain corporate securities, it is not apprised of a particular need for commercial bank underwriting and dealing in such securities.

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