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Reverse Court Ruling on Bank Mergers

The proposed merger of two small banks must meet the same antitrust standards as mergers between large banks in order to afford customers of small banks the same antitrust protection as large bank customers, the U. S. Supreme Court has ruled.

In a 5-2 decision, the high court held that a lower court erred in finding that the merger of Phillipsburg (N. J.) National Bank and Trust Co. and the Second National Bank of Phillipsburg did not violate Section 7 of the Clayton Act.

Writing the majority opinion, Justice William J. Brennan concluded that the proposed merger, if consummated, is "inherently likely to lessen competition substantially."

The majority found that the lower court chose too broad a geographic market in which to judge the proposed merger. That court selected as the market an area about four times as large as Phillipsburg-Easton. It rejected the claim of the Justice Department that Phillipsburg-Easton constituted the relevant market.

Justice Brennan noted that "commercial realities in the bank-

ing industry makes it clear that banks generally have a very localized business."

In locating the market area, he continued, it is important to consider the places from which the bank draws its business. The two Phillipsburg banks' deposit and loan statistics show that in 1967 they drew over 85% of their business from the Phillipsburg-Easton area and, of that, only about 10% from Easton. Nearly every family in Phillipsburg deals with one of the city's three banks, and the town's businessmen prefer to do the same.

One-town banks, Justice Brennan noted, generally compete for deposits within a radius of only a few miles.

This localization of the banking business is "particularly pronounced" when small customers are involved, the majority continued.

"Small depositors have little reason to deal with a bank other than the one most geographically convenient to them," the majority stated. "For such persons, geographic convenience can be a more powerful influence than the availability of a higher rate of interest at a more distant, though

still nearby, bank. The small borrower, if he is to have his needs met, must often depend upon his relationship with the local banker."

The small depositor is usually unwilling to turn to banks in other communities because of habit, custom, personal relationships and convenience, the high court said.

"We find that the evidence shows that Phillipsburg-Easton constitutes a geographic market in which the proposed merger's effect would be direct and immediate," the majority said. "It is the market area in which PNB and SNB operate, and, as a practical matter, it is the area in which most of the merging banks' must, or will, do their banking. Thus, we hold that the district court mistakenly rejected the government's contention that Phillipsburg-Easton is an appropriate 'section of the country' under Section 7."

The court also found that the district court erred in not finding commercial banking alone as the appropriate line of commerce.

Rather than focusing its attention upon the effect of the merger in diminishing competition among commercial banks, the high court noted, the district court emphasized the competition between the

(Continued on back page)

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IOWA NEWS

BETTENDORF: The Security State Trust and Savings Bank has filed a petition for rezoning the site of a proposed drive-in banking facility. The 1½ acre tract would include a one-story drive-in bank, landscaping and parking.

CEDAR RAPIDS: Sam S. Johnson, president of Allen Motor Co., has been elected to the board of directors of City National Bank.

DAVENPORT: Dean Duben, president of the First National Bank, has announced plans for construction of a new branch office with drive-in facilities at West 3rd and Division Streets. Jack Sullivan, assistant vice president, will be manager of the new office.

DAVENPORT: The Federal Reserve Board has reported the establishment of a parking lot office by Davenport Bank and Trust Co. at East 38th St. and Kimberly Road.

DAVENPORT: Richard A. Shultz joined the staff of the First Trust & Savings Bank this past week as first vice president. Mr. Shultz comes to the bank from a position with the First National Bank of Muscatine.

DUBUQUE: Open house will be held by Dubuque Bank and Trust in its new Grandview facility on July 16, 17 and 18. The facility will be open today (July 13).

ESTHERVILLE: F. T. Shadle, president of Iowa Trust & Savings Bank, has announced that contracts have

been signed for construction of three new drive-in units just north of the main bank.

MT. JOY: Members of the Scott County Bankers Assn. and invited guests will hold the annual vigilante shoot at the Davenport Police Pistol Range, Mt. Joy, on Wednesday, July 15. Luncheon starts at 11:30, and competition starts at 1:00.

SIBLEY: Three major executive changes have taken place at the Sibley State Bank.

Fred W. Folkers has moved from president of the bank to chairman of the board. Replacing him as president is T. Robert Nelson, formerly executive vice president. D. Duane Crockett has been promoted from cashier to vice president and cashier.

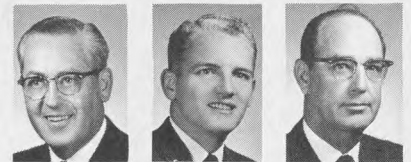
SIOUX RAPIDS: A. J. Scott, executive vice president, was recently honored for his 50 years service to the First State Bank.

NEBRASKA NEWS

LINCOLN: Richard D. Frizell, vice president of the First National Bank & Trust Co., was recently elected president of the Omaha-Lincoln Society of Financial Analysts.

OMAHA: Cecil W. Means, senior vice president of Stockyards National Bank, has retired. Mr. Means began with the Stockyards National in 1954. Previous to that he had been with the Federal Land Bank of Omaha.

OMAHA: Officials of United Methodist Community Centers are conducting a study on the possibility of a



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bank to be owned and operated by Negroes. The city's three largest banks, Omaha National, First National and U. S. National, are helping officials in carrying out the study.

OMAHA: A ceremony was held this past week as the last piece of structural steel was put in place at the First National Bank building. Completion is scheduled for the summer of 1971.

MINNESOTA NEWS

AITKIN: The Security Bank and Trust Company recently held open house in their new building. The bank also is offering drive-in facilities to its customers for the first time.

DULUTH: Bardon Higgins & Co., locally owned investment firm, will merge with Dain, Kalman & Quail, Inc. in August.

HARMONY: R. J. Blondin, vice president, and Philip Burkholder, cashier, were recently named to the board of directors of the Harmony State Bank.

MINNEAPOLIS: First National Bank of Minneapolis has announced seven new officer promotions, headed by the appointment of Louis K. Thompson to vice president in the trust and real estate development division.

New assistant vice presidents are James L. Reissner, commercial banking, and Kenneth O. Martinson and William K. Stern of the West Broadway branch office. Robert P. Norrgard was named personal banking officer, Ronald M. Bruss was appointed trust operations officer and Wallace W. Norlander was promoted to personnel officer.

MINNEAPOLIS: 25 Minneapolis and suburban banks are beginning a program under contract with the U. S. Department of Labor for employing



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(Supplement to Northwestern Banker July 13, 1970)

SURVEY ON BANK PENSIONS AND PROFIT SHARING PLANS...

... is being conducted among banks in the NORTHWESTERN BANKER area for the purpose of publishing a picture of the major features in the various plans now being used. Your cooperation in completing and returning this questionnaire will be appreciated. Signing the questionnaire is optional. Thank you.

1. Do you have a pension and/or profit sharing plan in your bank?

Pension Plan — Yes _____ No _____ Profit Sharing Plan — Yes _____ No _____

2. Is the plan trusteeed or insured? Trusteed _____ Insured _____

3. How long has the plan been in effect? Pension _____ Profit Sharing _____

4. Is your pension plan integrated with Social Security? Yes _____ No _____

(For example, if plan at retirement is say 30% of salary less Social Security payments, it is an integrated plan.)

5. Is your pension plan established on a career basis or final pay basis?

Career Basis _____ Final Pay Basis _____

(Career might be, say, 1% per year for 25 years, which would equal 25% of salary on retirement. Final pay plan would be established on the basis of a percentage of annual salary over the past five or 10 years.)

6. Does your plan offer privilege of vesting? Yes _____ No _____

7. Does employee contribute to the plan? Yes _____ No _____

8. Has your plan been adjusted to reflect cost of living adjustments for those previously retired? Yes _____ No _____

9. If you have a trusteeed plan, what are the average percentages of financial holdings?

Bonds and fixed obligations _____ % Common Stocks and Equities _____ %
Real Estate and Mortgages _____ % Other _____ %

10. If you have a trusteeed plan, is it self-administered or administered by others?

Self-administered _____ By Others _____

11. What features do you like best about your particular plan?

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ZUMBROTA: Three new directors have been appointed at the Farmers Security State Bank. Named were Paul E. Rockne, an attorney, Conrad Jacobson, a prominent area farmer, and local livestock market owner Donald Webster.

ILLINOIS NEWS

CHICAGO: The Central National Bank has announced several officer promotions. Named second vice president correspondent and agricultural banking department is Alan M. Meyer. Andrew J. Pach has been appointed trust officer. Appointed assistant cashiers are David R. Johnson, auditing, Curt D. Koch, information services, and John P. Murphy and Kenneth J. Shorter, correspondent and agricultural banking.

CHICAGO: Several officer promotions have been announced at the Pioneer Trust & Savings Bank. James M. Brophy, vice president, has been placed in charge of the commercial loan department and will be assisted by John Dudzik, newly elected vice president. Dennis R. Oster has been named assistant manager of funds. Elected vice president-national accounts is Fred B. Fisher.

CHICAGO: First National Bank of Chicago has received approval from the Fed for a branch in Athens, Greece.

MATTESON: An application for a permit to organize has been filed by a group proposing to establish the Community State Bank. Total capitalization of the proposed bank would be \$750,000.

EVANSTON: Construction has begun on First National Bank & Trust Company's new drive-in, walk-in facility at Grove Street and Elmwood Avenue.



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NORTH DAKOTA NEWS

BISMARCK: Charles R. Emch, manager of the mineral leasing department at the Bank of North Dakota, was recently honored at a banquet upon his retirement after 37 years with the bank.

FARGO: John W. Hendrickson, Jr., has been named trust representative at the First National Bank & Trust Co. Mr. Hendrickson was formerly a senior tax consultant with Broeker Hendrickson and Co.

LISBON: The Farmers State Bank recently held a week long celebration of their 50th anniversary. Refreshments, door prizes and a color TV set were given away. Gordon H. Weber is president of the bank.

VALLEY CITY: Oscar Lauzon has been promoted to assistant cashier at the American National Bank. He has recently been manager of the bank's Tower City branch.

SOUTH DAKOTA NEWS

ABERDEEN: Lyle Paschke has been promoted to assistant vice president and assistant manager of the Redfield branch, First National Bank of Aberdeen.

FAITH: The Farmers State Bank is presently constructing a new facility to replace the structure that has housed the bank since its founding 60 years ago. Temporary facilities are currently in use.

LEMMON: The Bank of Lemmon celebrated its 50th anniversary recently in conjunction with the Fourth of July holiday.

MILBANK: Remodeling of the Milbank branch of the First National Bank of Aberdeen was recently completed and open house was held.

SIOUX FALLS: Gene W. Mueller has been elected operations officer of the Dell Rapids branch of the Northwestern National Bank of Sioux Falls. Mr. Mueller has worked in the operations area at Dell Rapids since August, 1969.

SPEARFISH: Blayne Pummel has been appointed manager of the installment loan department in the Spearfish office of the First National Bank of the Black Hills, Rapid City.

Senate Committee Approves One-Bank Holding Bill ...

One-bank holding companies would be brought under Federal Regulation through a measure approved by the Senate Banking Committee last week. The bill would have the effect of forcing the holding companies formed since March 24, 1969, to sell either their banks or their affiliates unrelated to banking. A tougher House version contains a cutoff date of May 9, 1956.

Following Senate floor consideration, which isn't likely for several weeks, remaining differences in the two measures will have to be resolved by a House-Senate conference committee.

By voice vote, the committee adopted a softening amendment offered by Sen. Williams (D., N.J.) that hasn't any counterpart in the House bill. This provision would exempt from the bill's coverage a holding company whose bank's net worth (generally amounting to one-tenth of its total deposits) is less than three million, or is less than 25% of the holding company's combined net worth.

In the latter case, however, the exemption would be allowed only if

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the bank's net worth were less than \$50 million.

The amendment would exempt about 35 major holding companies that control one relatively small bank apiece. It also would exempt about 870 small holding companies controlling banks having less than about \$30 million in deposits.

Bank Mergers...

(Continued from Page 1)

two banks and other types of financial institutions.

In its Philadelphia Bank merger decision, the majority continued, the Supreme Court emphasized that it is the 'cluster' of products and services which full service banks offer that as a matter of trade reality makes commercial banking a distinct line of commerce.

Customers of small banks, the court continued, need and use this cluster of services and products no less than customers of large banks.

"This is perhaps particularly true of banks patronized principally by small depositors and borrowers for whom the convenience of one-stop banking and the advantages of a good relationship with the local banker—and thus of favorable consideration for loans—are especially important," the majority said.

If commercial banking were rejected as the line of commerce for banks with the same or similar ratios of business as those of the two Phillipsburg banks, the majority con-

tinued, "the effect would likely be to deny customers of small banks—and thus residents of many small towns—the antitrust protection to which they are no less entitled than customers of large city banks. Indeed, the need for that protection may be greater in the small town since...commercial banks offering full service banking in one institution may be peculiarly significant to the economy of communities whose population is too small to support a large array of differentiated savings and credit businesses."

Turning to the anticompetitive effects of the merger, the majority said that the commercial banking market in Phillipsburg-Easton is already concentrated. The union of the two banks would significantly increase commercial banking concentration, it continued.

The combined bank would become the second largest in the area. The assets held by the two largest banks would increase from 49% to 55%, the deposits from 56% to 65%, the loans from 49% to 63% and the banking offices from 7 to 10.

In dissent, Justice John M. Harlan said his first reaction to the cases was "wonderment that the Department of Justice had bothered to sue. How could that agency of government, I asked myself, be efficiently allocating its own scarce resources if it chose to attack a merger between two banks as small as those involved in this case?"

Total assets of the bank that would result from the merger are minuscule, he said.

"With tigers still at large in our competitive jungle, why should the department be taking aim at such small game," he questioned.

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