

# Annual Report 1965-1966



The Administrator of National Banks

James J. Saxon

Comptroller of the Currency

THE UNITED STATES TREASURY, WASHINGTON

## Letter of Transmittal

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TREASURY DEPARTMENT,  
OFFICE OF THE COMPTROLLER OF THE CURRENCY,  
*Washington, D.C., November 15, 1966.*

SIRS: Pursuant to the provisions of section 333 of the United States Revised Statutes, I am pleased to submit the 103d *Annual Report of the Comptroller of the Currency* which covers operations for the year 1965. I am also submitting materials relating to our Office operations in 1966 through the expiration of my term today. The statistical data for 1966 will be submitted to you as a supplement as soon as available. The present volume, plus this supplement, will comprise the 104th *Annual Report*.

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  
Comptroller of the Currency  
in  
Historical Perspective



The underlying goals and the basic philosophy of this Office have been affirmed on many occasions during the past 5 years. It has appeared to some observers that we were charting a new course, one not in the tradition of the past 100 years and more. These last 5 years have, indeed, witnessed an infusion of new ideas and a genuine effort to make bank regulation a creative, positive process. In particular instances, rulings have been made that were at odds with those of previous incumbents. Yet, even these decisions were well within a tradition that gives wide latitude to the Comptroller of the Currency. In this historical review, we shall reflect on this tradition to see how change occurs within a continuity of fundamental policy.

This report does not pretend to give a full account of the history of this Office and its relationships with the other supervisory authorities.<sup>1</sup> It does trace the key points of change in three main categories of the Comptroller's responsibilities for banking structure: (1) chartering and entry; (2) certification of branches; and (3) action on mergers. The decisions of this Office do not, of course, fall without exception into a logically tidy classification. Indeed, decisions made in one area of policymaking may immediately and directly affect those in another. For example, actions to restrict entry of new banks in a particular State or trade area have often resulted in a steady rise there in applications for *de novo* branches. Or undue restrictions on branching have increased pressures to acquire new offices through mergers or chains. Similarly, a policy of restricting customary forms of multi-office banking has sometimes resulted in the spread of affiliate and satellite banking.

So previous Comptrollers, having dealt with one set of problems, often bequeathed to their successors a legacy of other problems on which to spend their energies. Meantime, the American economy has expanded mightily, often growing where growth was unexpected, occasionally retrogressing in areas that once flourished. But, the resultant of economic forces has been to produce an economic mechanism that demands more and more of its financial institutions. Within the past 2 decades, the most vexing problems of stabilizing the performance of the economy have been at least partly solved, with the consequence that agencies responsible for regulating the commercial banking system have recently been able to act with less trepidation. Yet, the continuing challenge to this Office, as it must be

for all bank regulatory agencies, is to assure a banking system that properly lubricates the growth process while maintaining the confidence in the banking system that assures its solvency and liquidity. The Office has endeavored to meet this challenge through innovation consistent with the long tradition of bank regulation in America.

#### *Chartering and Entry*

The first Comptroller of the Currency, Hugh McCulloch, was appointed by President Lincoln in 1863. A long-time president of the successful Bank of Indiana, McCulloch brought to the Office a sophisticated knowledge of banking and exceptional administrative ability. A satisfactory solution of the problems confronting him demanded the full use of his talents.

At the outset there were two major barriers to entry into the National system. In the first place, State banks were reluctant to leave the haven of a State charter for the uncertainties of national supervision. Tightening the loosely drawn Currency Act of 1863 helped a little; but, rewritten and liberalized, the National Bank Act of 1864 exerted no magnetic attraction, either to existing banks or to new capital. So, on March 3, 1865, Congress levied a 10 percent tax on the circulation of State banks to force the conversion to National charter of those banks wishing to maintain their note issue. The effect of the tax was immediate and pronounced, as State banks converted in great numbers. In general, only relatively large banks, committed to deposits rather than note issue, stayed with their State charters.

For more than a decade after the establishment of the National banking system another major restriction, which had nothing to do with the merits of a particular charter application, inhibited entry. Under the Currency Act of 1863, the total circulation of Nationally chartered banks was set at \$300 million. Moreover, the original statute provided for the apportionment among the States and territories of one-half this maximum circulation on the basis of population and the other half on the basis of wealth, resources, and existing banking facilities. This distribution formula was omitted from the 1864 act but was restored on March 3, 1865. On this same day, as a provision of the law levying the 10 percent tax on the note issue of State banks, the Comptroller was required until July 1, 1865, to give preference in granting charters to State banks over new associations.

So McCulloch was, for a time, forced to travel about the country selling the idea of a National banking system. Furthermore, caught between contradictory

<sup>1</sup> A more detailed history of the functions of the Office of the Comptroller of the Currency will be published early in 1967.

statutes he had to decide which of two laws took preference. The conversion of State banks in preference to granting new charters meant that a disproportionate amount of banks in the New England and Middle Atlantic States would enter the system, violating the "distribution rule." But since there could be no truly National banking system without conversion of the State banks, McCulloch and his immediate successors chose the alternative of preferring conversion, despite the violation of the apportionment law. Even after July 1, 1865, when preference for State bank conversion presumably ended, Comptroller Freeman Clarke continued the same procedure. By July 1867, the maximum circulation of \$300 million was reached, banks in New England and the Middle Atlantic States having received the lion's share of the total. For more than a decade the upper limit on circulation harried the National chartering authority and was a source of continuing annoyance to the Southern and Western States.

Despite the requirement that he sell his wares to an unfriendly clientele, Hugh McCulloch did not consider himself bound to automatic approval of charter applications. Although he never articulated a philosophy of bank chartering, his views can be inferred from an 1864 *Manual of Instructions* sent to prospective organizers of National banks and from cryptic notes written in his own hand on letters requesting forms for charter applications. Before mailing forms for meeting procedural requirements for a National bank charter, McCulloch insisted on having three types of information. First, he wanted a summary of the economic potential of the community in which the proposed bank would be located—its population, the kinds and amount of business done there, and the prospects for growth. Second, he required "satisfactory references \* \* \* from gentlemen of known character and reputation" about the "character and responsibility" of the parties proposing to organize an association. Finally, he investigated the extent of banking facilities in the city of the proposed bank and in nearby communities. Many a letter of inquiry contains such remarks as "Send law but express opinion bank not needed" or "Delay" or "Discourage, near Athol Depot." Procedures were less formal than those that ultimately emerged, but the first Comptroller made an investigation of the same kind that would be made 100 years later.

Freeman Clarke, who succeeded to the Comptrollership upon McCulloch's appointment as Secretary of the Treasury, likewise took the view that the Comptroller could exercise wide discretion in the granting

of a bank charter. Like McCulloch, he operated within the constraints of provisions restricting the circulation, as did the third incumbent in the Office, Hiland R. Hulburd. At last, in the Specie Resumption Act of 1875, the limitation placed on the total circulation of National banks was repealed. In his *Annual Report* for 1875 Comptroller John J. Knox, historian and scholar, commented on the effect of currency restrictions:

The National banking system was intended to be a free system, and from the beginning the organization of banks was open to all; but the amount of circulation originally authorized having subsequently become exhausted, the establishment of banks with circulation was, of necessity, for a time suspended. The act of January 14, 1875, however, removed all restrictions in this respect; and since that date every application which has conformed to the requirements of the law has been granted.

During Knox's tenure of just over 8 years, the view gradually emerged that the Comptroller could play only a passive role in the granting of charters. Wrote Knox in the 1881 *Annual Report*:

The Comptroller has no discretionary power in the matter, but must necessarily sanction the organization or reorganization of such associations as shall have conformed in all respects to legal requirements.

Thus, by the 1880s the spirit of free banking pervaded the Office. There began what many observers have called a "charter race" between the Comptroller of the Currency and State banking authorities. Until about 1880 the note-issue privilege of National banks gave Federal charters a competitive edge. Another advantage of a National charter was its familiarity to nonresident investors, who were more likely to commit their capital under such a charter to newly developed sections of the country. But after 1880, the competitive advantage swung steadily in favor of State charters, which became more attractive for several reasons. They gave far greater latitude to bank management by permitting larger loans to single borrowers and a wider variety of loans and investments. More important, perhaps, were the lower reserve requirements of most States and the smaller capitals permitted. Between 1880 and 1900 the number of National banks increased from about 2,100 to approximately 3,700; in the same 20-year period, the number of State banks jumped from 650 to just over 5,000. In 1907, State banks outnumbered National banks by nearly two to one, though total resources of State banks were then about the same as those of National banks.

The period from 1880 to the Panic of 1907 comes as close to being one of free banking as this country has ever experienced. With few exceptions, State

supervisory authorities had little discretion in granting bank charters. At the national level variation in the attitudes of successive Comptrollers was slight; for the most part they approved new charters provided the letter of the law was observed. To be sure, the 1884 edition of *Instructions in regard to the Organization, Existence, and Management of National Banks* required that a new application be endorsed by a member of Congress or be accompanied by letters from prominent citizens "vouching for the character and responsibilities of the parties, and the necessities of the community where the bank is to be located." In the 1891 and 1900 editions of this manual the "necessities" criterion was omitted.

Under Comptrollers Knox, Cannon, and Trenholm charters were granted routinely. Data on new-bank formation between 1891 and 1900 suggests at first inspection that Comptrollers Lacey and Eckels may have been more strict in their approval policy. Yet, the decade of the 1890s was one of bad times; there were perhaps 1,000 bank failures during these 10 years, and investors were probably deterred by the accumulated bank investment of the 1880s. In any case, Comptroller Eckels in 1896 urged Congress to amend the National Bank Act to reduce minimum capital requirements in small towns, to permit branches of National banks in communities of less than 1,000, and to lower the proportion of small-bank capital mandatorily invested in Government bonds. Comptroller Charles G. Dawes supported the capital-reduction proposal, and it became law in the Gold Standard Act of 1900. Henceforth, National banks in places of 3,000 inhabitants or less, might be chartered with a capital of \$25,000, and within a few years more than 2,500 of these applications were approved. From 1900 through 1907, there is little evidence of restrictions on chartering by the Comptroller.

A marked change in attitudes occurred with the appointment of Comptroller Lawrence O. Murray in April of 1908. The severe, if shortlived, depression of 1907-08 and its accompanying "money panic" doubtlessly colored his thinking, but his decisions marked a more fundamental turn in the charter philosophy of the Office. The 1909 edition of the *Instructions Relative to the Organization and Management of National Banks* required three public officials of a community to state their "belief that the conditions locally are such as to insure success if the bank is organized and properly managed." In successive reports, Comptroller Murray remarked the increasing care taken by the Office to scrutinize charter applications, observing that particular attention would be paid

to applications from small communities. He noted, not without some wishful thinking, that State authorities were cooperating in refusing bank charters where prospective business did not warrant them. But the brakes applied by Comptroller Murray were eased by his successor, John S. Williams, and in the prosperity of World War I, State officials likewise became more lenient. By 1920, the number of commercial banks in the country totaled an incredible 30,000, more than 22,000 State banks and 8,000 National banks.

In the early 1920s, the Office maintained a liberal chartering policy, Comptroller D. R. Crissinger being especially anxious to assure charters in sufficient numbers to maintain the strength of the Federal Reserve System. From 1924 on, however, chartering policy became progressively more restrictive, the rejection rate for the years 1926-30 approximating  $\frac{1}{2}$  the applications received. In his 1927 *Annual Report*, Comptroller McIntosh remarked that "extreme care" should be exercised in granting charters for both National and State banks, adding that in 1926 he had approved only 44 percent of the applications received compared with an average approval rate of nearly 73 percent over the 8 previous years. In 1928, Comptroller John W. Pole reported that the Office was exercising "a policy of extreme care in granting charters for National banks based primarily on needs of a community for additional banking facilities."

The years 1931-35 were devoted largely to rescue operations. Although nearly 800 new National charters were approved in this period, more than 700 of them were worked out with the cooperation of this Office to save banks in difficulty. The period of free, or nearly free, banking that had begun around 1880 had clearly come to an end well before the onset of the Great Depression. It is testimony to the good sense of the Comptrollers of the Currency and a substantial number of State bank supervisors that selectivity in chartering began as early as the mid-1920s.

More cautious attitudes were doubtlessly prompted by the wave of bank suspensions that began with the precipitate depression of 1920-21. Beginning in 1921, the number of commercial banks decreased by several hundred each year, 5,411 failing over the 9-year span of 1921-29. From 1930 to 1933, 8,812 banks suspended, nearly half of them going under in 1933 alone. Of the 14,000 banks suspending between 1921 and 1933, 11,300 were State banks and 2,700 were National banks. More than 90 percent of these failures were in communities with less than 25,000 inhabitants, and 85 percent of the suspending banks had total assets of less than \$1 million.

In part, of course, the failures that began a decade before the economic disintegration of the early 1930s were a response to the previous high rate of bank investment. For 40 years, banks had been springing up in hamlets and villages of 200 and 300 inhabitants; in a South Dakota community of 300 served by a State bank the competition became ruinous when the Comptroller of the Currency granted a National charter to another group. County seat towns of less than 1,500 people often boasted 3 or 4 banks, and a midwestern town with a population of 10,000 was blessed with 18. But the catastrophe of failure was the consequence of a more deep-rooted cause than "overbanking." Urbanization of the American population began in earnest in the 1920s, inexorably taking people from the agricultural communities and their purchasing power away from small-town businesses. Moreover, mortgages made on the basis of high World War I land values went steadily into default. With the deterioration of assets that occurred when loans to farmers and to businesses dependent upon farmers went bad, thousands of institutions found themselves in severe straits. At the onset of the depression, frightened depositors rushed to demand their money, with the consequence that even good assets had to be liquidated in falling markets. At last, as business declined disastrously, the very best credit risks could not meet their obligations. Vigorous and imaginative rescue work by the Federal Reserve might have saved the day, but the monetary authorities of that time did not understand the proper role of the central bank in a period of financial emergency.

With fewer than 100 suspensions in 1934-35, it was clear that except for some salvage work, the crisis was over. But there would no longer be business as usual, at least not for many years to come. Of the many changes in public-policy concepts, none was more drastic than the change in attitudes toward bank chartering. Nearly everyone in a position to make decisions was agreed that free banking, if it meant continuing competition between State and Federal authorities, should stop. A corollary of this proposition was that some kind of Federal control had to be exercised over bank formation under State charter. As it turned out, the Federal Deposit Insurance Corporation became the agency to exert this control. By the end of 1935, a few months after the permanent plan of Federal Deposit Insurance was introduced under the Banking Act of 1935, more than 90 percent of United States commercial banks were covered. Since Federal authorities could now withhold deposit insurance, con-

siderable power would henceforth be exerted over State chartering.

From 1935 on, Federal supervisory agencies would also have almost unlimited discretion in regulating the organization of new banks. Among the criteria to be considered were the adequacy of a prospective bank's capital structure, its future earnings prospects, the character of its management, and the convenience and needs of the community it would serve. Thus, standards that had been intermittently used by this Office, and increasingly by State authorities, were written into the law.

1936 began a 25-year period of drastic reduction in the rate of formation of new banks. On the average, 86 new institutions annually were started from 1936-60. This rate was not constant over the entire period, for it began to pick up in the early 1950s as profits of commercial banks improved in the postwar years. Actually, between 1936-45, 480 new State banks were chartered; the figure for 1946-55 was 705 and for the 5-year period, 1956-60, 435. The corresponding figures for National banks were 55, 156, and 124. From 1936 to the end of 1960, applications for National bank charters averaged about 50 each year, or one-sixth the annual average from 1911 through 1935. Over the quarter century from 1936-60, National bank charters accounted for less than one-fifth of the nearly 2,000 banks organized.

There are several reasons why only 335 National banks were chartered in this quarter century. Relatively low returns to capital invested in commercial banking were partially responsible, while a 40 percent rejection rate on applications must have deterred some prospective bank organizers. But the most obvious reason for the low number of bank charters was the attitude of post-depression Comptrollers. Although there is little discussion of chartering policies in successive *Annual Reports*, it is apparent that this Office was for 25 years extremely reluctant to admit new banks to the competition. In a drastic swing in the pendulum of authority, "convenience and needs" were severely scrutinized, and decisions to charter new banks went from the extreme of free banking to the extreme of unduly restricted approvals.

It is well-known that, beginning in 1962, this Office encouraged applications for new charters. In 1961, Comptroller Ray M. Gidney's last year in office, 97 applications were received. In 1962, this Office received 176 requests for new charters, the number increasing to 490 in 1963 and 468 in 1964. This total of 1,134 charter applications was more than had been submitted in the previous 20 years. In the 4-year



period 1962-65, this Office granted 513 new charters, while State authorities, unquestionably stimulated to greater liberality by the Comptroller's actions, granted 502. The public clearly understood that the closed-industry image would be changed and that, at least for a time, a decision had been taken to increase the banking resources of the country in trade areas where they were deficient.

Other post-depression Comptrollers were sensitive on occasion to the need for new banks in places where existing facilities were plainly inadequate. These officials were, without exception, motivated by concern for the public interest. Yet, from 1936-61, the pre-occupation of this Office was still with the problem of bank failure, and its main objective was to preserve existing banks. Beginning in 1961, the Office adopted the view that banks, despite their considerable regulation, are not public utilities and, thus, are not entitled to complete protection from competition.

While showing due concern to prevent overinvestment in banking in particular trade areas, we, at the same time, moved to permit adequate banking services where the public interest required them. In the *Annual Report* for 1964, it was noted that new charters would have to be rejected for particular areas once a certain level of investment was reached. As the record shows, the rate of rejection of charter requests climbed steadily in 1963-64, reaching 70 percent for 1965. In retrospect, the increase in new charters granted by this Office over the years 1962-65 is seen as a needed adjustment required by particular communities if growth in those communities was not to be inhibited by lack of financial resources.

#### *Certification of Branches*

During the first 75 years of American commercial banking, the right of banks to have branches was rarely questioned. Typically, banks organized under the early charters had only one or two branches; but as years went on, banks in New England and the Middle Atlantic States tended to divest themselves of branches, not because of political opposition but because there was no economic reason for keeping them. In this early period, branches were almost invariably intercity. In the long-settled regions of the United States, places requiring a bank were not without wealthy citizens who could provide the necessary capital should there be a prospect of a profitable business. At the same time, no saving resulted from operating in two or more cities; in fact, problems of communication and transportation implied diseconomies of scale, where scale was achieved by

widely separated offices. The consequence was that, by the late 1840s, there were no branches in any of the New England States and only two in the State of New York.

Both the first and second banks of the United States operated profitable branches, setting a pattern for the organization of pre-1860 branch systems in the South and West. Because of slow communication and great distances between branches and headquarters, it was impossible for the head office to exercise day-to-day supervision of a network of branches. Consequently, each branch, under its own board of directors, developed a large degree of autonomy, maintaining an independence of action far greater than that enjoyed by branches in 20th-century America.

This same principle of organization was carried over into the great branch systems of the West. One of the best of them, the State Bank of Indiana, had a structure imitated by the State banks of Ohio, Iowa, and several other States. The board of directors of the Bank of Indiana was resident in Indianapolis, the capital city. Yet, each of the 13 branches was locally organized, had its own capital subscribed by its own stockholders, and paid its own dividends, subject only to the approval of the supervisory board of control in Indianapolis.

Branch systems of the kind in use today, dominated by the head office, were found in certain border and Southern States. Southern capital was largely committed to the plantation system and was not available for a unit bank in each community able to support one. Head offices of banks in these areas tended to be in urban centers, and branches, without local capital contributions in the areas they served, were, therefore, directed from the top with little branch autonomy.

At the time of establishment of the National banking system there was little or no controversy over branch banks. Examination of the legislative history of the Currency Act of 1863 and of the National Bank Act of 1864 reveals no special concern about branches. Not until passage of the 1865 law levying the 10 percent tax on State bank notes was there statutory mention of the matter. This legislation allowed State banks converting to National charters to keep their branches provided that definite capitals were assigned to the "mother bank and branches." There was no apparent controversy over this section of the act.

Moreover, there is little evidence that the framers of the legislation of 1863 and 1864 meant to preclude branch banking. Nevertheless, two clauses in the National Bank Act were so interpreted. Section 6 of the act required persons forming an association to specify

"the place" where business would be carried on, and section 8 required that usual business be transacted at "an office or banking house" located in the city specified in the organization's certificate. This use of singular nouns was common in State free-banking statutes and was originally intended to outlaw the location of offices in inaccessible places for the purpose of hindering note redemption. Nevertheless, as a condition of granting a National charter, Comptroller Freeman Clarke refused to allow the Washington County Bank in Williamsport, Maryland, to keep its branch office in Hagerstown. He wrote: "The sixth section (of the law) requires that (the organizers) shall specify in their organization certificate the particular place (not places) at which their operations of discount and deposit shall be carried out." Whatever the Congress had intended, this decision was followed by Comptrollers for years to come. For decades the opinion made little difference one way or another. In the North and East branch banking had nearly disappeared. In the South, where in antebellum years multiple-office banking of today's type was concentrated, many branch banks were destroyed by the war, were dissolved by State authorities, or entered the National system with each former branch as a unit. And, in the free banking spirit that pervaded western areas, State laws were passed making it easy to form new banks in the towns and cities that could support them.

As a result, the branch bank question did not become an issue for many years. In 1887 and again in 1888, the Comptroller of the Currency recommended that National banks be allowed to establish additional offices in the head-office city, but nothing came of the suggestion. During the 1890s, however, there was a growing demand for increased banking facilities in small towns. The first strong advocates of branch banking based their case largely on rural need, Comptroller Eckels' 1896 proposal for branches in places of less than 1,000 population being a typical public-policy prescription. Consequently, the force of branch banking arguments was greatly weakened with passage of the 1900 statute reducing to \$25,000 the capital requirement for a National bank in a place of 3,000 or less. With the ensuing rapid creation of small banks by the hundreds, the chief argument for branch banking was undermined. By the same legislative stroke, the ultimate potential of the antibranch lobby in State legislatures was bolstered by thousands of new country bank offices.

For a year or two there was continuing discussion of the issue. In a classic profession of faith in branch banking Comptroller William B. Ridgely, in 1902, placed this Office squarely on the side of branch-bank proponents. But the first economic pressure for branching had disappeared, to be gradually renewed as the continuing growth of cities moved their peripheries farther and farther away from the business centers. In 1900, banks with branches accounted for only 2 percent of resources of American banks; 20 years later, they accounted for nearly 15 percent. But as the number of branches grew, the number of unit banks grew also, so that in 1920 branch banks controlled only 6 percent of total banking offices in the country. From 1920 on, branch banking increased in relative importance, for as the number of commercial banks was cut by one-half over the next 15 years, the number of branch-bank offices more than doubled.<sup>2</sup> In 1935, branch banks controlled more than one-half the resources of American commercial banks.

Since 1935, the trend toward multiple-office banks has been uninterrupted, with the rate of increase of branch-bank offices increasing remarkably in the early 1950s. Between 1935-50, the number of unit banks declined to about 13,000, while the number of branch-bank offices, including home offices, rose to nearly 6,500. More specifically, at the end of 1950, 1,241 banks operated 4,721 branches; 3,276 of the offices were in the main-office city, and 2,686 were outside the main-office city. Resources controlled by branch banks were still just over 50 percent of the total of all commercial banks.

In 1950, there were almost 19,000 banking offices in the United States. By the end of 1965, this figure had increased to more than 29,000. During this interval, the number of unit banks fell from 12,923 to 10,678, while the number of branch banks increased from 1,241 to 3,140. Meantime, the number of branches soared from 4,721 to 15,486 so that the total number of branch-bank offices rose to 18,626. Branch-bank offices then accounted for almost 64 percent of total banking offices and controlled approximately two-thirds of the banking resources of the country.

The economic forces compelling the growth of branch banking have been persistent and inexorable. Moreover, branch banking would have shown even more dramatic gains in the absence of legislation, Federal and State, passed with the primary intent of pro-

<sup>2</sup> The expression "branch-bank offices" is used in this section to denote all offices of branch banks, including home offices.

tecting unit banks from competition. This legislation has, in some States, absolutely stopped an increase in multi-office banking, leaving the flourishing city institutions to squeeze themselves into ever more inefficient banking houses. In other States, it has led to expansion in the two other forms of multi-office banking, groups and chains, which have flourished where the more straightforward branch-bank organizations could not be organized.

For perhaps 2 decades after the turn of this century, intracity branching showed more strength than intercity branching. As cities pushed outward and increasing traffic congested the streets, banks found it progressively more difficult to reach the household unit. It was almost precisely at this time that the American middle class was becoming affluent enough to make household and small personal accounts profitable. In a society of spatially separated communities, bearing an isolation that we find hard to imagine today, uncertain communication and bad roads continued to slow the establishment of branch offices outside the home city. Yet, even before 1920, intercity branches were increasing in a dozen states, notably in California. After 1920, intercity branching became the more important type, as banks moved to place offices in the burgeoning suburbs. Underlying this change, its character in part determined by the urbanization or a peripatetic population, have been the increasing returns to scale in banking. In part, the advantages of larger units have been encouraged by technical advances in the processing of data, which have been accompanied by reductions in costs of communication. More fundamental has been the advantage to large units of first-class managerial talent, for in an increasingly complex world, financial institutions, possibly more than other business firms, require the benefits of the improving quality of management that, within certain limits, comes with size.

Statutory and regulatory resistance to this course of economic events, while by no means evident everywhere, has been persistent in certain geographic areas. However, at both Federal and State levels the trend of the past half century has been toward liberalization of 19th century supervisory judgments about branch banks.

Comptrollers following Freeman Clarke consistently ruled that National banks could not have branches. In 1911, Comptroller Murray asked Attorney General Wickersham for an opinion, and Wickersham responded that the power to branch was not implied in the National Bank Act. In 1915, the Federal Reserve

Board recommended that legislation be passed to permit National bank branching within the main-office city or county, and a controversy that had smoldered for years erupted at the 1916 convention of the American Bankers Association, which adopted resolutions opposing branch banking in any form. So vehement was the opposition to the Federal Reserve proposal that it was dropped. Only the devious path of the Consolidation Act of 1918 opened the way to multiple-office structure for National banks. This statute permitted a National bank that had converted from State to National charter, keeping its branches, to consolidate with another National bank, retaining the branches involved in the consolidation. Thus, in States permitting branching, a National bank could acquire branches by organizing a State bank with branch offices, converting the State bank to a National charter, and then merging with it. Although an awkward procedure, the method nevertheless enabled more than 100 National banks to acquire branches in just a few years.

By 1920, the problem of providing banking facilities convenient to residential areas of a city was changing to the problem of creating outlets for mushrooming suburbs. For years, the Office of the Comptroller had considered the possibility of allowing metropolitan banks to open "offices." In 1921, Comptroller D. R. Crissinger recommended that the National Bank Act be amended to permit limited branching, but there was no response from Congress. Crissinger then began to permit the use of intracity offices or tellers' windows wherever State branching was permitted. These offices could receive deposits and cash checks but could not make loans or carry on other business requiring policy decisions. Again, in his *Annual Report* for 1922 Crissinger asked that National banks be granted branching authority at least to the extent enjoyed by State banks, and again he was rebuffed. Crissinger's immediate successor, Comptroller Henry M. Dawes, essentially an opponent of branch banking, requested an opinion from the Attorney General about the legality of additional offices such as his predecessor had authorized. This time the Attorney General responded favorably, holding that National banks could operate limited-service offices within their city of location. For several years these offices served as outlets for the considerable pressures that were building.

In 1924, the Supreme Court of the United States upheld a lower court decision that branching by a National bank, where prohibited by a State statute, was

illegal.<sup>8</sup> By this time the Comptroller of the Currency had prepared recommendations for a Federal statute governing National bank branching, and bills containing his suggestions were introduced in both the House and the Senate in 1924. After 3 years of noisy argument, the McFadden Act was finally passed in 1927. The law, for the first time, permitted branches that were unlimited with respect to function. Nevertheless, many considered the McFadden Act to be an anti-branching bill, for it permitted members of the Federal Reserve System to establish new branches only within the limits of "the city, town, or village in which said association is situated if such establishment and operation are at the time permitted to State banks by the law of the State in question." Thus, although National banks could henceforth establish full branches in States permitting branches, they as well as State member banks could not establish branches outside of the home city.

Almost at once agitation began for liberalization of this restrictive law. In his *Annual Report* for 1929, Comptroller John W. Pole proposed that National banks be allowed to branch over their trade areas. In the same year, President Hoover, noting the growth of group and chain banking, suggested to Congress that it consider permitting National banks to branch in limited areas. Even the American Bankers Association began to soften its opposition to branching, indicating that "community wide" branching in cities and "county wide" branching in rural areas might be economically justifiable. With such support, it appeared that bills introduced by Senator Carter Glass, which would have permitted State-wide branching and even branching across State lines to a distance of 50 miles, would receive favorable consideration. But such sweeping change led to bitter, if minority, opposition in the Senate, with the consequence that the law providing today's basic rule became a part of the Banking Act of 1933. In effect, this provision allows National banks to branch in any State within the geographic limits specifically authorized by the laws of that State. To the basic limitation was added certain discriminatory capital requirements for member banks branching outside their head-office cities, requirements that proved a serious deterrent to many banks. In 1952, the law was changed to permit member banks wishing to branch to meet the same capital requirements of State law for branch banks, and Comptroller Ray M. Gidney

noted in his 1952 *Annual Report* that "provisions of the new law are proving to be eminently satisfactory."<sup>9</sup>

National banks might be " \* \* \* on a parity, for all practical purposes, with State chartered banks," as Comptroller Gidney remarked, but 17 states then limited branching, and 11 prohibited branches. Nevertheless, by 1960, National banks maintaining branches accounted for nearly 39 percent of all commercial banks having branches, a jump from 26 percent in 1950. At the end of 1950, 905 National banks operated 5,325 branches, and 1,424 State banks operated 6,381 branches.

During the past 5 years, this Office has taken the position that a healthy growth of branch-bank systems should be encouraged so as to maintain all possible options for banking expansion. As the annals attest, branch systems have long been consistent with economic and sociologic change in the United States. The Office has approved *de novo* branches where State law permits provided that community circumstances indicated profitable support of a new branch. That competition has been increased by this policy is suggested by the data. From the end of 1960 to the end of 1965, the number of National banks maintaining branches rose from 905 to 1,331, an increase of 48 percent. Meantime, the number of branches operated by National banks increased from 5,325 to 8,754, a jump of 64 percent. (Branches operated by State banks rose in this interim from 4,918 to 6,732, an increase of 37 percent.) At the end of 1965, offices of National banks operating branches totaled 10,085 compared with the State bank figure of 8,541.

The geographic consequences of recent change are remarkably various. The stronghold of unit banking is largely between the Rockies and the Mississippi River, with Montana, Wyoming, Colorado, Nebraska, Kansas, Oklahoma, Texas, Minnesota, and Missouri lying within this area. Illinois, West Virginia, and Florida are the only other States that absolutely prohibit branches in any form. Yet, branching is so restricted in a few of the so-called "limited" branching

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<sup>8</sup> A floor on capital requirements of National banks and their branches is established by Federal law. Specifically, "the aggregate capital of every National banking association and its branches shall at no time be less than the aggregate minimum capital required by law for the establishment of an equal number of National banking associations situated in the various places where such association and its branches are situated." However many branches a National bank may have in one place, the capital requirements for all of them is only what it would be for one bank.

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<sup>9</sup> See: *First National Bank in St. Louis v. State of Missouri*, 263 U.S. 640-668, decided January 28, 1924.

States that they, for all practical purposes, exclude themselves from the economic benefits of branch banking systems.

#### *Action on Mergers*

For half a century after passage of the Sherman Act, banks were not threatened with litigation, nor did the more specific prohibitions of sections 7 and 8 of the Clayton Act seem a cause for apprehension. Mergers were considered a means of rescuing foundering institutions rather than a way to monopolistic restraints. Moreover, many observers felt that since banking was regulated by specific Federal and State statutes the antitrust laws did not generally apply.

The first faint rumblings of commercial bank exposure to Sherman Act prosecution came in the 1940s. In 1945, the Justice Department filed suit against a New York trade association, composed of mutual savings banks and trust companies but including one commercial bank, alleging a section 1 Sherman Act violation. Three years later, a similar suit was brought against the Chicago Mortgage Bankers Association, which included several commercial banks, the defendants being charged with fixing minimum fees and rates in connection with their lending activities. After more than a decade of inattention to such activity, the Justice Department, in 1961, brought a price fixing charge against certain New Jersey banks alleging collusion in setting service and other charges. Similar action was shortly taken against banks in Dallas, Texas, and in certain Minnesota cities. In each case, groups of commercial banks were charged with conspiring to fix various rates and terms, whether of interest to be paid or charges for services. In each instance, proceedings were terminated by consent decree or other agreement, and some defendants were fined after pleading no contest. Early in 1962, this Office instructed all National banks to determine service charges and banking hours without collusion, whether through clearinghouse agreements or otherwise. Individual boards of directors were made responsible for determination of such practices, and National bank examiners were instructed to insure compliance. As noted in the 101st *Annual Report* of this Office, we have maintained a close surveillance on National banks regarding such activity.<sup>5</sup>

Section 8 of the 1914 Clayton Act aimed at the prohibition of interlocking corporate managements.

After much congressional deliberation, directors and other officers of banks above a certain size were specifically prohibited from sitting on more than one board, though exceptions in this and subsequent amending legislation, notably the Banking Act of 1935, made the law fuzzy and uncertain of enforcement. The Federal Reserve Board has held hearings on alleged section 8 violations, but these cases have not found their way into the courts on appeal. Data on exemptions granted by the Federal Reserve as authorized by the statutes are not available.

In 1962, the Comptroller's Advisory Committee on Banking recommended " \* \* \* that the law and its application by the supervisory authorities should restrict interlocking directorates, and not only between competing commercial banks (as is now the case) but also between commercial banks and certain other types of competing financial institutions." <sup>6</sup> This Office has consistently taken the view that conflicts of interest in the financial structure should be removed and that laws regarding interlocking directorates should be clarified and strengthened.

Like clearinghouse association agreements, acquisition of commercial banks through purchase by non-banking corporations of stock or assets came under administrative and legislative scrutiny in the 1940s. After years of discussion among the Federal supervisory agencies and the Department of Justice, the Board of Governors of the Federal Reserve System in 1948 initiated a proceeding under sections 7 and 11 of the Clayton Act against the Transamerica Corporation, a West Coast holding company, alleging a violation of section 7 because of systematic acquisition of the voting stock of independent banks in 5 States. The Board's 1952 order to Transamerica to divest itself of 47 majority-owned banks was set aside by a circuit court of appeals in 1953, and the Supreme Court refused to review the lower court's decision.

Meanwhile, some congressional sentiment was developing for legislation that would bring bank acquisitions under the control of Federal bank regulatory agencies. For example, a 1945 bill sponsored by Senator Kefauver would have exempted bank acquisitions from section 7 of the Clayton Act, requiring that bank mergers be approved by the Comptroller of the Currency, the Federal Reserve Board, or the Federal Deposit Insurance Corporation. Neither this nor sub-

<sup>5</sup> See 101st *Annual Report* of the Comptroller of the Currency, 1963, p. 29.

<sup>6</sup> *National Banks and the Future*, Report of the Advisory Committee on Banking to the Comptroller of the Currency, 1962, p. 94.

sequent attempts to include Federal agency control of bank acquisitions secured congressional approval. When the 1950 Celler-Kefauver Amendment to the Clayton Act was passed, merger by asset acquisition as well as stock acquisition was brought within the section 7 provision of the Clayton Act. Bank mergers were not included in this legislation, probably because the bill would not have passed if they had been included.

Despite repeated attempts to bring mergers and consolidations under the proscriptions of section 7, notably by Congressman Celler and Senator Sparkman in 1955, a succession of bills for this purpose failed to gain congressional approval. After a decade of consideration, the Bank Merger Act of 1960 provided for administrative control of bank mergers by the Federal agencies and made explicit the consideration of banking as well as competitive criteria in determining the merits of a particular merger. In addition to the effects of merger on competition, regulatory agencies were to consider at least five banking criteria, including "the convenience and needs of the community to be served."

Careful review of the legislative history of the 1950 and 1960 legislation left no doubt in the minds of most economists and lawyers about the intent of Congress to exclude commercial bank mergers from Clayton Act prosecution. But, the 1960 statute did not explicitly state such exclusion, and in the *Philadelphia* bank decision of 1963, the Supreme Court, though wondering aloud why the Celler-Kefauver Amendment made no explicit mention of mergers not subject to Federal Trade Commission jurisdiction, could perceive "the basic Congressional design" and could infer that bank mergers were subject to the Clayton Act.

This opinion, when coupled with the decision in the *Lexington* case, subjects commercial banks to more stringent antitrust regulation than applies to firms in unregulated industry. The 1966 Amendment to the Bank Merger Act has imposed a single set of standards upon the banking agencies, the Department of Justice, and the courts by which to assess the legality of a merger. This Office must now make an antitrust judgment and, finding a substantial lessening of competition, can approve a merger only if banking advantages outweigh the competitive disadvantages. The Department of Justice can now postpone a bank merger by merely commencing an action against it instead of seeking an injunction in the courts.

As we have remarked before, in the expansion of banking, merger may often be preferable to new char-

ters or *de novo* branching.<sup>7</sup> The Comptroller of the Currency, with other Federal regulatory agencies, is now unnecessarily hindered in determining the optimum allocation of commercial-bank resources. Decisions made by this Office in the light of 104 years of experience are presently subject to interference by a department of the Government with no experience in bank regulation and a patent inability to perceive the nature of competition in banking and to ascertain relevant banking markets.

For the past 5 years, the authority of this Office has been chiefly exercised to assure a new and vital competition among commercial banks and between commercial banks and nonbank financial intermediaries. In that period, the Office issued more than 6,000 decisions and interpretations under existing statutes and has recommended to Congress legislation that would permit further changes in the direction of truly competitive financial markets. In a substantial number of instances, decisions have increased the powers of commercial banks and so their freedom to compete. On many occasions, however, a determination has been made to restrain activity with probable anticompetitive effects, our actions against possible collusion among banks with respect to service charges and banking hours typifying rulings of this kind.

The preoccupation of the Office has been to assure the economic entry of resources into commercial banking by means that have appeared appropriate in each particular case. Charters, *de novo* branches, and mergers have been approved in accordance with a long tradition of adjusting the supply of banking services to the demand for them. This Office has made economic judgments not only with an eye to historical experience but with due consideration for the future financial requirements of a growing economy.

Observers of the financial community frequently remark the rise of a recent enthusiasm in commercial banking, an *esprit* that is carrying the industry forward through a rapid rate of technical innovation to new peaks of service to the community. This change was under way in the 1950s. It was the role of this Office, through creative regulation based on sound precepts of law and economics, to encourage this spirit, this new competitive sense, and so to strengthen the resource base of this country.

<sup>7</sup> 102nd *Annual Report of the Comptroller of the Currency, "The Banking Structure In Evolution,"* 1964, p. 5.

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# I. State of the National Banking System

During 1965, the assets of National banks rose by \$29.0 billion, or 15.2 percent. Of this increase, the conversion of Chase Manhattan Bank accounted for 7.3 percent. At year's end, the 4,815 National banks and the seven District of Columbia non-National banks supervised by the Comptroller of the Currency had total assets of \$220.2 billion, or 58.1 percent of the assets of all commercial banks. The 1965 rate of increase in assets of National banks exceeded the 1963 and 1964 increases of 6.0 and 11.7 percent, respectively.

The 1965 growth of National banks was greater than that of State member or insured nonmember banks. The number of National banks increased by 42, or 0.9 percent, while the number of banking offices increased by 840, or 6.6 percent. The comparable percentage changes for State member banks and banking offices were -3.2 and -0.3, while for insured nonmember banks, they were 0.8 and 3.4.

The relative growth rates of different classes of finan-

cial institutions have been of considerable interest in recent years. The commercial banking system experienced a rate of growth of assets of 8.8 percent—below the 10.9 percent of 1964 but greater than the 1963 performance of 5.3 percent. This was similar to the experience of other financial institutions. Asset growth for mutual savings banks fell from a 9.1 percent rate in 1964 to 7.4 percent in 1965. Savings and loan associations, whose assets increased by 11.0 percent in 1964, had an 8.5 percent increase in 1965. Credit unions' growth declined from 15.1 percent during 1964 to 12.2 percent during 1965.

The impressive gains of the National banking and the commercial banking system were a part of the continued expansion of the economy. The gross national product (in current dollars) climbed from \$631.7 billion in 1964 to \$681.2 billion in 1965, or 7.8 percent. Corporate profits before taxes increased 13.0 percent, personal income rose 7.9 percent, and the money supply grew 4.7 percent.

TABLE 1  
Commercial banks, banking offices, and total assets, by class of bank, end of 1964 and 1965

[Dollar amounts in billions]

Class of bank	Number of banks			Number of banking offices			Total assets		
	1964	1965	Percent change 1964-65	1964	1965	Percent change 1964-65	1964	1965	Percent change 1964-65
All commercial banks . . . .	13, 771	13, 811	0. 3	128, 274	29, 453	4. 2	\$348. 4	\$378. 9	8. 8
National banks* . . . . .	4, 780	4, 822	0. 9	12, 773	13, 613	6. 6	191. 2	220. 2	15. 2
State member banks . . . . .	1, 448	1, 402	-3. 2	4, 695	4, 681	-0. 3	98. 1	93. 6	-4. 6
Insured nonmember banks . . . . .	7, 266	7, 324	0. 8	10, 472	10, 824	3. 4	55. 8	61. 5	10. 2
Noninsured banks . . . . .	277	263	-5. 1	334	335	0. 3	3. 3	3. 5	6. 1

\*Includes 7 non-National banks in the District of Columbia which are supervised by the Comptroller of the Currency.

NOTE: Data may not add to totals because of rounding.  
\* Revised.

TABLE 2  
Total assets of selected financial institutions, end of 1962 through 1965  
[Dollar amounts in millions]

Type of institution	1962	1963	1964	1965	Percent increases 1964-65
Commercial banks*	\$298, 196	\$314, 056	\$348, 433	\$378, 899	8.8
Mutual savings banks*	46, 121	49, 702	* 54, 238	58, 232	7.4
Savings and loan associations	93, 605	107, 559	* 119, 355	129, 442	8.5
Credit unions	7, 188	8, 128	9, 359	10, 505	12.2

\*Last call date.

\* Revised.

## II. Assets, Deposits, and Capital Accounts

Total resources of National banks grew 15.2 percent during 1965. Their earning assets (loans, securities, Federal funds sold, and direct lease financing) increased 16.6 percent, while loans and discounts gained 22.2 percent, or \$21.3 billion. Total securities displayed only a modest 5.4 percent increase. As a percentage of total assets, therefore, loans and discounts increased from 50.3 percent at the end of 1964 to 53.3 percent at the end of 1965, but securities dropped from 28.6 percent to 26.2 percent during the same period.

Holdings of direct and guaranteed U.S. Government obligations by National banks decreased by 4.9 percent, following an increase in 1964 of 0.5 percent. The relationship of these holdings to total assets fell from 17.6 percent in 1964 to 14.6 percent in 1965. State and local obligations held increased 21.2 percent during 1965, compared to a 13.5 percent increase during 1964. These securities were 10.3 percent of total assets at the end of 1965, compared to 9.8 percent at the end of 1964. In each of the past 5 years, strong loan demand increased the position of loans relative to securities.

State member banks, despite a decrease of total assets of 4.6 percent during 1965, had an increase in loans and discounts of 0.5 percent. Total security

holdings of State member banks decreased 9.1 percent. Among these securities, holdings of direct U.S. obligations decreased 17.4 percent while holdings of State and local government obligations increased 3.6 percent.

The aggregate loan-deposit ratio of National banks rose from 56.3 percent at the end of 1964 to 60.3 percent a year later. For State member banks the ratio increased during the same period from 59.2 percent to 62.8 percent.

Deposits of National banks increased by \$24.2 billion, or 14.3 percent. The growth of time and savings deposits (\$15.0 billion, or 21.2 percent) exceeded that of demand deposits (\$9.2 billion, or 9.4 percent), thus, continuing past trends in deposit growth. Demand deposits fell from 58.2 percent of total deposits at the end of 1964 to 55.6 percent at the end of 1965.

Total capital of National banks increased by \$2.4 billion, or 15.9 percent, during 1965 compared to an 11.1 percent increase in 1964. As a percent of total assets, total capital increased slightly from 7.92 percent in 1964 to 7.96 percent in 1965. There was a further increase in the use of debenture financing during the year, although the percentage increase was less than in 1964.

TABLE 3

*Assets, liabilities, and capital of National banks, 1964 and 1965*

[Dollar amounts in millions]

	Dec. 31, 1964, 4,773 banks		Dec. 31, 1965, 4,815 banks		Change	
	Amount	Percent distribution	Amount	Percent distribution	Amount	Percent
<b>ASSETS</b>						
Cash, balances with other banks, and cash items in process of collection . . . . .	\$34,066	17.92	\$36,880	16.83	\$2,814	8.26
U.S. Government obligations, direct and guaranteed . . . . .	33,537	17.64	31,896	14.56	-1,641	-4.89
Obligations of States and political subdivisions . . . . .	18,592	9.78	22,541	10.29	3,949	21.24
Securities of Federal agencies and corporations not guaranteed by United States . . . . .	1,832	.97	2,383	1.09	551	30.08
Other bonds, notes, and debentures . . . . .	405	.21	490	.22	85	20.99
<i>Total securities . . . . .</i>	<i>54,366</i>	<i>28.60</i>	<i>57,310</i>	<i>26.16</i>	<i>2,944</i>	<i>5.42</i>
Federal funds sold . . . . .	821	.43	1,433	.66	612	74.54
Direct lease financing . . . . .	81	.04	271	.12	190	234.57
Loans and discounts . . . . .	95,577	50.27	116,833	53.32	21,256	22.24
Fixed assets . . . . .	2,789	1.47	3,158	1.44	369	13.23
Customers' liability on acceptances outstanding . . . . .	652	.34	926	.42	274	42.02
Other assets . . . . .	1,761	.93	2,292	1.05	531	30.15
<i>Total assets . . . . .</i>	<i>190,113</i>	<i>100.00</i>	<i>219,103</i>	<i>100.00</i>	<i>28,990</i>	<i>15.25</i>
<b>LIABILITIES</b>						
Demand deposits of individuals, partnerships, and corporations . . . . .	74,200	39.03	81,129	37.03	6,929	9.34
Time and savings deposits of individuals, partnerships, and corporations . . . . .	64,763	34.07	75,676	34.54	10,913	16.85
Deposits of U.S. Government . . . . .	3,787	1.99	3,488	1.59	-299	-7.90
Deposits of States and political subdivisions . . . . .	13,647	7.18	15,833	7.23	2,186	16.02
Deposits of foreign governments and official institutions, central banks, and international institutions . . . . .			2,734	1.25	2,734	
Deposits of commercial banks . . . . .	10,733	5.64	12,077	5.51	1,344	12.52
Certified and officers' checks, etc. . . . .	2,487	1.31	2,923	1.33	436	17.53
<i>Total deposits . . . . .</i>	<i>169,617</i>	<i>89.22</i>	<i>193,860</i>	<i>88.48</i>	<i>24,243</i>	<i>14.29</i>
<i>Demand deposits . . . . .</i>	<i>98,660</i>	<i>51.90</i>	<i>107,881</i>	<i>49.24</i>	<i>9,221</i>	<i>9.35</i>
<i>Time and savings deposits . . . . .</i>	<i>70,957</i>	<i>37.32</i>	<i>85,979</i>	<i>39.24</i>	<i>15,022</i>	<i>21.17</i>
Federal funds purchased . . . . .	827	.43	1,497	.68	670	81.02
Liabilities for borrowed money . . . . .	299	.16	172	.08	-127	-42.47
Acceptances executed by or for account of reporting banks and outstanding . . . . .	666	.35	944	.43	278	41.74
Other liabilities . . . . .	3,656	1.92	5,196	2.37	1,540	42.12
<i>Total liabilities . . . . .</i>	<i>175,065</i>	<i>92.08</i>	<i>201,669</i>	<i>92.04</i>	<i>26,604</i>	<i>15.20</i>
<b>CAPITAL ACCOUNTS</b>						
Capital notes and debentures . . . . .	475	.25	1,134	.52	659	138.74
Preferred stock . . . . .	28	.01	29	.01	1	3.57
Common stock . . . . .	4,286	2.26	4,937	2.25	651	15.19
Surplus . . . . .	7,208	3.79	7,967	3.64	759	10.53
Undivided profits . . . . .	2,657	1.40	2,903	1.33	246	9.26
Reserves . . . . .	394	.21	464	.21	70	17.77
<i>Total capital accounts . . . . .</i>	<i>15,048</i>	<i>7.92</i>	<i>17,434</i>	<i>7.96</i>	<i>2,386</i>	<i>15.86</i>
<i>Total liabilities and capital accounts . . . . .</i>	<i>190,113</i>	<i>100.00</i>	<i>219,103</i>	<i>100.00</i>	<i>28,990</i>	<i>15.25</i>

**TABLE 4**  
*Demand and time deposits, by class of bank, year end 1964 and 1965*  
 [Dollar amounts in millions]

Class of bank	1964		1965	
	Dollar amount	Percent distribution	Dollar amount	Percent distribution
All commercial banks:				
Total deposits.....	\$308, 427	100. 0	\$333, 302	100. 0
Demand.....	180, 199	58. 4	185, 124	55. 5
Time.....	128, 228	41. 6	148, 178	44. 5
Members of Federal Reserve System:				
Total deposits.....	255, 724	100. 0	275, 517	100. 0
Demand.....	151, 384	59. 2	154, 475	56. 1
Time.....	104, 340	40. 8	121, 042	43. 9
National banks:				
Total deposits.....	169, 617	100. 0	193, 860	100. 0
Demand.....	98, 660	58. 2	107, 881	55. 6
Time.....	70, 957	41. 8	85, 979	44. 4
State member banks:*				
Total deposits.....	86, 108	100. 0	81, 657	100. 0
Demand.....	52, 725	61. 2	46, 594	57. 1
Time.....	33, 383	38. 8	35, 063	42. 9
Insured nonmember banks:†				
Total deposits.....	50, 507	100. 0	55, 518	100. 0
Demand.....	27, 308	54. 1	29, 161	52. 5
Time.....	23, 199	45. 9	26, 357	47. 5
Noninsured banks:				
Total deposits.....	2, 197	100. 0	2, 267	100. 0
Demand.....	1, 508	68. 6	1, 488	65. 6
Time.....	689	31. 4	779	34. 4

\* Includes 4 non-National banks in the District of Columbia which are supervised by The Comptroller of the Currency.  
 † Includes 3 non-National banks in the District of Columbia which are supervised by The Comptroller of the Currency.

NOTE: Data may not add to totals because of rounding.

### III. *Income and Expenses of National Banks*

The composition of earning assets of National banks continued to shift from securities to loans during 1965, while deposits continued to shift from demand to time. These shifts are reflected in bank revenues and expenses for 1965.

During 1965, net income after taxes of National banks was \$1.39 billion, an increase of \$173.9 million, or 14.3 percent over 1964. Operating revenues for 1965 exceeded the 1964 level by \$1.6 billion, a 19.1 percent increase. Among significant changes in the components of operating revenue were an increase in interest and discount on loans of 21.9 percent, and an increase in interest and dividends on securities of 9.7 percent. Of the \$1.6 billion increase in current operating revenue, interest and discount on loans accounted for \$1.1 billion or 73.5 percent, and interest and dividends from securities, for \$175 million or 11.2 percent.

Within the securities sector, striking results were achieved from the switching of securities during 1965. From year end 1964 to 1965, direct U.S. Government holdings declined 4.9 percent. However, with higher rates, 1965 revenue from this source rose 1.7 percent. Holdings of other securities, consisting primarily of municipals, increased 22.0 percent, and 1965 revenue from this source rose 25.6 percent.

Operating expenses were higher in 1965 than in 1964 by \$1.3 billion, or 22.1 percent. Among signifi-

cant changes in the components of operating expenses were an increase in interest on time and savings deposits of 32.7 percent, and an increase in employees' salaries, wages, and benefits of 13.0 percent. Of the \$1.3 billion rise in current operating expenses, interest on time and savings deposits represented \$740 million, or 56.5 percent. The funds needed to meet the strong demand for loans could only be drawn from the market by offering higher rates of interest on time and savings deposits. With the cost of banking's basic raw material rising, banks were under pressure to switch out of lower yielding loans and securities, and to tap the financial markets through all available instruments.

Net current operating earnings increased by \$248.7 million, reaching \$2.48 billion, an 11.1 percent increase above the 1964 level. Nonoperating adjustments involved a deduction of \$482.2 million, yielding net income before related taxes of \$2.00 billion, or 8.4 percent above the 1964 level.

For 1965, taxes on net income were less than in 1964 by 3.0 percent. Federal income taxes paid declined 4.8 percent while State income taxes paid rose 16.5 percent. Total cash dividends declared were 15.3 percent above the 1964 level, while 1965 net income after dividends was \$704 million, or 13.5 percent above the 1964 performance.

TABLE 5  
Income and expenses of National banks, calendar 1964 and 1965

[Dollar amounts in millions]

	1964		1965		Change, 1964-65	
	Amount	Percent distribution	Amount	Percent distribution	Absolute	Percent
Number of banks*	4,773		4,815		42	.88
Capital stocks at par value†	\$4,163.1		\$4,629.1		\$466.0	11.19
Capital accounts†	\$14,297.8		\$16,111.7		\$1,813.9	12.69
Current Operating Revenue:						
Interest and dividends on—						
U.S. Government obligations	\$1,189.7	14.60	\$1,210.1	12.47	\$20.4	1.71
Other securities	601.7	7.38	755.9	7.79	154.2	25.63
Interest and discount on loans	5,232.4	64.22	6,376.6	65.70	1,144.2	21.87
Service charges and other fees on banks' loans	93.7	1.15	117.6	1.21	23.9	25.51
Service charges on deposit accounts	441.4	5.42	490.1	5.05	48.7	11.03
Other charges, commissions, and fees	133.3	1.64	159.2	1.64	25.9	19.43
Trust department	290.3	3.56	356.2	3.67	65.9	22.70
Other current operating revenue	165.2	2.03	239.5	2.47	74.3	44.98
Total Current Operating Revenue	8,147.7	100.00	9,705.2	100.00	1,557.5	19.12
Current Operating Expenses:						
Officers' salaries	664.8	11.24	743.4	10.29	78.6	11.82
Employees' salaries and wages	1,210.8	20.47	1,368.7	18.95	157.9	13.04
Officer and employee benefits	266.0	4.50	308.4	4.27	42.4	15.94
Fees to directors	33.5	.57	36.4	.50	2.9	8.66
Interest on time and savings deposits	2,262.7	38.25	3,002.4	41.56	739.7	32.69
Interest and discount on borrowed money	19.5	.33	25.9	.36	6.4	32.82
Net occupancy expense of bank premises	350.8	5.93	409.1	5.66	58.3	16.62
Furniture and equipment—depreciation and other costs	206.2	3.49	244.7	3.39	38.5	18.67
Other current operating expenses	900.6	15.22	1,084.7	15.02	184.1	20.44
Total Current Operating Expenses	5,914.9	100.00	7,223.7	100.00	1,308.8	22.13
Net Current Operating Earnings	2,232.8		2,481.5		248.7	11.14
Recoveries, Transfers from Valuation Reserves, and Profits:						
On securities:						
Profits on securities sold or redeemed	43.3	25.69	50.4	25.97	7.1	16.40
Recoveries	1.6	.93	1.5	.77	-0.1	-6.25
Transfers from valuation reserves	39.2	23.25	41.1	21.17	1.9	4.85
On loans:						
Recoveries	7.6	4.53	9.0	4.64	1.4	18.42
Transfers from valuation reserves	19.3	11.44	35.4	18.24	16.1	83.42
All other	57.6	34.16	56.7	29.21	-0.9	-1.56
Total Recoveries, Transfers from Valuation Reserves, and Profits	168.6	100.00	194.1	100.00	25.5	15.12
Losses, Chargeoffs, and Transfers to Valuation Reserves:						
On securities:						
Losses on securities sold	49.7	8.93	49.1	7.26	-0.6	-1.21
Chargeoffs on securities not sold	4.4	.80	4.0	.59	-0.4	-9.09
Transfers to valuation reserves	41.3	7.42	41.1	6.08	-0.2	-0.48
On loans:						
Chargeoffs	13.5	2.42	16.6	2.45	3.1	22.96
Transfers to valuation reserves	365.6	65.64	483.4	71.48	117.8	32.22
All other	82.4	14.79	82.1	12.14	-0.3	-0.36
Total Losses, Chargeoffs, and Transfers to Valuation Reserves	556.9	100.00	676.3	100.00	119.4	21.44
Net Income Before Related Taxes	1,844.5		1,999.3		154.8	8.39

See footnotes at end of tables.

TABLE 5—CONTINUED

	1964		1965		Change, 1964-65	
	Amount	Percent distribution	Amount	Percent distribution	Absolute	Percent
<b>Taxes on Net Income:</b>						
Federal.....	\$579.7		\$552.1		—\$27.6	—4.76
State.....	51.5		59.9		8.4	16.31
Total Taxes on Net Income.....	631.2		612.0		—19.2	—3.04
Net Income.....	1,213.3		1,387.3		174.0	14.34
<b>Dividends on Capital:</b>						
Cash dividends declared on common stock.....	591.5		681.8		90.3	15.27
Cash dividends declared on preferred stock.....	1.3		1.5		0.2	15.38
Total cash dividends declared.....	592.8		683.3		90.5	15.27
Net Income After Dividends.....	620.5		704.0		83.5	13.46
<b>Occupancy Expense of Bank Premises:</b>						
Officers' salaries.....	1.5	.33	1.7	.32	0.2	13.33
Employees' salaries and wages.....	52.8	11.71	56.9	10.98	4.1	7.77
Officer and employee benefits.....	6.3	1.39	7.0	1.36	0.7	11.11
Recurring depreciation on bank premises and leasehold improvements.....	81.8	18.12	96.4	18.58	14.6	17.85
Maintenance, repair, and uncaptialized alteration costs of bank premises, and leasehold improvements.....	56.1	12.44	60.9	11.73	4.8	8.56
Insurance, utilities, etc.....	74.6	16.53	88.3	17.01	13.7	18.36
Rents paid on bank premises.....	110.1	24.42	128.9	24.83	18.8	17.08
Taxes on bank premises and leasehold improvements.....	68.0	15.06	78.9	15.19	10.9	16.03
Gross occupancy expense.....	451.2	100.00	519.0	100.00	67.8	15.03
<b>Less:</b>						
Rental income from bank premises.....	96.5	21.38	105.5	20.34	9.0	9.33
Other credits.....	3.9	.86	4.4	.85	0.5	12.82
Total.....	100.4	22.24	109.9	21.19	9.5	9.46
Net occupancy expense.....	350.8	77.76	409.1	78.81	58.3	16.62
Recoveries credited to valuation reserve (not included in recoveries above):						
On securities.....	2.6		3.1		0.5	19.23
On loans.....	106.0		78.0		—28.0	—26.42
Losses charged to valuation reserves (not included in losses above):						
On securities.....	32.3		14.8		—17.5	—54.18
On loans.....	225.9		260.2		34.3	15.18
Stock dividends (increases in capital stock).....	153.5		302.4		148.9	97.00
<b>Ratio to Current Operating Revenue:</b>		Percent		Percent		
Salaries, wages, and fees.....		23.43		22.14		
Interest on time and savings deposits.....		27.77		30.93		
All other current expenses.....		* 21.40		21.36		
Total Current Expenses.....		* 72.60		74.43		
Net Current Earnings.....		27.40		25.57		
<b>Employees at Year end:</b>						
Building occupancy and maintenance:	Number		Number			
Officers.....	166		208		42	25.30
Other employees.....	16,978		17,822		844	4.97
Banking Operations:						
Officers.....	62,775		67,149		4,374	6.97
Other employees.....	300,976		326,673		25,697	8.54

\*Number of banks at the end of year, but figures of income, expenses, etc., include banks which were in operation only part of the year.

†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.

\* Revised.

## IV. *Structural Changes in the National Banking System*

In 1965, 78 National bank charters were issued for newly organized banks. Five States, California (11), Texas (8), Florida (7), Alabama (6), and Illinois (5), accounted for 37 of the 78, or almost one-half of the primary charters. No charters for new banks were issued in 26 States.

During 1965, the Comptroller of the Currency approved 81 consolidations, mergers, and absorptions, in which the resulting bank was a National bank. This compared with 91 in 1964 and 90 in 1963. Completed transactions totaled 76, compared with 91 in 1964. During the year, there were 25 conversions of State-chartered banks to National banks.

At the end of 1965, there were 8,758 branches of National banks in operation, or 799 more than on December 31, 1964. During the year, 841 branches opened for business as National bank branches, in-

cluding 587 *de novo* branches, 162 branches of newly converted banks, and 92 branches acquired through merger, while 42 existing branches were discontinued or consolidated. Six States accounted for 498, or approximately 62 percent, of the 799 net additional bank offices. These were New York (200), California (96), Pennsylvania (59), Virginia (51), Ohio (50), and Michigan (42).

Communities of less than 50,000 in population had 517, or 61.5 percent, of the 841 branch openings in 1965. Those communities with over a million in population had 159 openings, or approximately 19 percent of the branch openings. National banks with total resources of less than \$50 million each had 289 branch openings or 34.4 percent of the total, while National banks with over a billion dollars each in total resources had 265 branch openings, or 32 percent of the total.



TABLE 6

*Number of National banks and banking offices, by States, Dec. 31, 1965*

	National banks			Number of branches	Number of offices
	Total	Unit	With branches		
United States.....	4, 815	3, 484	1, 331	8, 758	13, 573
Alabama.....	86	58	28	123	209
Alaska.....	5	0	5	40	45
Arizona.....	4	1	3	173	177
Arkansas.....	65	37	28	57	122
California.....	95	55	40	1, 742	1, 837
Colorado.....	117	117	0	0	117
Connecticut.....	29	11	18	167	196
Delaware.....	5	3	2	4	9
District of Columbia.....	8	0	8	47	55
Florida.....	195	195	0	0	195
Georgia.....	57	32	25	120	177
Hawaii.....	2	0	2	40	42
Idaho.....	9	3	6	94	103
Illinois.....	417	417	0	0	417
Indiana.....	122	59	63	254	376
Iowa.....	101	75	26	28	129
Kansas.....	170	147	23	23	193
Kentucky.....	81	40	41	118	199
Louisiana.....	47	17	30	130	177
Maine.....	21	6	15	69	90
Maryland.....	50	22	28	186	236
Massachusetts.....	93	29	64	319	412
Michigan.....	97	42	55	397	494
Minnesota.....	193	191	2	6	199
Mississippi.....	37	10	27	64	101
Missouri.....	96	78	18	18	114
Montana.....	50	50	0	0	50
Nebraska.....	126	109	17	17	143
Nevada.....	3	1	2	32	35
New Hampshire.....	51	33	18	22	73
New Jersey.....	147	48	99	419	566
New Mexico.....	34	15	19	52	86
New York.....	198	104	94	956	1, 154
North Carolina.....	30	9	21	261	291
North Dakota.....	42	37	5	5	47
Ohio.....	224	98	126	515	739
Oklahoma.....	222	197	25	25	247
Oregon.....	12	7	5	209	221
Pennsylvania.....	373	224	149	783	1, 156
Rhode Island.....	4	0	4	53	57
South Carolina.....	25	5	20	176	201
South Dakota.....	33	27	6	37	70
Tennessee.....	76	25	51	200	276
Texas.....	*545	545	0	0	545
Utah.....	13	9	4	55	68
Vermont.....	27	15	12	31	58
Virginia.....	*118	50	68	325	443
Washington.....	31	15	16	340	371
West Virginia.....	79	79	0	0	79
Wisconsin.....	110	98	12	24	134
Wyoming.....	39	39	0	0	39
Virgin Islands.....	1	0	1	2	3
District of Columbia—all†.....	15	1	14	82	97

\*Includes 1 bank organized under section 11 of the Federal Deposit Insurance Act.

† Includes National and non-National banks in the District of Columbia which are supervised by the Comptroller of the Currency.

TABLE 7

*Status of applications for National bank charters,\* and charters issued,\* by States, calendar 1965*

	<i>Received†</i>	<i>Approved</i>	<i>Rejected</i>	<i>Abandoned</i>	<i>Pending Dec. 31, 1965</i>	<i>Charters issued</i>
United States . . . . .	188	27	120	16	25	78
Alabama . . . . .	2	0	2	0	0	6
Alaska . . . . .	0	0	0	0	0	0
Arizona . . . . .	0	0	0	0	0	0
Arkansas . . . . .	4	2	2	0	0	1
California . . . . .	24	0	19	4	1	11
Colorado . . . . .	4	0	2	0	2	3
Connecticut . . . . .	6	0	6	0	0	3
Delaware . . . . .	0	0	0	0	0	0
District of Columbia . . . . .	0	0	0	0	0	0
Florida . . . . .	23	0	16	1	6	7
Georgia . . . . .	3	1	2	0	0	1
Hawaii . . . . .	3	0	1	2	0	0
Idaho . . . . .	0	0	0	0	0	0
Illinois . . . . .	8	1	7	0	0	5
Indiana . . . . .	0	0	0	0	0	1
Iowa . . . . .	3	0	2	1	0	0
Kansas . . . . .	3	0	2	0	1	1
Kentucky . . . . .	1	0	0	1	0	0
Louisiana . . . . .	4	1	3	0	0	0
Maine . . . . .	0	0	0	0	0	0
Maryland . . . . .	2	0	1	0	1	1
Massachusetts . . . . .	4	1	3	0	0	2
Michigan . . . . .	5	1	2	1	1	1
Minnesota . . . . .	1	0	0	0	1	0
Mississippi . . . . .	8	2	4	0	2	2
Missouri . . . . .	8	2	4	1	1	4
Montana . . . . .	3	0	3	0	0	0
Nebraska . . . . .	1	1	0	0	0	1
Nevada . . . . .	1	0	1	0	0	0
New Hampshire . . . . .	1	1	0	0	0	0
New Jersey . . . . .	4	0	4	0	0	3
New Mexico . . . . .	2	0	2	0	0	1
New York . . . . .	5	1	3	0	1	2
North Carolina . . . . .	1	0	1	0	0	0
North Dakota . . . . .	0	0	0	0	0	0
Ohio . . . . .	6	1	4	0	1	4
Oklahoma . . . . .	5	0	3	2	0	0
Oregon . . . . .	1	1	0	0	0	1
Pennsylvania . . . . .	1	0	0	1	0	0
Rhode Island . . . . .	0	0	0	0	0	0
South Carolina . . . . .	2	0	2	0	0	0
South Dakota . . . . .	0	0	0	0	0	0
Tennessee . . . . .	6	2	4	0	0	1
Texas . . . . .	10	5	3	0	2	8
Utah . . . . .	1	0	1	0	0	1
Vermont . . . . .	0	0	0	0	0	0
Virginia . . . . .	2	1	0	1	0	2
Washington . . . . .	5	0	5	0	0	3
West Virginia . . . . .	2	1	1	0	0	0
Wisconsin . . . . .	6	2	1	0	3	1
Wyoming . . . . .	3	0	3	0	0	1
Virgin Islands . . . . .	1	0	0	1	0	0
Puerto Rico . . . . .	2	0	1	0	1	0
Guam . . . . .	1	0	0	0	1	0

\*Excludes conversions.

†Includes applications pending as of Dec. 31, 1964.

TABLE 8

*Status of applications for conversion to National bank charters, and charters issued, by States, calendar 1965*

	<i>Received*</i>	<i>Approved</i>	<i>Rejected</i>	<i>Abandoned</i>	<i>Pending Dec. 31, 1965</i>	<i>Charters issued</i>
United States . . . . .	32	25	2	3	2	25
Alabama . . . . .	0	0	0	0	0	0
Alaska . . . . .	0	0	0	0	0	0
Arizona . . . . .	0	0	0	0	0	0
Arkansas . . . . .	0	0	0	0	0	1
California . . . . .	0	0	0	0	0	0
Colorado . . . . .	0	0	0	0	0	0
Connecticut . . . . .	1	1	0	0	0	1
Delaware . . . . .	0	0	0	0	0	0
District of Columbia . . . . .	0	0	0	0	0	0
Florida . . . . .	2	2	0	0	0	1
Georgia . . . . .	3	3	0	0	0	2
Hawaii . . . . .	0	0	0	0	0	0
Idaho . . . . .	0	0	0	0	0	0
Illinois . . . . .	1	1	0	0	0	1
Indiana . . . . .	0	0	0	0	0	0
Iowa . . . . .	3	2	1	0	0	2
Kansas . . . . .	0	0	0	0	0	0
Kentucky . . . . .	0	0	0	0	0	0
Kentucky . . . . .	0	0	0	0	0	0
Louisiana . . . . .	0	0	0	0	0	0
Maine . . . . .	0	0	0	0	0	0
Maryland . . . . .	0	0	0	0	0	0
Massachusetts . . . . .	0	0	0	0	0	0
Michigan . . . . .	2	1	0	0	1	1
Minnesota . . . . .	0	0	0	0	0	0
Mississippi . . . . .	5	4	0	1	0	5
Missouri . . . . .	0	0	0	0	0	0
Montana . . . . .	4	2	0	2	0	2
Nebraska . . . . .	0	0	0	0	0	0
Nevada . . . . .	0	0	0	0	0	0
New Hampshire . . . . .	0	0	0	0	0	1
New Jersey . . . . .	2	2	0	0	0	1
New Mexico . . . . .	0	0	0	0	0	0
New York . . . . .	1	1	0	0	0	1
North Carolina . . . . .	0	0	0	0	0	0
North Dakota . . . . .	0	0	0	0	0	0
Ohio . . . . .	3	2	0	0	1	1
Oklahoma . . . . .	0	0	0	0	0	0
Oregon . . . . .	0	0	0	0	0	0
Pennsylvania . . . . .	0	0	0	0	0	0
Rhode Island . . . . .	0	0	0	0	0	0
South Carolina . . . . .	1	1	0	0	0	1
South Dakota . . . . .	1	1	0	0	0	1
Tennessee . . . . .	0	0	0	0	0	0
Texas . . . . .	0	0	0	0	0	0
Utah . . . . .	0	0	0	0	0	0
Vermont . . . . .	0	0	0	0	0	0
Virginia . . . . .	1	1	0	0	0	1
Washington . . . . .	1	0	1	0	0	1
West Virginia . . . . .	0	0	0	0	0	0
Wisconsin . . . . .	0	0	0	0	0	0
Wyoming . . . . .	1	1	0	0	0	1
Virgin Islands . . . . .	0	0	0	0	0	0

\*Includes applications pending as of Dec. 31, 1964.

TABLE 9

*Charters, liquidations, and capital stock changes of National banks, calendar 1965*

	Number of banks	Capital stock		Capital notes and debentures
		Common	Preferred	
<b>Increases:</b>				
Banks newly chartered:				
Primary organizations . . . . .	78	\$36, 112, 500		
Reorganizations . . . . .	0			
Conversions of State banks . . . . .	25	277, 232, 437		\$255, 000, 000
Capital stock:				
Preferred: 3 cases by new issues . . . . .	0		\$657, 900	
Common:				
288 cases by statutory sale . . . . .	0	20, 659, 422		
568 cases by statutory stock dividend . . . . .	0	321, 552, 716		
2 cases by statutory consolidation . . . . .	0	351, 500		
46 cases by statutory merger . . . . .	0	13, 129, 335	907, 500	
Capital notes and debentures: 68 cases by new issue . . . . .	0			408, 857, 500
<b>Total increases . . . . .</b>	<b>103</b>	<b>669, 037, 910</b>	<b>1, 565, 400</b>	<b>663, 857, 500</b>
<b>Decreases:</b>				
Banks ceasing operations:				
Voluntary liquidations:				
Succeeded by National banks . . . . .	3	1, 475, 000		
Succeeded by State banks . . . . .	1	6, 000, 000		
No successor . . . . .	0	0		
Statutory consolidations . . . . .	5	0		
Statutory mergers . . . . .	34	0		
Conversions into State banks . . . . .	8	1, 262, 500		
Merged or consolidated with State Banks (Public Law 706) . . . . .	18	6, 825, 000		
Receivership . . . . .	2	2, 500, 000		
Capital stock:				
Preferred: 6 cases by retirement . . . . .	0		321, 330	
Common:				
7 cases by statutory reduction . . . . .	0	1, 637, 865		
3 cases by statutory consolidation . . . . .	0	312, 440		
9 cases by statutory merger . . . . .	0	1, 391, 370		
Capital notes and debentures: 6 cases by retirement . . . . .	0			5, 152, 000
<b>Total decreases . . . . .</b>	<b>71</b>	<b>21, 404, 175</b>	<b>321, 330</b>	<b>5, 152, 000</b>
<b>Net change . . . . .</b>	<b>32</b>	<b>647, 633, 735</b>	<b>1, 244, 070</b>	<b>658, 705, 500</b>
Charters in force Dec. 31, 1964, and authorized capital stock . . . . .	4, 780	4, 291, 748, 449	28, 356, 330	475, 214, 100
<b>Charters in force Dec. 31, 1965, and authorized capital stock . . . . .</b>	<b>4, 812</b>	<b>4, 939, 382, 184</b>	<b>29, 600, 400</b>	<b>1, 133, 919, 600</b>

TABLE 10

*Branches of National banks: in operation Dec. 31, 1964, opened, discontinued, or consolidated calendar 1965; and branches in operation Dec. 31, 1965*

	<i>Branches in operation Dec. 31, 1964</i>	<i>Branches opened for business Jan. 1— Dec. 31, 1965</i>	<i>Existing branches discontinued or consolidated Jan. 1— Dec. 31, 1965</i>	<i>Branches in operation Dec. 31, 1965</i>
United States . . . . .	* 7, 959	*841	* 42	* 8, 758
Alabama . . . . .	106	17	0	123
Alaska . . . . .	38	2	0	40
Arizona . . . . .	166	7	0	173
Arkansas . . . . .	47	10	0	57
California . . . . .	* 1, 646	102	* 6	1, 742
Colorado . . . . .	0	0	0	0
Connecticut . . . . .	152	15	0	167
Delaware . . . . .	3	1	0	4
District of Columbia . . . . .	45	2	0	47
Florida . . . . .	0	0	0	0
Georgia . . . . .	100	20	0	120
Hawaii . . . . .	39	1	0	40
Idaho . . . . .	90	4	0	94
Illinois . . . . .	0	0	0	0
Indiana . . . . .	244	11	1	254
Iowa . . . . .	23	9	4	28
Kansas . . . . .	24	0	1	23
Kentucky . . . . .	110	9	1	118
Louisiana . . . . .	126	4	0	130
Maine . . . . .	62	7	0	69
Maryland . . . . .	171	16	1	186
Massachusetts . . . . .	303	21	5	319
Michigan . . . . .	355	43	1	397
Minnesota . . . . .	6	0	0	6
Mississippi . . . . .	42	22	0	64
Missouri . . . . .	14	4	0	18
Montana . . . . .	0	0	0	0
Nebraska . . . . .	16	1	0	17
Nevada . . . . .	30	2	0	32
New Hampshire . . . . .	17	5	0	22
New Jersey . . . . .	390	30	1	419
New Mexico . . . . .	46	7	1	52
New York . . . . .	* 756	†210	* 10	* 956
North Carolina . . . . .	248	13	0	261
North Dakota . . . . .	5	0	0	5
Ohio . . . . .	465	50	0	515
Oklahoma . . . . .	23	2	0	25
Oregon . . . . .	* 199	10	0	209
Pennsylvania . . . . .	724	62	3	783
Rhode Island . . . . .	52	1	0	53
South Carolina . . . . .	161	19	4	176
South Dakota . . . . .	34	3	0	37
Tennessee . . . . .	179	21	0	200
Texas . . . . .	0	0	0	0
Utah . . . . .	53	2	0	55
Vermont . . . . .	27	4	0	31
Virginia . . . . .	* 274	52	1	325
Washington . . . . .	* 322	20	2	340
West Virginia . . . . .	0	0	0	0
Wisconsin . . . . .	24	0	0	24
Wyoming . . . . .	0	0	0	0
Virgin Islands . . . . .	2	0	0	2
District of Columbia—all† . . . . .	78	4	0	82

\*Includes 587 de novo branches, 162 branches of newly converted banks and 92 branches acquired through merger.

†Includes 66 de novo branches, 136 branches of newly converted banks, and 8 branches acquired through merger.

‡Includes National and non-National banks in the District of Columbia which are supervised by the Comptroller of the Currency.

\* Revised.

TABLE 11

*Status of de novo branch applications of National banks, by States, calendar 1965*

	<i>Received*</i>	<i>Approved</i>	<i>Rejected</i>	<i>Abandoned</i>	<i>Pending Dec. 31, 1965</i>
United States.....	1, 065	657	157	39	212
Alabama.....	16	13	1	1	1
Alaska.....	7	4	2	0	1
Arizona.....	16	8	6	0	2
Arkansas.....	13	9	2	0	2
California.....	175	89	55	2	29
Colorado.....	0	0	0	0	0
Connecticut.....	18	12	4	1	1
Delaware.....	0	0	0	0	0
District of Columbia.....	8	3	1	2	2
Florida.....	0	0	0	0	0
Georgia.....	8	8	0	0	0
Hawaii.....	2	1	0	0	1
Idaho.....	17	10	6	0	1
Illinois.....	0	0	0	0	0
Indiana.....	27	15	2	2	8
Iowa.....	13	10	0	0	3
Kansas.....	1	1	0	0	0
Kentucky.....	11	8	0	1	2
Louisiana.....	16	12	0	0	4
Maine.....	7	5	2	0	0
Maryland.....	31	20	3	3	5
Massachusetts.....	37	30	3	1	3
Michigan.....	73	48	9	3	13
Minnesota.....	0	0	0	0	0
Mississippi.....	17	12	2	1	2
Missouri.....	2	1	0	0	1
Montana.....	0	0	0	0	0
Nebraska.....	0	0	0	0	0
Nevada.....	3	3	0	0	0
New Hampshire.....	4	3	0	0	1
New Jersey.....	45	26	4	3	12
New Mexico.....	10	7	1	0	2
New York.....	123	78	13	7	25
North Carolina.....	32	17	0	2	13
North Dakota.....	1	0	0	0	1
Ohio.....	64	46	7	3	8
Oklahoma.....	3	3	0	0	0
Oregon.....	9	6	2	0	1
Pennsylvania.....	75	51	8	4	12
Rhode Island.....	2	1	0	0	1
South Carolina.....	25	20	1	1	3
South Dakota.....	4	4	0	0	0
Tennessee.....	31	29	0	0	2
Texas.....	0	0	0	0	0
Utah.....	4	2	0	0	2
Vermont.....	4	4	0	0	0
Virginia.....	56	30	18	2	6
Washington.....	18	8	5	0	5
West Virginia.....	0	0	0	0	0
Wisconsin.....	36	0	0	0	36
Wyoming.....	0	0	0	0	0
Virgin Islands.....	1	0	0	0	1
District of Columbia—all†.....	15	6	4	2	3

\*Includes applications pending as of December 31, 1964.

†Includes National and non-National banks in the District

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

TABLE 12

*Branches of National banks opened for business, by community size and size of bank, calendar 1965*

<i>Category</i>	<i>Jan. 1- Dec. 31, 1965</i>
In cities with population:	
Less than 5,000.....	176
5,000 to 24,999.....	259
25,000 to 49,999.....	82
50,000 to 99,999.....	56
100,000 to 249,999.....	53
250,000 to 499,999.....	25
500,000 to 1,000,000.....	31
Over 1,000,000.....	159
Total.....	<u>*841</u>
By banks with total resources (in millions of dollars):	
Less than 10.0.....	119
10.0 to 24.9.....	106
25.0 to 49.9.....	64
50.0 to 99.9.....	60
100.0 to 999.9.....	227
Over 1,000.....	265
Total.....	<u>*841</u>

\*Includes 587 de novo branches, 162 branches of newly converted banks, and 92 branches acquired through merger.

TABLE 13

*Mergers,\* calendar 1965*

Applications carried over from 1964.....	15
Applications received 1965.....	77
Disposition of applications 1965:	
Approved.....	81
Disapproved.....	1
Withdrawn.....	3
Applications pending December 31, 1965.....	7
Transactions completed 1965:	
Mergers.....	59
Consolidations.....	5
Purchase of assets.....	12
Total.....	<u>76</u>
<i>Aggregate total of capital stock and capital accounts for the certificates issued, 1965</i>	
	<i>Merging, consolidating, or selling bank</i>
Capital stock.....	<i>Charter or purchasing bank</i> \$470,298,596
Capital accounts.....	\$24,227,204 1,492,914,898
	<i>Combined</i> \$491,519,326 1,552,439,088

\*Includes mergers, consolidations, and purchase and sale transactions, where the resulting bank is a National bank.

## V. Litigation

Twenty-seven new cases involving bank branch approvals, new charters, and regulations relating to National bank powers were filed from April of 1965, through August 1966. Fifteen such cases were pending at the earlier date.

### A. Branch Litigation

The U.S. Supreme Court has agreed to consider two cases involving the extent to which State statutory limitations on branch banking apply to National banks. At issue is the Utah law which provides that banks may only branch by means of merger or acquisition of an existing bank. The Comptroller's position is that, once a State expressly authorizes branches, the Federal law incorporates only that part of the State law dealing with State restrictions on branch location and capitalization. In addition, the Comptroller urges that the Court should not make the Utah restriction applicable to National banks because the anticompetitive nature of the Utah provision runs counter to congressional policy favoring competition. The Government's brief was filed by the Solicitor General on August 25, 1966. *Walker Bank and Trust v. Saxon*, and the *First National Bank of Logan and Commercial Security Bank v. Saxon* (Nos. 51, 73, 88).

The U.S. Court of Appeals for the Fourth Circuit has held that the Administrative Procedures Act does not require the Comptroller to hold an administrative hearing prior to his issuance of a National bank branch certificate. The court, in vacating the district court order annulling and enjoining the issuance of the branch certificate, also upheld the Comptroller's position that only the location and capitalization restrictions of State law bind the Comptroller. The case was then remanded to the district court for a review *de novo* on the issues of public interest, need, and necessity. *First National Bank of Smithfield v. Saxon*, and *First National Bank of Smithfield v. First National Bank of Eastern North Carolina*, 302 F. 2d 267 (4th Cir. 1965).

Since *Smithfield*, three district courts have considered challenges to the Comptroller's approval of new branches on the ground that the needs and convenience of the community would not be served by the addition of a new branch. In *American Bank and Trust Company v. Saxon and Dart National Bank* 248 F.S. 324 (W.D. Mich. 1965), the court disagreed

with that aspect of the *Smithfield* decision which called for review on the need issue. Judge Fox found this to be a matter committed to the Comptroller's unreviewable discretion.

However, in *Southern Michigan National Bank of Coldwater v. Saxon and First National Bank of Quincy* (W.D. Mich. 1966) and *Bank of Haw River v. Saxon* the courts followed the *Smithfield* lead and received evidence *de novo* on the issue of need and convenience. In the Michigan case, Chief Judge Kent found that the Comptroller had not abused his discretion in approving the challenged branch, while in the North Carolina case Judge Stanley found that he had.

The Comptroller's approval of the application of a National bank located on a U.S. military reservation to branch off the reservation was sustained in *First Hardin National Bank, et al. v. Fort Knox National Bank*, C.A. No. 5046 (D.C. W.D. Ky.). Plaintiff banks unsuccessfully contended that Fort Knox is a Federal enclave located outside the State of Kentucky and that a bank located there could not branch "into Kentucky." The court of appeals affirmed this opinion on May 26, 1966.

A corporation composed of State banks sought, and was granted, an injunction against the opening of a National bank facility about 100 feet from the National bank's branch. The facility was held to be an illegal branch, and not an extension of an existing office as the Comptroller contended. *State Chartered Banks in Washington, et al. v. Peoples National Bank of Washington, James J. Saxon, Comptroller, Intervenor*, U.S.D.C. W.D. Wash. (1966). See also *W. M. Jackson v. First National Bank of Valdosta*, No. 21821 (5th Cir. 1965).

The Comptroller granted preliminary approval for a branch of a National bank in the State of Wisconsin. This action has been challenged in *American State Bank, Kenosha, Wisconsin v. James J. Saxon* (D.C.D.C.). The Comptroller urges that savings and loan associations, allowed to branch under State law, do "the banking business" within the meaning of the National Bank Act provision (12 U.S.C. 36(h)), which permits National banks to branch where State banking institutions are so authorized. The court denied the motion of the Wisconsin Banking Commissioner to intervene as a party plaintiff. The case is still pending in the U.S. District Court for the District of Columbia.



## B. New Bank Charter Litigation

The following pending cases challenge the Comptroller's discretion in approving new bank charters:

1. *William R. Farris v. Indian Hills National Bank and James J. Saxon* (D.C. Neb.) C.A. No. 02146, 1964;
2. *Citizens Bank of Hattiesburg v. James J. Saxon* C.A. No. 1998 (D.C.S.D. Miss. 1966);
3. *Warren Bank v. James J. Saxon*, C.A. No. 28290 (E.D. Mich. S. Div. 1966);
4. *First National Bank of Abbeville, et al. v. Saxon*, C.A. No. 12,158 (W.D. La. 1966);

The District Court in *Citizens National Bank of Maplewood, et al. v. James J. Saxon and West Side National Bank* (U.S.D.C.E.D. Mo.) dismissed a complaint based solely on the allegation that the Comptroller had not afforded the plaintiffs administrative due process. Plaintiffs have appealed to the Court of Appeals for the Eighth Circuit.

## C. Regulation Litigation

A number of investment bankers have challenged the Comptroller's Investment Securities Regulation, which rules certain securities eligible for purchase, dealing in, underwriting, and unlimited holding by National banks. The plaintiffs specifically challenged the ruling that New York Port Authority bonds are eligible for purchase. The threshold issue is plaintiffs' standing to sue. *Baker, Watts & Company, et al. v. James J. Saxon*, C.A. No. 97-66 (D.C.D.C. 1966).

A trade association representing a group of Georgia insurance agents has challenged the Comptroller's ruling that a National bank may act as agent for the sale of insurance incidental to banking transactions. The Comptroller has moved to dismiss the complaint on the ground that the plaintiff insurance agents lack standing to challenge a regulation by the Comptroller with respect to National bank powers. *Georgia Association of Independent Insurance Agents, Inc., et al. v. James J. Saxon, Comptroller of the Currency*, C.A. No. 9846 (N.D. Ga. Atlanta Div. 1965).

## D. Merger Litigation

The most important development affecting bank merger litigation in recent years came with the passage into law of the Bank Merger Act of 1966 on February 21, 1966.

Of the six bank merger cases now pending in the courts under this statute, opinions on preliminary matters have been rendered in two. Both upheld the position of the Comptroller and the Congress that the new act changes the law respecting the antitrust aspects of bank mergers, and allows the Comptroller to approve a bank merger if the convenience and needs of the community outweigh, in his discretion, any anticompetitive effects a merger might have.

In a suit filed October 8, 1963, *United States v. Crocker-Anglo National Bank, Citizens National Bank and Transamerica Corporation* (U.S.D.C.N.D. California, Civil Action No. 41,808), the court ruled that the operative law respecting bank mergers was the 1966 Bank Merger Act and remanded the cause to the Comptroller with directions to conduct a hearing and to make specific findings under the standards of the new law. In doing so, the court stated Congress' intent to be that "there should be made available in determining the validity of bank mergers the expertise of persons familiar with banking and with operating procedures of banks." In accordance with the terms of the order, a hearing was conducted by this Office on November 14, 1966. The Comptroller's findings in that proceeding will be reviewed by the court under 1966 Bank Merger Act standards.

The second opinion of a court on the place of the Bank Merger Act of 1966 in antitrust litigation was rendered on October 13, 1966 in *United States v. Provident National Bank and Central-Penn National Bank of Philadelphia and James J. Saxon, Comptroller of the Currency, Intervenor* (U.S.D.C.E.D. Pennsylvania, Civil Action No. 40032). Chief Judge Thomas J. Clary, denying defendants' motion to dismiss, said, however, that "the only suit open to Justice to enjoin a bank merger lies solely within the ambit of the Bank Merger Act of 1966." This case is scheduled for trial in early 1967. Another ruling of Judge Clary reaffirms the privilege of an agency to maintain the confidentiality of the confidential sections of examination reports, even if the agency is a party to a suit.

The case of *U.S. v. Third National Bank of Nashville, et al.*, D.C.M.P. Tenn., Civil Action No. 3849, was the first case fully tried under the Bank Merger Act of 1966. The trial lasted for approximately seven weeks between April 25, 1966 and June 14, 1966. Final oral arguments were held on October 6, 1966 and it is anticipated that Chief Judge Miller's opinion and findings of fact will be handed down before the end of November. Remarks made by Judge Miller in the course of final argument by counsel indicated that the court was of the opinion that the Bank Merger Act of

1966 substantially modified the old Clayton Act tests of competition and that the convenience and needs of the community could well be the controlling factor in any bank merger attack by the Justice Department.

The status of the remaining suits contesting the legality of bank mergers is as follows:

In *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. Missouri, Civil Action No. 65C-241 (1)), the trial date has been set for March 28, 1967. Under advisement by the court is the Comptroller's motion to dismiss this action.

On October 19, 1966, the Department of Justice filed suit protesting the merger of two banks in Texas. The Comptroller moved to dismiss the complaint on Oc-

tober 26, 1966. *United States v. First City National Bank, Southern National Bank and James J. Saxon, Comptroller of the Currency, Intervenor* (U.S.D.C. S.D. Texas, Civil Action No. 66-H-695).

The sixth case under the 1966 Bank Merger Act involved the merger of the First National Bank of Hawaii and Cooke Trust Company. As the Bank Merger Act defines the F.D.I.C. as the responsible agency when a merger involves an uninsured institution (Cooke Trust), the Comptroller's motion to intervene was denied, and the F.D.I.C. has intervened. A motion by the bank to lift the automatic injunction was successful, and these two institutions were permitted to merge pending trial of the case. *United States v. First National Bank of Hawaii and Cooke Trust Company, et al.* (U.S.D.C. Hawaii, Civil Action No. 2540).

## VI. Fiduciary Activities of National Banks

The value of assets administered by National bank trust departments increased markedly in 1965. At year end, these departments had investment responsibility for assets having a total market value of \$89.5 billion, compared to \$75.2 billion at the end of 1964. Pension, profit sharing, and similar employee benefit trusts held assets valued at \$28.6 billion. With adjustments for the effects of conversions, security price appreciation, and changes in reporting definitions, this would indicate an inflow of funds into new and existing accounts in excess of \$5 billion.

During 1965, 52 applications for fiduciary powers were filed by National banks, of which 34 were approved. This brought the total number of National banks authorized to have trust departments to 1,865. The addition of these 34 banks to the ranks of those already authorized to exercise fiduciary powers will broaden the availability of these services to the public and widen the opportunity for such banks to serve their customers.

The increase in asset values was paralleled by the inauguration of several fiduciary activities by National banks which will enable them to provide a broader scale of trust department services to their customers. Perhaps the most significant of these was the establishment of the commingled investment account by First National City Bank of New York, a means for the collective investment of agency accounts. This was effected through the modification of the traditional common trust fund device to add the features deemed necessary by the Securities and Exchange Commission

to permit compliance with the Securities Act of 1933 and the Investment Company Act of 1940.

To meet the challenges posed by the expanding scope and tempo of these activities, an increased emphasis was placed upon the training of our trust examiners. It was decided that the main effort should be toward qualitative improvement. During the year, 5 appointments were made to the position of Representatives in Trusts, and 10 appointments were made to the intermediate position of Associate in Trusts. Local conferences with trust examiners and Washington personnel were held in Memphis, St. Louis, Los Angeles, Daytona Beach, Denver, New York, Cleveland, Atlanta, and Minneapolis.

A training school for new trust examiners was held in Washington, D.C. early in 1966. A distribution system was introduced whereby all trust personnel receive copies of all letter rulings issued by the Washington, D.C. Office. In addition, a seminar on trust department problems and procedures was held in Washington in 1966 for the regional counsels.

The trust department annual reports, reflecting market values of assets of accounts where National banks had investment responsibility, were drawn upon to provide the basis for an article appearing in *The National Banking Review*, June 1966, entitled "Bank Trust Investments in 1965." The article also reflected the results of the Office's annual survey of common trust funds. Tables B-24 and B-25 contain data taken from this article concerning bank trust assets and common trust funds.

## VII. *International Banking and Finance*

The number of foreign branches of National banks increased during 1965 from 138 to 196. Their total resources increased from \$3.3 billion on December 31, 1964, to \$7.2 billion on December 31, 1965, an amount which exceeds the total assets of National banks in each State but seven. At the end of 1965, foreign branches of National banks constituted 93.5 percent of total foreign branches of U.S. banks. This percentage was 76.7 percent at the end of 1964 and by November 1966, it had increased to 94.2 percent. These figures reflect the conversion of Chase Manhattan Bank (with 34 foreign branches) to a National bank on September 23, 1965.

The Canadian Government has proposed a new banking act in 1965 which contains provisions under which the growth of an American-owned Canadian bank would be restricted.

This Canadian proposal and other problems involving the attitude of foreign governments toward United States international banking operations led to a study of the regulation of foreign banking in the United States. This study, carried out with the encouragement and assistance of this Office, was published by the

Joint Economic Committee of the Congress in July 1966 and by "The National Banking Review" in September 1966. The study concluded that existing regulation of foreign banking in the United States by the several states involved a diversity of policy which failed to take into account the foreign policy and foreign trade implications of international banking. This failure resulted in some foreign governments imposing unnecessary restrictions upon United States banking operations abroad. Based upon this study, Senator Jacob Javits introduced, toward the end of the 89th Congress, a bill for federal control of foreign banking (S.3765).

Also, during 1965, the Office was called upon to justify for the House Banking and Currency Committee the position it had taken earlier that a National bank might hold directly as well as indirectly stock interest in foreign banks as a means of conducting its overseas operations. The position taken bore fruit in July 1966 when Congress, by amendment to the Bank Holding Company Act of 1956, made specific provision for the exercise of the power of National banks to acquire and hold direct and indirect investments in foreign banks.

## VIII. *Management Improvement*

The organization chart shown in this section depicts the allocation of major administrative responsibilities in this Office. In December 1965, the national and regional advisory committees on banking policies and practices were established and are now operating on a continuing basis. The regional counsel program, placing trained attorneys in each of the 14 National bank regions, was inaugurated in 1964 and was fully operative in 1965 and 1966. More deputy regional administrators were assigned to the field offices to facilitate the overall decentralization policy. In 1965, an official of this Office was appointed to maintain a continuous liaison with the Federal Deposit Insurance Corporation.

The merit promotion plan announced in 1965 provides for the regular evaluation of all examining personnel and substantial salary rewards and incentives to those favorably appraised. The success of this program in improving the quality of the examining force and of bank supervision generally is being fully realized.

Several additional steps were taken in 1965 in the area of personnel administration. A colorful recruiting pamphlet, *World of Banking: The Challenges of a Career as a National Bank Examiner*, was published. This booklet was favorably received by the banking industry and by campus counselors, whose requests for copies and for further information greatly exceeded all projections. Further, employee communications received a boost from the inauguration of an intra-Office newsletter, *The National Bank Examiner*. Initial response to this publication has been gratifying.

The information services program, which originated in this Office with the publication of the *Comptroller's Manual for National Banks*, the *Comptroller's Manual for Representatives in Trusts*, and *The National Banking Review*, continues to thrive. Two additional manuals are available: *Comptroller's Policy Guidelines for National Bank Directors* and *Instructions, Procedures, Forms for National Bank Examiners*. The booklet *Duties and Liabilities of Directors of National Banks* was thoroughly updated in 1965 and has main-

tained its position as one of the most popular issuances of the Office.

The *Annual Report of the Comptroller of the Currency* continues in the new format that marked the centennial report for the year 1962. The *Annual Report* contains descriptions of the state of the National banking system and of the operations of this Office and official documents relating to such crucial public issues as merging and branching. The general policy statements for the 1963 and 1964 *Annual Re-*

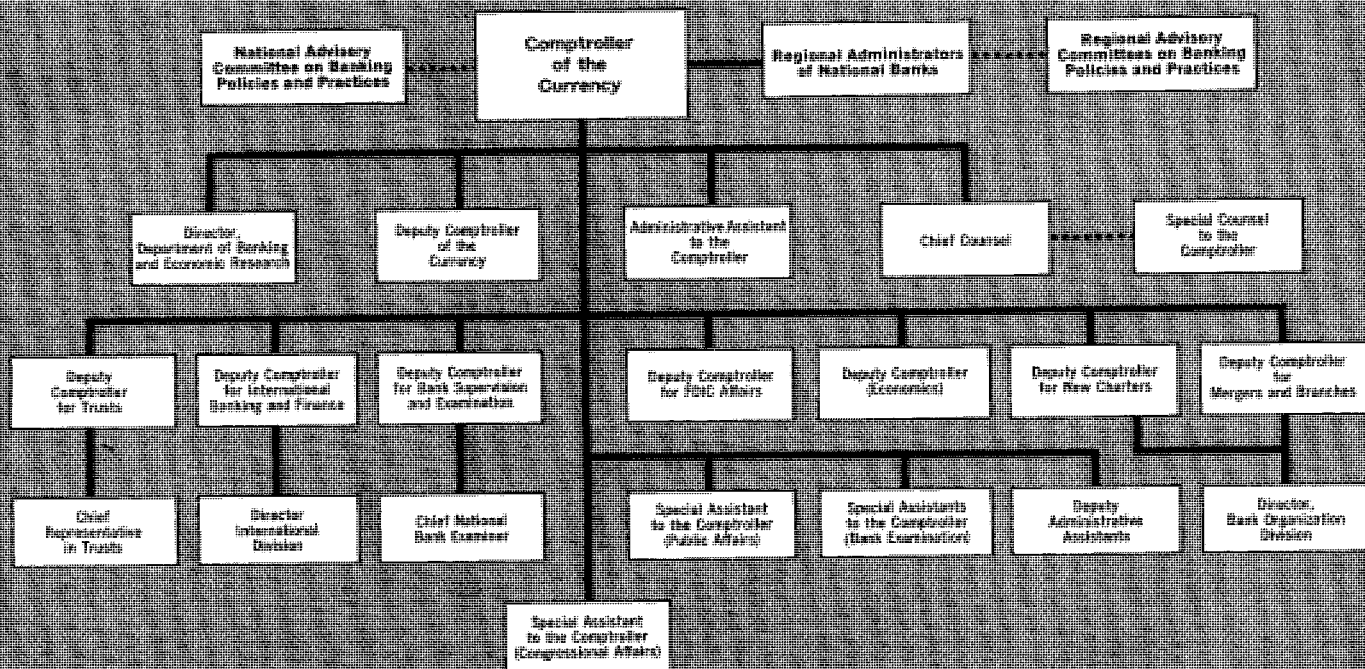
*ports* are available in reprint form. These are *Years of Reform: A Prelude to Progress* (1963) and *The Banking Structure in Evolution: A Response to Public Demand* (1964). In December of 1965, outstanding articles from *The National Banking Review* were gathered and published in *Studies in Banking Competition and the Banking Structure*. Collected in this one volume is much of the best recent work on the special characteristics of competition and market structure in the banking industry.

#### REGIONAL ORGANIZATION

<i>Region</i>	<i>Regional administrators</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	R. Coleman Egertson.....	Philadelphia, Pa.....	Pennsylvania.
4	John W. Shaffer, Jr.....	Cleveland, Ohio.....	Indiana, Kentucky, Ohio.
5	Page Cranford.....	Richmond, Va.....	Delaware, District of Columbia, Maryland, North Carolina, Virginia, West Virginia.
6	Joseph M. Ream.....	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.

# Office of the Comptroller of the Currency

Chart of Organization • November 1, 1968



This Office is deeply indebted to the members of the advisory committees who have given so much of their time and effort to provide a mutual exchange of information on matters of extreme importance to the banking industry internationally, nationally, and on the regional level. This continuing review of bank regulatory policies is a vital necessity with the rapid economic growth experienced in this country over the past several years. These men bring to their work the best practical experience and native talent and truly represent the manifold interests of the Nation's banking community. They continue to provide this Office with the richest variety of viewpoint and an uncommonly high degree of sustained creativity.

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George Champion	William M. Jenkins	R. A. Peterson
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G. Morris Dorrance, Jr.	Frederick G. Larkin, Jr.	Robert H. Stewart, III
George S. Eccles	Homer J. Livingston	Norfleet Turner
J. A. Elkins, Jr.	John A. Mayer	

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Walter W. Schroeder  
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A. M. Eriksmoen, *Vice Chairman*  
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Ora G. Jones, Jr.  
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Fred R. Orth  
John M. Rose  
C. Glenn Rye

REGION TEN

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Charles Young, *Vice Chairman*  
Calvin W. Aurand  
Robert Bunten  
Clarence Coleman  
James B. Cooper  
R. L. Kilgore  
B. L. Lohmuller  
Nation Meyer  
Morris F. Miller  
L. R. Reynolds, Jr.  
Burnham Yates

REGION ELEVEN

T. C. Frost, Jr., *Chairman*  
W. H. McDonald, *Vice Chairman*  
James W. Aston  
Oliver Howard  
Joseph F. Irvin  
F. G. McClintock  
George G. Matkin

Ford Simmons  
Leon Stone  
William Thomas, Jr.  
J. D. Wilkinson  
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REGION TWELVE

Melvin J. Roberts, *Chairman*  
Frank O. Papen, *Vice Chairman*  
J. D. Ackerman  
Robin B. Bailey  
D. M. Crouse  
W. M. Gallaway  
Jackson F. King  
H. A. McEvoy  
R. K. Schumann  
Roy W. Simmons  
A. H. Trautwein  
Robert D. Williams

REGION THIRTEEN

William E. Irvin, *Chairman*  
Baker Ferguson, *Vice Chairman*  
Maxwell Carlson  
D. H. Cuddy  
L. A. Frazier  
Forrest C. Hedger  
Theodore Jacobs  
E. J. Kolar  
C. Henri Labbe  
James E. Phillips  
John E. Tenge  
Dewitt Wallace

REGION FOURTEEN

Ralph V. Arnold, *Chairman*  
Dan E. Dorman, *Vice Chairman*  
Charles de Bretteville  
H. S. Gorman  
Charles E. Harris  
Alfred Hart  
Joseph Rogers  
M. A. Ruderman  
Howard L. Sargent  
Jacob Shemano  
C. Arnholt Smith  
George L. Woodford, Jr.

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

The health and growth of the National banking system are reflected in the financial position of this Office. During 1965, income exceeded expenses for the fourth consecutive year, but net income was somewhat lower than in 1964.

### A. *Income for 1965*

Several factors combined to increase total income in 1965 to \$19,648,462, an increase of 9.6 percent over 1964. A \$29 billion growth in total assets of National banks raised income from assessments to \$16.8 million, or 86 percent of total income.

Other income categories remained at good levels. Income from trust examinations and investigations reached \$1,326,829, an increase of \$116,801 over 1964. Income from investments in United States securities increased to \$520,679 for the year 1965. Income from charter investigations declined by 47.6 percent in 1965 to \$131,523, the lowest figure for this category in the past 3 years.

### B. *Expenses for 1965*

Expenses in 1965 totaled \$18.2 million, an increase over 1964 of \$1.9 million. Salary, travel and related expenses aggregated 94.5 percent of the total. Salaries and related payroll expenses alone increased \$1.5 million in 1965. Four primary cost factors contributed to this increase. First, the Congressional pay raise effective in the fall of 1965 increased all employee's salaries. Second, the merit promotion plan was in operation for its first full year. Third, the regional counsel program has now placed trained attorneys in the 14 National bank regions. Through this program, bankers and examiners are provided with local, readily-accessible counsel representing this Office. The implementation of this program has required the hiring and training of more attorneys for service in Washington and in the field. Fourth, the great asset growth experienced in the National banking system, together with the increase in the number of banking offices and the conversion of several large banks, have made necessary an increase

in the number of examining personnel. During 1965, the total number of employees of this Office increased 11 percent from 1,531 to 1,702. Total assets of National banks increased by 15.3 percent over 1964. Thus, the increase in manpower strength has been held slightly below work load growth as a result of an Office-wide cost reduction program being effected through streamlined techniques and a more efficient allocation of manpower.

Despite the increase in total personnel, total per diem expenses were held to a modest increase of 1.2 percent above 1964. On the other hand, travel expenses increased significantly. Expanded personal communication between Washington, the regional offices, and banks contributed to the increase in travel expenses.

Several savings were realized in 1965 through management improvement efforts. Partial completion of the adaptation of internal fiscal procedures to automatic data processing accounted for an annual saving in manpower costs of \$73,000. Decentralization of duties to the regional offices has saved 15 man-years in 1965, with even larger annual savings projected for ensuing years.

### C. *Comptroller's Equity*

The equity account is in reality a reserve for contingencies. In sharp contrast with the unfavorable 1957-61 trend of substantial equity erosion, over \$5 million has been added to the equity position of this Office since December 1961. The account reached a record high of \$6,728,854 in 1965.

### 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 1965. The audit was made in accordance with generally accepted auditing standards.



TABLE 14

Comparative statement of income and expenses of the Office of the Comptroller of the Currency, by calendar years 1959-65

	1965	1964	1963	1962	1961	1960	1959
<b>INCOME</b>							
Assessments.....	\$16,804,599	\$15,200,556	\$14,245,418	\$13,289,291	\$10,686,750	\$10,213,494	\$9,247,563
Trust examinations.....	1,318,148	1,196,574	1,077,018	953,889	511,121	540,772	477,364
Trust investigations.....	8,681	13,454	16,090	0	0	0	0
Branch investigations.....	201,390	190,933	166,962	156,116	100,230	98,183	86,153
Charter investigations.....	131,523	250,712	243,899	108,063	37,732	31,800	25,469
Merger and consolidation fees.....	64,500	46,000	47,500	49,000	4,000	0	0
Affiliate examinations.....	3,494	4,759	4,362	3,324	2,326	2,354	3,606
Extra examinations.....	0	2,498	2,850	7,987	5,537	2,375	9,416
Reporting services.....	506,105	496,330	466,120	238,750	86,768	84,480	93,110
Manuals and publications.....	29,373	54,760	212,683	0	0	0	0
Currency issue management.....	46,916	34,125	32,282	0	0	0	0
Other.....	13,054	5,658	2,588	4,222	2,303	966	3,011
Subtotal.....	19,127,783	17,496,359	16,517,772	14,810,642	11,436,767	10,974,424	9,945,692
Investment income.....	520,679	430,567	353,113	172,106	169,865	216,414	155,651
Total.....	19,648,462	17,926,926	16,870,885	14,982,748	11,606,632	11,190,838	10,101,343
<b>EXPENSES</b>							
Salaries.....	13,063,302	11,658,110	10,900,824	9,490,714	8,527,136	8,192,979	7,511,943
Employer's retirement, insurance and F.I.C.A. contribution.....	975,880	874,263	818,243	712,535	645,641	581,450	509,768
Per diem or subsistence.....	1,968,860	1,945,213	2,402,914	2,174,488	1,841,168	1,684,544	1,590,753
Travel.....	1,171,948	916,573	866,591	708,776	654,657	577,362	557,062
Rent.....	216,529	186,462	190,477	180,069	162,837	157,496	153,333
Supplies.....	91,475	65,284	76,869	71,806	30,544	27,268	27,539
Printing, books, and periodicals.....	245,245	311,129	303,506	111,272	84,418	85,562	75,908
Furniture and fixtures.....	0	0	0	205,930	31,324	42,733	26,864
Depreciation.....	58,476	48,567	31,617	0	0	0	0
Remodeling.....	34,003	19,663	69,094	0	0	0	0
Office machines, rentals, and repairs.....	69,499	26,868	13,492	0	0	0	0
Communications.....	145,039	128,558	118,658	118,304	74,449	74,284	72,820
Shipping expenses.....	47,014	35,097	53,106	55,559	19,346	24,814	21,379
Other.....	100,913	64,336	69,933	80,662	38,904	49,411	37,681
Total.....	18,188,183	16,280,123	15,915,324	13,910,115	12,110,424	11,497,903	10,585,050
Net income*.....	1,460,274	1,646,803	955,561	1,072,633	(503,792)	(307,065)	(483,707)

\*Excludes the nonrecurring charge for 1965 of \$4,736 representing adjustment in capitalization of fixed assets due to completed valuation.

TABLE 15

Comparative statement of financial condition of the Office of the Comptroller of the Currency, by calendar years 1959-65

	1965	1964	1963	1962	1961	1960	1959
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash on hand and on deposit . . .	\$194,068	\$603,988	\$350,295	\$1,225,955	\$812,139	\$957,281	\$1,125,864
Accounts receivable . . . . .	36,287	11,885	125,434	89,912	47,148	45,715	57,826
Investments . . . . .	9,997,821	8,571,481	7,139,008	5,542,450	4,748,866	5,098,809	5,035,126
Accrued interest receivable . . . .	110,393	88,715	83,018	30,479	24,543	56,047	75,106
Prepaid expenses . . . . .	10,215	10,646	4,716	527	2,404	4,441	0
<b>Total current assets . . . . .</b>	<b>10,348,784</b>	<b>9,286,715</b>	<b>7,702,491</b>	<b>6,889,323</b>	<b>5,635,100</b>	<b>6,162,293</b>	<b>6,293,922</b>
<b>Fixed assets:</b>							
Furniture, fixtures, and equip- ment . . . . .	665,368	524,621	426,475	0	0	0	0
Less: accumulated depreciation . .	145,017	90,481	41,914	0	0	0	0
<b>Total fixed assets . . . . .</b>	<b>520,351</b>	<b>434,140</b>	<b>384,561</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total assets . . . . .</b>	<b>10,869,135</b>	<b>9,720,855</b>	<b>8,087,052</b>	<b>6,889,323</b>	<b>5,635,100</b>	<b>6,162,293</b>	<b>6,293,922</b>
<b>LIABILITIES</b>							
<b>Current liabilities:</b>							
Accounts payable . . . . .	35,591	390	117,961	119,209	49,000	41,760	43,157
Accrued payroll . . . . .	0	435,509	314,611	260,959	179,732	175,690	123,008
Payroll deductions for bonds and taxes, etc. . . . .	56,981	43,937	38,554	38,161	31,557	44,473	45,317
Accrued travel expenses . . . . .	237,500	209,000	209,527	190,268	215,000	191,636	165,000
Deferred income . . . . .	10,668	10,202	6,154	0	0	0	0
<b>Total current liabilities . . . . .</b>	<b>340,740</b>	<b>699,038</b>	<b>686,807</b>	<b>608,597</b>	<b>475,289</b>	<b>453,559</b>	<b>376,482</b>
<b>Other liabilities:</b>							
Closed receivership trust funds . .	2,697,579	2,697,942	2,702,902	2,687,754	2,692,094	2,695,165	2,648,206
Employees, accumulated annual leave . . . . .	1,101,962	1,050,564	1,070,836	1,117,659	1,062,940	1,105,000	1,054,000
<b>Total other liabilities . . . . .</b>	<b>3,799,541</b>	<b>3,748,506</b>	<b>3,773,738</b>	<b>3,805,413</b>	<b>3,755,034</b>	<b>3,800,165</b>	<b>3,702,206</b>
<b>Total liabilities . . . . .</b>	<b>4,140,281</b>	<b>4,447,544</b>	<b>4,460,545</b>	<b>4,414,010</b>	<b>4,230,323</b>	<b>4,253,724</b>	<b>4,078,688</b>
<b>Equity:</b>							
Comptroller's equity . . . . .	6,728,854	5,273,311	3,626,507	2,475,313	1,404,777	1,908,569	2,215,234
<b>Total liabilities and equity . . . .</b>	<b>10,869,135</b>	<b>9,720,855</b>	<b>8,087,052</b>	<b>6,889,323</b>	<b>5,635,100</b>	<b>6,162,293</b>	<b>6,293,922</b>

## X. Issue and Redemption of Currency

During the year ending December 31, 1965, the Comptroller made 1,213 shipments of new Federal Reserve notes (1,995,740,192 notes with an aggregate value of \$10,820,401,920) to Federal Reserve agents. Delivery of 50,764,000 notes with an aggregate value of \$342,528,000 was made to the Treasurer of the United States. There were 4,856 shipments of unfit Federal Reserve notes and Federal Reserve bank notes (635,244,225 notes with an aggregate value of \$7,023,456,240) received for verification and certifi-

cation for destruction; 1,862,763 badly damaged Federal Reserve notes and Federal Reserve bank notes with an aggregate value of \$9,140,023 were presented by the Treasurer of the United States for identification approval.

The Comptroller also received shipments of National bank notes (30,011½ notes with an aggregate value of \$590,563.50) for verification and destruction. On December 31, 1965, the value of National bank notes outstanding was \$22,006,929.50.

## APPENDIX A

# Merger Decisions, 1965

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## Merger<sup>1</sup> Decisions, 1965

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	Citizens First National Bank of Frankfort, Frankfort, N.Y. (10351) and the Oneida National Bank & Trust Co. of Central New York, Utica, N.Y. (1392), which had merged Nov. 5, 1965, under charter and title of the latter bank (1392) . . . . .	121
	Bank of Phoebus, Hampton, Va., and Virginia National Bank, Norfolk, Va. (9885), which had merged Nov. 5, 1965, under charter and title of the latter bank (9885) . . . . .	123
	The Merchants' National Bank of Hampton, Hampton, Va. (6778), and Virginia National Bank, Norfolk, Va. (9885), which had merged Nov. 5, 1965, under charter and title of the latter bank (9885) . . . . .	124
	Patrick County Bank, Stuart, Va., and the First National Bank of Martinsville and Henry County, Martinsville, Va. (7206), which had merged Nov. 6, 1965, under charter and title of the latter bank (7206) . . . . .	125
	Century Bank of Chicago, Chicago, Ill., was purchased Nov. 19, 1965, by the National City Bank in Chicago, Chicago, Ill. (14562) . . . . .	127
	The Sharon Center Banking Co., Sharon Center, Ohio, and the Old Phoenix National Bank of Medina, Medina, Ohio (4842), which had merged Nov. 27, 1965, under charter and title of the latter bank (4842) . . . . .	127
	The Bank of Lexington, Lexington, S.C., and the First Commercial National Bank of South Carolina, Columbia, S.C. (13720), which had merged Dec. 10, 1965, under the charter of the latter bank (13720), and with title of "The First National Bank of South Carolina." . . . .	128
	United States National Bank in Johnstown, Pa. (13781), and Cambria County National Bank, Carrolltown, Carrolltown, Pa. (5635), which had consolidated Dec. 11, 1965, under charter and title of the former bank (13781) . . . . .	130
	The Citizens National Bank in West Milton, West Milton, Ohio (14264), and the First Troy National Bank & Trust Co., Troy, Ohio (3825), which had merged Dec. 15, 1965, under charter of the latter bank (3825) and under title of "The First National Bank and Trust Co." . . . . .	131
	Douglas County State Bank, Roseburg, Oreg., and First National Bank of Oregon, Portland, Oreg. (1553), which had merged Dec. 22, 1965, under charter and title of the latter bank (1553) . . . . .	132
	Bank of Los Angeles, Los Angeles, Calif. and United States National Bank, San Diego, Calif. (10391), which had merged Dec. 29, 1965, under charter and title of the latter bank (10391) . . . . .	134
	The First National Bank of Whippany, Whippany, N.J. (13173), and the First National Iron Bank of Morristown, Morristown, N.J., (1113), which had merged Dec. 30, 1965, under the charter of the latter bank (1113), and with title of "The First National Iron Bank of New Jersey." . . . .	135
	Metamora State Savings Bank, Metamora, Mich., and the First National Bank of Lapeer, Lapeer, Mich. (1731), which had merged Dec. 31, 1965, under charter and title of the latter bank (1731) . . . . .	136
	First National Bank of Boone, Boone, N.C. (15116), and First National Bank of Eastern North Carolina, Jacksonville, N.C. (14676), which had merged Dec. 31, 1965, under charter and title of the latter bank (14676) . . . . .	137
	The Peoples Savings Bank of Greenville, Ohio, Greenville, Ohio, and the Second National Bank of Greenville, Greenville, Ohio (2992), which had merged Dec. 31, 1965, under charter of the latter bank (2992) and under title of "The Second National Bank of Greenville, Greenville, Ohio." . . . .	139

THE FIRST NATIONAL EXCHANGE BANK OF CLAYTON, CLAYTON, N.Y., AND THE NATIONAL BANK OF NORTHERN NEW YORK, WATERTOWN, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Exchange Bank of Clayton, Clayton, N.Y. (5108), with . . . . .	\$4, 502, 422	1	.....
and the National Bank of Northern New York, Watertown, N.Y. (2657), which had . . . . .	54, 740, 086	6	.....
merged Jan. 15, 1965, under charter and title of the latter bank (2657). The merged bank at the date of merger had . . . . .	59, 242, 508	.....	7

COMPTROLLER'S DECISION

On November 2, 1964, the \$52.8 million National Bank of Northern New York, Watertown, N.Y., and the \$4.7 million First National Exchange Bank of Clayton, Clayton, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Watertown, which has a population in excess of 33,000, is located in north-central New York 80 miles northwest of Utica and 10 miles east of Lake Ontario. The town has shown considerable growth in industrial development in recent years with a diverse group of manufacturers now present in the community. It serves, in addition, a large portion of the north-central region of the State which is mainly an agricultural, dairy, and resort area. It is also the commercial and financial center for this upstate region.

Clayton, with a population of 2,000 persons, is located in the Thousand Islands on the St. Lawrence River 23 miles north of Watertown. Although the surrounding area is devoted chiefly to dairy farming, summer resort and recreational facilities play a large role in the local economy. Economic growth in the community should be spurred by completion of the final segment of a limited access interstate highway running from Canada through New York and Pennsylvania to western Maryland with access provided for Clayton, Watertown, and Syracuse.

While the single office merging bank has been operated soundly, its growth, and its consequent impact on the community economy, has been limited by conservative and unaggressive management. In addition, a succession problem due to the age of the operating officers has reached a critical point so that some provision for adequate future banking in the community must be made. Merger with the charter bank, a pro-

gressive, full-service institution, will alleviate the succession problem and better serve the convenience and needs of the community.

The regional banking structure, comprised of the charter bank and one other relatively large bank, as well as six smaller ones, should be strengthened by consummation of the proposed merger. Due to the local nature of their business, none of the small banks near Clayton compete significantly with each other. Consequently, they will remain unaffected by substitution of a branch of the charter bank. The new branch, however, will enable the charter bank to compete more effectively with the larger institution, the Marine Midland Trust Co. of Northern New York, in providing full service, progressive banking for the north-central New York region.

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

JANUARY 11, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Commercial banking in the Watertown, N.Y., area is already highly concentrated. Two banks, the Marine Midland Trust Co. of Northern New York and the National Bank of Northern New York, the acquiring bank herein, account for about 90 percent of the bank loans and deposits in the area. Six banks presently compete with these comparative giants. The elimination of one of the six smaller banks by merger into one of the two large banks serves to increase this extraordinary degree of concentration and aggravate the competitive difficulties of the remaining five.

Therefore, the effect of the proposed consolidation upon competition must be deemed to be adverse.

\* \* \*

THE FORT MCINTOSH NATIONAL BANK OF BEAVER, BEAVER, PA., AND WESTERN PENNSYLVANIA NATIONAL BANK, MCKEESPORT, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Fort McIntosh National Bank of Beaver, Beaver, Pa. (8185), with.....	\$4, 537, 524	1	.....
and Western Pennsylvania National Bank, McKeesport, Pa. (2222), which had.....	556, 018, 962	51	.....
merged Jan. 15, 1965, under charter and title of the latter bank (2222). The merged bank at the date of merger had.....	570, 556, 486	.....	52

COMPTROLLER'S DECISION

On November 13, 1964, the \$543.5 million Western Pennsylvania National Bank, McKeesport, Pa., and the \$4.4 million Fort McIntosh National Bank of Beaver, Beaver, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and with the 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.

Beaver, the county seat of Beaver County, is located 29 miles northwest of McKeesport. Although basically a residential community of 6,160 persons representing the county's higher income families, Beaver supports a Westinghouse Corp. plant employing 1,800 people. Other residents commute to work throughout the Greater Pittsburgh area.

The Western Pennsylvania National Bank has 48 branches, of which 37 are situated in Allegheny County, 6 in Washington County, 2 in Westmoreland County, and 3 in Beaver County. The charter bank ranks third in size in the Pittsburgh metropolitan area behind the Mellon National Bank & Trust Co. and the Pittsburgh National Bank. The Fort McIntosh National Bank is the smaller of the two banks in Beaver and maintains no branches.

Consummation of this merger will neither alter the charter bank's competitive position in the framework of the Pittsburgh metropolitan area's banking structure nor will it eliminate any significant competition between the applicants since the charter bank's branch nearest to Beaver is more than 3 miles away across the Beaver River. The merger will introduce a new competitive element into Beaver. The \$32.6 million Beaver Trust Co., the other bank in Beaver, which has shown an impressive record of growth under aggressive management, should continue to thrive not-

withstanding the increased competition that may result from a branch of the charter bank.

Besides increasing competition, this merger should improve the banking service available in the Beaver community. Operation of the merging bank as a branch of the merged institution will provide stronger, more efficient banking services and sufficient capital resources to meet the growing credit needs of the Beaver area. In addition, the new branch will offer trust services through the experienced trust department of the charter bank.

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

JANUARY 12, 1965.

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 percent of the commercial banking business 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 and among the leading banks. The top three banks currently account for approximately 85 percent of total Allegheny County deposits and loans while the top four account for approximately 93 percent. The remaining deposits and loans are shared by 19 banks.

Western itself has been an extremely active participant in the consolidation movement having since 1953 acquired 22 small and medium-sized banks in Allegheny County and the adjoining counties of Westmoreland, Washington, and Beaver. The instant proposal is Western's fourth merger in Beaver County in less than a year. With Mellon National Bank & Trust Co. and Pittsburgh National Bank, the two largest banks, having acquired or opened branches through-



out the counties adjoining Allegheny and with Western acquiring formerly independent banks in generally the same localities, the dominance enjoyed by these three banks is being extended throughout the broader four-county area constituting "Greater Pittsburgh."

It does not appear that any significant competition exists between Western and Fort McIntosh National Bank. However, the Beaver Trust Co. and the Freedom National Bank will suddenly be faced with competition from a branch of a bank many times their size. Western has not presented any overriding rea-

sons why it should enter Beaver 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 does not seem necessary or justified, particularly when *de novo* branching, which appears possible, would increase rather than restrict alternative sources of banking service.

We, therefore, believe that approval of this merger will have an adverse effect on competition in the Greater Pittsburgh area, especially Beaver County.

\* \* \*

CITIZENS STATE BANK, ARLINGTON, WASH., AND SEATTLE-FIRST NATIONAL BANK, SEATTLE, WASH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens State Bank, Arlington, Wash., with.....	\$5, 217, 000	1	.....
was purchased Jan. 22, 1965, by Seattle-First National Bank, Seattle, Wash. (11280), which had.....	1, 219, 690, 000	*115	.....
After the purchase was effected, the receiving bank had.....	1, 224, 907, 000	.....	116

\*Including 2 facilities.

COMPTROLLER'S DECISION

On October 1, 1964, the \$1,299 million Seattle-First National Bank, Seattle, Wash., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$5.2 million Citizens State Bank, Arlington, Wash.

Seattle, with a present estimated population in excess of 560,000, is the largest city in the State and the center of an urban area numbering about 1 million inhabitants. The city is primarily a manufacturing center dependent chiefly on the aircraft and aerospace industry, with shipbuilding, transportation, lumbering, food processing and extensive port facilities providing some diversification and stability.

Arlington, located about 47 miles north of Seattle, has a population of 2,200 with an additional 7,500 in its immediate trade area. The local economy depends upon dairy farming, logging, and general agriculture.

The purchasing bank maintains 117 offices throughout the State, although the majority of these are concentrated in the Seattle-Puget Sound area. The bank offers all of the services of a progressive statewide banking institution catering to the specialized requirements of industry, agriculture, lumbering, and fishing. As the largest commercial bank in the State, it competes chiefly with the \$689 million National Bank of Commerce of Seattle operating 79 offices throughout

the State; the \$278 million Peoples National Bank of Washington, Seattle, with 34 offices throughout the State; the \$202 million Old National Bank of Washington, Spokane, with 31 offices; the \$251 million National Bank of Washington, Tacoma, with 32 offices; and the \$433 million Washington & Mutual Savings Bank, operating 12 offices.

The single office selling bank is the only bank in Arlington. The bank has experienced steady growth, but is presently confronted with a management succession problem occasioned by the senior officer's desire to withdraw from banking in the near future and by the death of one of the bank's other senior officers.

In addition to solving the selling bank's management problem, consummation of the proposed transaction will result in greater operating efficiency and the introduction of a complete line of banking services offered by a modern diversified banking institution.

Although a small independent bank will disappear as a result of the purchase, no adverse effect on competition can be foreseen. The very slight increase in total assets of the purchasing bank will not affect the competitive banking picture in the Seattle-Puget Sound region. No competition between the parties to this transaction will be eliminated. The public in the selling bank's service area will continue to have access to competitive banks around Arlington. It should also

be noted that an application to incorporate a new State bank in Arlington has been filed with the State Division of Banking.

Applying the statutory criteria to this proposal, this application is hereby approved.

JANUARY 13, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

As of June 30, 1964, Citizens State was reported to have total assets of \$5,238,000, total deposits of \$4,450,000 and gross loans and discounts of \$2,528,000. As of the same date Seattle-First National was reported to have total assets of \$1,298,979,000, total deposits of \$1,161,327,000 and gross loans and discounts of \$679,915,000.

Seattle-First National is the largest bank in the State of Washington (main office in Seattle, 117 branches scattered statewide). However, its acquisitions of other banks in 1959, 1960, and 1961 have not been significantly deleterious to competition and its acquisition program has not contributed markedly to concentration of banking power within the State. If anything, Seattle-First National has lagged in matching average increases of deposits and loans of com-

mmercial and mutual savings banks within the State. Its ratio of control of deposits and loans of commercial and mutual savings banks has decreased over the years, and would still be below 1956 levels even after its proposed acquisition of Citizens State.

Seattle-First National's acquisition of Citizens State, the only bank in Arlington, Wash., a small community of 2,165 persons in the northwest section of the State, 50 miles due north of Seattle, would mean the substitution of one bank for another, offering the community improved banking services over what it had enjoyed in the past. After the acquisition, there would remain 8 other banks within a radius of roughly 20 miles of Arlington. The probable competitive impact of the imposition of a bank of the size of Citizens State upon these banks is difficult to predict; however, it would appear to be clear that their competitive position would not be improved.

Close ties in stock ownership and management, moreover, already exist between Citizens State and Seattle-First National. The acquisition, it would seem, would only serve to emphasize these ties in different form.

No significant anticompetitive effects, therefore, are discernible from the proposed acquisition.

\* \* \*

#### THE FIRST NATIONAL BANK & TRUST CO. OF RAMSEY, RAMSEY, N.J., AND CITIZENS FIRST NATIONAL BANK OF RIDGEWOOD, RIDGEWOOD, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank & Trust Co. of Ramsey, Ramsey, N.J. (9367), with . . . .	\$13, 770, 090	2	.....
and Citizens First National Bank of Ridgewood, Ridgewood, N.J. (11759), which had . . . . .	79, 141, 623	6	.....
merged Jan. 29, 1965, under charter and title of the latter bank (11759). The merged bank at the date of merger had . . . . .	92, 911, 713	.....	8

#### COMPTROLLER'S DECISION

On November 11, 1964, the \$77.8 million Citizens First National Bank of Ridgewood, Ridgewood, N.J., and the \$14.5 million First National Bank & Trust Co., Ramsey, N.J., 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 the north-central section of Bergen County, which is bounded on the east by the Hudson River and on the north by New York's Rockland County. Ridgewood, the site of charter bank's home office, is basically a residential community with a population of approximately 28,600,

many of whom are employed in the Greater New York City area. The charter bank presently operates four branches, all in communities within 5 miles of Ridgewood, and has received approval to open a fifth branch.

Ramsey, also almost entirely residential and with a population of about 10,000, is the site of the merging bank's home office and is about 6 miles north of Ridgewood. Industrial activity is anticipated to increase since an aggregate of 19 acres has been recently zoned for industry in Ramsey and the adjoining community of Upper Saddle River. The merging bank operates its only branch in Mahwah, a small town of 3,500 about 3 miles north of Ramsey.

The service areas of the two banks are primarily residential and overlap to some extent. However, due either to the nature of the locale or to the unaggressive policy of the merging bank, there is little or no competition in the Ramsey-Mahwah area which would be eliminated by the proposed merger.

The resulting bank, because of its increased size, will be better able to compete with the other larger banks in Bergen County, as well as with the various other lending institutions in the area. The county has 26 banks with a total of 62 offices. Three of these banks are triple the size of the resulting bank and are very aggressive competitors throughout northern New Jersey. Of course, the large New York banks, with branches conveniently located near the place of employment of the Ridgewood area commuters, cannot be ignored as a serious source of competition to the charter bank, as well as to all northern New Jersey banking institutions. There are 11 State chartered savings and loan institutions in the service area actively competing for savings funds and mortgage loans.

Although the resulting bank will provide the only banking facilities between Ridgewood and the New York border, it will offer more aggressive, forward-looking service to the whole community by adding new services, including an experienced trust department. Relatively young officers will be available to solve a management problem in 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.

JANUARY 18, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Citizens First National Bank, with five offices and over \$70 million in deposits, proposes to merge with First National Bank & Trust Co., with two offices and \$13 million in deposits. The head offices of the merging banks are located approximately 6 miles apart, their closest offices are less than 3 miles apart, and all their offices are located in the northwestern section of Bergen County. Citizens is the 6th largest bank in Bergen and ranks itself 12th among its competitors. Ramsey is among the smallest of Bergen County's 27 banks, but it is the only independent bank in the largest segment of the growing northwestern section of Bergen.

The proposed merger would eliminate direct competition between Citizens and Ramsey, eliminate 1 of only 3 existing Bergen banking alternatives in a large area of northwestern Bergen, and add 1 more step in the notable decline in the number of banks in Bergen County's 70 municipalities from 37 in 1958 to the present total of 27. The competitive effect of the merger will therefore be adverse.

\* \* \*

#### THE BANK OF GLADE SPRING, GLADE SPRING, VA., AND VIRGINIA NATIONAL BANK, NORFOLK, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Glade Spring, Glade Spring, Va., with.....	\$3, 191, 704	1	.....
and Virginia National Bank, Norfolk, Va. (9885), which had.....	426, 563, 913	45	.....
merged Jan. 29, 1965, under charter and title of the latter bank (9885). The merged bank at the date of merger had.....	429, 176, 324	.....	46

#### COMPTROLLER'S DECISION

On September 2, 1964, the \$422 million Virginia National Bank, Norfolk, Va., and the \$2.7 million Bank of Glade Spring, Glade Spring, Va., made application to merge under the charter and title of the former.

The 46 offices of the Virginia National are located throughout Virginia, primarily in the Norfolk-Portsmouth metropolitan area in the eastern section of the State, a 12-county area in central Virginia, the Danville-Martinsville area in southern Virginia, and the Abingdon-Bristol area of southwestern Virginia.

The economic base of the charter bank is as comprehensive and diverse as that of the State of Virginia and has been amply discussed in previous decisions of this Office. The effect of this merger on the charter bank will be imperceptible; discernible effects will be realized only in the Glade Spring area.

The Bank of Glade Spring is located in the community of Glade Spring in Washington County, which is in the southwest portion of Virginia near the state lines of Tennessee and North Carolina. The service area of the merging bank is considered to be the eastern portion of Washington County and the western por-

tion of Smyth County. Approximately 62 percent of the real estate in the area of the Glade Spring bank is devoted to agricultural pursuits, the principal income producers being burley tobacco, dairy farming, and the raising of beef cattle and sheep. Agricultural sales in the year 1960 exceeded \$6 million. Industrial payrolls in the area presently exceed \$20 million, with several nationally known concerns being among the principal employers. During the last 10 years this area experienced a population increase of nearly 2.5 percent. The widely diversified economy is an assurance of prosperity in the future.

Although the merging bank is the only commercial banking institution in Glade Spring, the town limits by no means describe the relevant market. The small lending limit of the Glade Spring Bank and its lack of full-service conveniences have redounded to the benefit of eight other commercial banking facilities located in relatively close proximity to Glade Spring. With the exception of a branch of the charter bank located at Bristol, Va., all of these banks are larger than the merging bank. The introduction of a well-managed, full-service institution possessing the large lending capacity of the Virginia National Bank will be a tonic to competition among the remaining banks in the area. At the same time, the residents will benefit from the assurance of sound and responsible management suc-

cession and the availability of services heretofore denied them.

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

JANUARY 27, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Virginia National, the second largest bank in Virginia, with assets of \$422 million, proposes to merge the Bank of Glade Spring, a bank with assets of \$2,702,000, located in a small community in southeastern Virginia. Since April 1963, Virginia National has merged 7 banks in 4 widely separated sections of Virginia, which had combined deposits at the time merged equal to 42 percent of the present deposits of Virginia National and operated 27 of the 46 present banking offices of Virginia National. Seven independent banks have been eliminated and a rapidly increasing concentration of banking in Virginia has been fostered. The proposed merger, while not significantly adverse to competition, would continue that trend and it is the view of this Department that the cumulative effect on competition of this series of acquisitions will be adverse.

\* \* \*

#### FIRST STATE BANK OF HOAGLAND, HOAGLAND, IND., AND LINCOLN NATIONAL BANK & TRUST CO. FORT WAYNE, IND.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First State Bank of Hoagland, Hoagland, Ind., with and Lincoln National Bank & Trust Co. of Fort Wayne, Fort Wayne, Ind. (7725), which had.....	\$2, 545, 056	1	.....
merged Jan. 30, 1965, under the charter and title of the latter bank (7725).	177, 638, 718	5	.....
The merged bank at the date of merger had .....	179, 823, 846	.....	6

#### COMPTROLLER'S DECISION

On October 29, 1964, the \$170.8 million Lincoln National Bank & Trust Co. of Fort Wayne, Fort Wayne, Ind., and the \$2.5 million First State Bank of Hoagland, Hoagland, Ind., 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 Allen County in the northeastern part of Indiana. Fort Wayne, the county seat, has a population of 161,776 in an esti-

mated service area of 225,000. The economy is of a diverse industrial nature including two manufacturing plants of national reputation, each employing approximately 7,500 persons. There are also a number of large wire-manufacturing companies, electronic companies, pump manufacturers, diamond die industries, and machine tool industries. Recent statistics indicate a 2.4 percent unemployment rate, the lowest in the State. The predominance of skilled and semi-skilled labor results in a high per capita income and general prosperity.

The merging bank, located at Hoagland, 14.8 miles to the southeast of the charter bank, has an estimated population of 535. Its primarily agricultural economy supports about a dozen commercial establishments. The farming area served by the merging bank is regarded as prosperous and has an exceptionally high ratio of owner-occupied homes.

The general area served by the charter bank includes 5 commercial banks with 23 offices. Competition is furnished by the \$106.3 million Fort Wayne National Bank and the \$68.4 million Peoples Trust & Savings Co. Competition furnished by insurance companies, sales finance companies, credit unions, and personal loan companies is considered to be substantial.

A problem of management succession at the merging bank is indicated by the desire of the chief operating officer to retire and the inability to find a satisfactory successor. It is only through merger with the charter bank, with its experienced officers and capable staff of junior officers, that the merging bank can obtain the effective management it requires.

The resulting bank will offer complete banking services not now offered by the merging bank, including trust services, a consumer credit division and the availability of data processing. Greater operational efficiency and more advantageous use of capital will result from the proposed merger. Moreover, the resulting bank will be able to meet the credit needs of worthy borrowers in the community because of its greater lending limit.

The effect of the proposed merger on competition will be minimal, since there is presently no significant competition between the applicant banks. No adverse effect on competition in the area can be foreseen.

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

JANUARY 27, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Under the proposed merger agreement the First State Bank of Hoagland is to be merged into Lincoln

National Bank & Trust Co. of Fort Wayne under the charter and title of the latter.

The Lincoln bank is presently the largest bank in Fort Wayne and operates three branches in Fort Wayne and one in New Haven, Ind. The bank to be acquired is located in the town of Hoagland, Ind. (population 535), approximately 15 miles southeast of the head office of the Lincoln bank and 9 miles from the nearest branch of the Lincoln bank. The relative size of the two banks is reflected in the following table:

	<i>Lincoln</i>	<i>State</i>
Total deposits . . . . .	\$151, 273, 000	\$2, 285, 000
Total loans . . . . .	72, 548, 000	994, 000
Total fixed assets . . . . .	2, 469, 000	29, 000
Total resources . . . . .	170, 806, 000	2, 507, 000

There is no evidence that there is any significant direct competition between the two banks. The area served by the Lincoln bank is primarily commercial and industrial whereas the area served by the State bank is almost exclusively agricultural. State is the only bank in Hoagland and in view of its small size it is unlikely that any additional bank will be opened in that community. Consequently, there is no likelihood that potential competition will be eliminated.

Although this merger does not immediately result in the elimination of any significant direct or potential competition, it is another instance of a large bank absorbing a small independent bank which has experienced a record of substantial growth over the past 10 years. It thus contributes to the trend toward concentration in banking through the elimination of small banks and is likely to induce additional mergers because of the impetus it may generate for other small banks to merger in order to secure the competitive advantages which the bank in Hoagland will obtain by reason of its association with the larger Lincoln bank.

While this proposed merger will enhance, to a degree, the position of the largest bank in Fort Wayne and vicinity where banking resources are already heavily concentrated and may induce further mergers, on balance, we do not believe that the proposed merger will have significant adverse effects.

\* \* \*

THE FIRST NATIONAL BANK OF MILTON, MILTON, N.Y., AND THE FIRST NATIONAL BANK OF HIGHLAND, HIGHLAND, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Milton, Milton, N.Y. (11649), with .....	\$1, 998, 282	1	.....
and the First National Bank of Highland, Highland, N.Y. (5336), which had ..	12, 195, 482	1	.....
consolidated Feb. 11, 1965, under charter and title of the latter bank (5336).			
The consolidated bank at the date of consolidation had .....	14, 193, 764	.....	2

COMPTROLLER'S DECISION

On November 25, 1964, the \$11.9 million First National Bank of Highland, Highland, N.Y., and the \$1.9 million First National Bank of Milton, Milton, N.Y., applied to the Comptroller of the Currency for permission to consolidate under the charter and title of the former.

The banks are located 5 miles apart in Highland and Milton. Both communities are located in the southeastern corner of Ulster County overlooking the Hudson River and both share the same economic base. The Highland-Milton region, one of the largest fruitgrowing areas in New York State, is the location of numerous large packinghouses for the storage, processing, and distribution of apples. A large number of the residents, however, find it necessary to commute to the nearby industrial plants located in Newburg and Poughkeepsie.

Highland, with a population of 6,300 and a trade area of 20,500 is growing and prosperous. The First National Bank of Highland has contributed greatly to this growth through its progressive outlook and aggressive management.

Milton, on the other hand, with a population of 600, is static. The main north-south highway at one time ran through the center of town but the relocation of that highway bypassing Milton, marked the beginning of a steady decline in the community. About 50 percent of the retail stores, on the main street, are vacant and dilapidated. The First National Bank of Milton has suffered with the community decline; its ultraconservative lending policies, and its low lending capacity have prevented it from bringing new economic life to the community. Businessmen seeking business loans, homeowners seeking mortgage loans, consumers seeking consumer credit, and farmers seeking mortgage and improvement loans cannot be and are not adequately served by their existing "home town bank." As a result these residents now travel to Highland or

Marlboro, 5 and 3 miles distant, respectively, to obtain satisfaction for their credit needs.

The competition between the consolidating banks which will be eliminated is minimal. The consolidated bank will rank 12th of the 13 existing banks in the area and will bring into one institution for greater operating efficiency and better use the capital resources of both banks. This addition of capital will increase the First National Bank of Highland's lending limit and will place it in a better competitive position better able to serve the residents of the area.

The community of Milton will be the greatest beneficiary of this consolidation. It will gain a strong, aggressive, imaginative bank as the first step in reversing its downhill economic trend.

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

FEBRUARY 11, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed consolidation seeks to combine the First National Bank of Highland, an aggressive bank with assets of \$11,960,000, and the First National Bank of Milton, a small unit bank with \$1,969,000 in assets. The two banks are located only 5 miles from each other and there is substantial competition. It will also reduce the number of banks in the Highland-Milton-Marlboro area, the primary service locale of both institutions, from three to two and will give the resulting bank an extremely high percentage, 75 and 82 percent, respectively, of deposits and loans held by area banking offices. Taken in conjunction with the proposed Kingston Trust-First National Bank of Marlboro merger, presently pending before the Federal Reserve Board, it presents an unfavorable merger trend that will eliminate from competition two of three independent institutions. We, therefore, believe that the effect of the proposed consolidation will be adverse.

\* \* \*

THE HOP BOTTOM NATIONAL BANK, HOP BOTTOM, PA., AND THE FIRST NATIONAL BANK OF HALLSTEAD, HALLSTEAD, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Hop Bottom National Bank, Hop Bottom, Pa. (9647), with.....	\$3, 408, 695	1	.....
and the First National Bank of Hallstead, Hallstead, Pa. (7702), which had.....	4, 413, 540	1	.....
merged Feb. 19, 1965, under charter of the latter bank (7702) and under title of "Peoples National Bank of Susquehanna County." The merged bank at the date of merger had.....	7, 822, 235	.....	2

COMPTROLLER'S DECISION

On December 1, 1964, the \$4.3 million First National Bank of Hallstead, Hallstead, Pa., and the \$3.4 million Hop Bottom, Pa., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title "Peoples National Bank of Susquehanna County."

Hallstead, with a population of 1,600 persons and a trade area serving some 16,500 persons, is located in Susquehanna County in rural northeast Pennsylvania near Binghamton, N.Y. Although an iron foundry and a meatpacking plant provide employment for approximately 250 residents, the community benefits substantially from its proximity to Binghamton with almost one-half of the town's working population employed there. Notwithstanding the trend of the area's economy toward reliance upon manufacturing industry, dairy farming and related activities still account for the larger segment of the area's income.

Hop Bottom, located approximately 15 miles south of Hallstead in the same county, has a population of 400 persons and serves a trade area of approximately 5,500. This community, with no industry and little commercial activity, relies for its livelihood primarily on the dairy and agricultural output of the surrounding area.

At present, neither the charter bank nor the merging bank is in a position to offer serious competition to the larger County National Bank of Montrose. The proposed merger will enable the resulting bank to compete with the County National Bank for loans to some of the larger farms and businesses in the area. Approval of the merger, therefore, will work toward a more competitive balance in the banking structure.

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

FEBRUARY 16, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger would eliminate no significant direct competition between the applicants. It will, however, aggravate the present concentration of banking power in Susquehanna County and eliminate one independent bank from an area in which there are presently only five independents. But in view of the present dominance of the largest bank in the county and the small size and location of the applicants, we do not feel that the proposal would have substantially adverse competitive effects.

\* \* \*

THE FARMERS' NATIONAL BANK OF MCALISTERVILLE, MCALISTERVILLE, PA., AND THE FIRST NATIONAL BANK OF PORT ROYAL, PORT ROYAL, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Farmers' National Bank of McAlisterville, McAlisterville, Pa. (9526), with.....	\$3, 592, 190	1	.....
The First National Bank of Port Royal, Port Royal, Pa. (11369), with.....	2, 532, 448	1	.....
the Port Royal National Bank, Port Royal, Pa. (11373), with.....	3, 114, 601	1	.....
and the Juniata Valley National Bank, Mifflintown, Pa. (5147), which had.....	7, 708, 541	2	.....
merged Feb. 20, 1965, under charter and title of the latter bank (5147). The merged bank at the date of merger had.....	16, 947, 780	.....	5

#### COMPTROLLER'S DECISION

On December 7, 1964, the \$7.4 million Juniata Valley National Bank, Mifflintown, Pa., the \$3.4 million Farmers' National Bank of McAlisterville, Pa., \$2.4 million First National Bank of Port Royal, Pa., and the \$2.9 million Port Royal National Bank, Port Royal, Pa. applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title "The Juniata Valley National Bank."

The applicants are located in Juniata County, a rural agricultural area in south-central Pennsylvania about 50 miles northwest of Harrisburg, which has a population of nearly 16,000 persons. The area is characterized by the small size of its farms and businesses. Mountainous terrain in the northern and southeastern sections of the county, and lack of an east-west highway form an effective barrier to contact with neighboring counties. Because of its isolation, the county's economy has failed to grow.

Mifflintown, home of the charter bank, is a residential community with a population of approximately 900 persons which serves a trade area in the center of the county containing an estimated 4,000 persons. Port Royal, home of two of the merging banks, and McAlisterville, home of the third merging bank, are smaller communities near Mifflintown serving trade areas with populations estimated at 2,100 and 1,000 persons, respectively. None of the three communities has shown more than nominal growth or population increase over the past 20 years.

Eight banking offices serve Juniata County. Three of these are branches of noncounty banks, one is a unit bank in Mifflintown, and the remaining four are the offices of the applicant banks. While approval of this merger will combine four banks into one, little competition exists between any of the four at present with the possible exception of the two banks in Port Royal. In that community, the merger will eliminate a local banking alternative. Notwithstanding this fact, the nonmerging unit bank in Mifflintown and the three branches of the noncounty banks appear to provide acceptable alternatives since they are located nearby.

It is apparent that lack of size has contributed to the inability of the county's locally owned banks to offer their communities better banking services. Consummation of the proposed merger, with the consequent creation of a somewhat broader based bank, may

remedy this situation. The savings achieved through elimination of the redundant Port Royal office, the economy of branch operation, and the centralization of management should provide at least the impetus for a partial institution of more adequate banking services.

Two special problems face these small unit banks: Provision for future management and lending limits too small to satisfy community credit demands. Consummation of the proposed merger should result in a bank more capable of training or attracting potential future management. As regards lending limits, in 1963, the applicants as a group placed or shared only two loans which exceeded the lending limit of the originating bank. However, it is expected that the merger will have a beneficial impact on the county's economy through stimulating the creation of larger business and agricultural units and attracting new industry to the area which will need larger loans. In the past, mergers of a similar nature have provided the nucleus for economic stimulation in areas comparable to Juniata County and there is no reason to expect a different result in this case. This merger will provide another tool in the current effort to improve economic conditions in Appalachia.

Applying the statutory criteria, we find the application to be in the public interest and it is, therefore, approved.

FEBRUARY 16, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The Juniata Valley National Bank, Mifflintown, Pa., had, as of October 1, 1964, assets of \$7,464,000, deposits of \$6,255,000, loans and discounts of \$4,372,000 and capital accounts of \$1,208,000. Its principal office is located in Mifflintown, Pa., and it has one branch office.

The Farmers' National Bank of McAlisterville, McAlisterville, Pa., operates a single office in McAlisterville, Pa., 9 miles northeast of the principal office of Juniata Valley National Bank. The First National Bank of Port Royal, Port Royal, Pa., and the Port Royal National Bank, Port Royal, Pa., both operate single offices in Port Royal, Pa., 3 miles south of the principal office of Juniata Valley National Bank. As of October 1, 1964, the financial position of these banks was as follows:



[In thousands of dollars]

	<i>Assets</i>	<i>Deposits</i>	<i>Loans and discounts</i>	<i>Capital accounts</i>
The Farmers' National Bank of McAlisterville.....	\$3,488	\$3,121	\$1,899	\$367
The First National Bank of Port Royal.....	2,493	2,249	1,481	244
The Port Royal National Bank.....	2,984	2,640	1,507	326

The application is silent with respect to any presently existing competition among the four banks in the proposed merger. Two of the banks operate in the same town, Port Royal, and are only 3 miles from the principal office of the Juniata Valley National Bank. In addition, the application indicates the banks have common direct competitors. Consequently, it appears

that there is substantial direct competition among the banks which would be eliminated if the merger were consummated.

The proposed merger would also eliminate three of only seven banks and materially increase concentration in commercial banking in Juniata County, Pa., and would have an adverse effect upon competition.

\* \* \*

FIRST NATIONAL BANK OF SOUTH GATE, SOUTH GATE, CALIF., AND CITY NATIONAL BANK, BEVERLY HILLS, CALIF.

<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 National Bank of South Gate, South Gate, Calif. (14899), with.....	\$7,640,489	1	.....
and City National Bank, Beverly Hills, Calif. (14695), which had.....	256,001,666	12	.....
merged Feb. 26, 1965, under charter and title of the latter bank (14695).			
The merged bank at the date of merger had.....	263,642,155	.....	13

COMPTROLLER'S DECISION

On December 14, 1964, the \$242 million City National Bank, Beverly Hills, Calif., and the \$8.5 million First National Bank of South Gate, South Gate, Calif., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Beverly Hills, a city of 34,000 in Los Angeles County, is unique in its economic influence. Long a nationally familiar community because of its association with the cinema industry, Beverly Hills has also gained prominence in the financial, insurance and real estate fields due to the high average family income of \$16,335 of its denizens, as well as to its proximity to the bustling business center of Los Angeles. Service and luxury retail establishments, which serve an area much wider than Beverly Hills, account for a substantial portion of business income in the city. Altogether, the economic impact of the commercial and financial enterprises in Beverly Hills is not confined to the city's corporate boundaries but is augmented by patronage from the whole of Los Angeles County. Prospects for the future indicate continued prosperity in Beverly Hills.

City National Bank, with 11 branches in Beverly

Hills and the Los Angeles metropolitan area and 1 branch in Palm Springs, serves an area population of some 1.1 million persons. In the city of Beverly Hills, the charter bank competes with branches of such major institutions as Bank of America, Security First National Bank, Crocker-Citizens National Bank, and United California Bank. In all, there are 18 banking facilities in Beverly Hills with 4 banks having their head offices there. In the entire area served by all branches of City National Bank, there are some 189 banking offices.

South Gate, also in Los Angeles County, has a population of 57,312. The city is a center of manufacturing industries which employ more than one-half of the local labor force. Skilled and semiskilled blue collar workers dominate local employment in the plants of such companies as General Motors, Firestone Tire & Rubber Co., and American Pipe & Construction Co. The difference in the economic status of citizens and workers in South Gate and in Beverly Hills is well illustrated by the average family income in South Gate, which is \$7,682, or some \$8,500 per year less than that of Beverly Hills' families. The South Gate figure is well above that of the nation as a whole (\$5,417), however. In addition, the community's commercial busi-

nesses serve citizens outside South Gate. Thus, the present economic condition of the city can be described as prosperous.

The First National Bank of South Gate is a unit bank which has been in operation since May 1960. It competes in South Gate with two branches of the Bank of America and with a branch of Crocker-Citizens National Bank. Within a 5-mile radius of South Gate, there are 41 additional banking offices.

It is evident that the applicant banks are in one of the most flourishing and competitive banking areas in the country. The charter bank, taking advantage of its opportunities in Beverly Hills and the surrounding area, and because of progressive management and a well-capitalized position, has offered extensive services to the banking public during its relatively short existence since 1953. An average annual growth rate in resources of City National Bank of 23.4 percent during 1960-64 graphically illustrates this progress. The merging bank, on the other hand, has not offered the South Gate public the dynamic banking advances characteristic of other banks in the area. While showing slightly increased earnings during the past 3 years, the First National Bank of South Gate does not consider that it can adequately serve the community in its present form.

A union with City National Bank will provide a salutary solution to this problem. Such services as mobile home loans, interim construction financing, escrow services, domestic credit information, and other services not offered by the merging bank will now be available at the South Gate office of the resulting bank. The single loan limit for South Gate will increase from \$79,000 to in excess of \$2.25 million and will thus permit the bank to handle loan accounts of the heavy and light industries in South Gate. The International Banking Department of the resulting bank will be able to service the accounts of the several South Gate industries which buy and sell products abroad. Finally,

present management of the merging bank will be bolstered by the proven and forward-looking management of the charter bank.

These benefits, which will come as a result of the merger, are particularly persuasive in the provision of a full-service alternative bank to compete with the large banks in South Gate to a degree not now possible because of the limitations 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.

FEBRUARY 18, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Application has been made to merge the First National Bank of South Gate, South Gate, Calif., into City National Bank of Beverly Hills, Calif., both of which are located in the greater Los Angeles area.

Banking in the Los Angeles area is presently highly concentrated in four of the large California branch bank systems—Bank of America, Security First National Bank, United California Bank, and Crocker-Citizens National Bank. Of the total bank deposits in the Los Angeles metropolitan area these four banks possess approximately 35.4, 25.6, 13.6, and 6 percent, respectively. The acquiring bank will add only approximately 0.06 percent to its much smaller share of the total bank deposits in the county as a result of the merger.

In view of the relatively minor size of the applicant banks in relation to this highly concentrated banking market in which they compete and the fact that their respective areas are currently served by numerous other competitor banks, as well as numerous branch offices of the large California branch bank systems, it is our opinion that but for the slight increase in concentration the merger of the applicant banks will have little adverse competitive effect.

\* \* \*

#### THE BIRMINGHAM NATIONAL BANK, DERBY, 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 Birmingham National Bank, Derby, Conn. (1098), with	\$12, 532, 455	1	.....
and Home National Bank of Derby, Derby, Conn. (15487), with	1, 177, 989	1	.....
and the Second National Bank of New Haven, New Haven, Conn. (227),	125, 137, 719	12	.....
which had	138, 844, 608	.....	13
merged Feb. 26, 1965, under charter and title of the latter bank (227). The			
merged bank at the date of merger had			

# COMPTROLLER'S DECISION

On January 4, 1965, the \$13 million Birmingham National Bank, Derby, Conn., and the \$1 million Home Trust Co., Derby, Conn., which has since that time converted into a National bank with the title "Home National Bank of Derby," applied to the Comptroller of the Currency for permission to merge with the \$125 million Second National Bank of New Haven, New Haven, Conn., under the charter and title of the Second National Bank of New Haven.

The applicant banks are located in New Haven County in south-central Connecticut. New Haven, the county seat, has a population of 152,000 and an immediate trade area of 270,000. The city has a strong, stable economy supported by a variety of light and heavy industry, as well as by Yale University, which is New Haven's largest single employer. Recent urban renewal developments have reshaped the center of the city, thereby revitalizing the area. Recent automotive transport route improvements, as well as improved port facilities, have tended to increase New Haven's role as distribution center for central Connecticut.

Derby, approximately 10 miles west of New Haven, has a population of 12,000, an increase of 18 percent over the preceding decade. The trade area is primarily industrial and residential.

The two merging banks are the only banking offices in Derby. The Home National Bank of Derby, however, is entirely owned by the Birmingham National Bank. Because of the relationship between the Home National Bank of Derby and the Birmingham National Bank, there is no competition between them which will be affected by the merger. Further, there is only negligible competition from the Second National Bank of New Haven due to the distance between New Haven and Derby and because the Second National

Bank has done no soliciting of business or intensive advertising in Derby. The increased deposit structure of the Second National Bank in relation to the other New Haven banks will not substantially change the relative status of any of the New Haven banks.

The proposed merger will solve a lending limit problem, as the present limits at both Derby banks are not sufficient to meet the needs of the area and the increased limit will allow the resultant bank to compete more effectively for loans there.

Consummation of the proposed merger will introduce to the Derby area improved banking services, including check credit accounts, auto dealer financing plans, retail sales financing, and improved fiduciary facilities and services.

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

FEBRUARY 26, 1965.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger of two relatively small banks some 10 miles west of New Haven into that city's second largest commercial bank would end independent banking in Derby. It would increase by about 10 percent the deposits of the acquiring bank and thus add further to the already dominant position which the city's three largest banks enjoy. The merger would continue the series of acquisitions which has been responsible for much of the charter bank's recent growth. Finally, it would eliminate a degree of both present and prospective competition between the merging banks.

For these reasons, it is our opinion that the proposed merger would have an adverse effect upon competition.

\* \* \*

## THE HOLLISTER NATIONAL BANK, HOLLISTER, CALIF., AND THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION, SAN FRANCISCO, CALIF.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Hollister National Bank, Hollister, Calif. (13510), with.....	\$10, 749, 736	1	.....
and the Bank of California, National Association, San Francisco, Calif. (9635), which had .....	1, 244, 107, 569	54	.....
merged Mar. 12, 1965, under charter and title of the latter bank (9635). The merged bank at the date of merger had .....	1, 254, 650, 218	.....	55

#### COMPTROLLER'S DECISION

On December 16, 1964, the \$1.17 billion Bank of California, National Association, San Francisco, Calif., and the \$11 million Hollister National Bank, Hollister, Calif., applied to the Comptroller of the Currency to merge under the charter and with the title of the former. San Francisco, a city of over 742,000 inhabitants, is a major port and financial center. It enjoys a diverse and prosperous economy based on industry, commerce, finance, and agriculture.

Hollister, located about 95 miles southeast of San Francisco, has a population of about 6,500 in a trading area of about 17,000. Its economy is oriented to agriculture and food processing and has experienced steady development in recent years.

The charter bank is a full-service, modern bank offering the commercial and trust banking services required by a highly organized and industrialized society. It operates 47 branches serving 34 northern, central, and southern California communities and the cities of Seattle and Tacoma, Wash., and Portland, Ore. Although the sixth largest commercial bank in the State, it holds only about 2.4 percent of total bank deposits in California. Among its competitors are the \$14.8 billion Bank of America, the \$4.5 billion Security First National Bank, the \$3.6 billion Wells Fargo Bank, the \$3 billion United California Bank, and \$1.3 billion Union Bank.

The single-office, merging bank is the only independent bank in its service area. It is a well-managed institution and has experienced steady development in recent years. Over the long run, however, it may not be able to effectively meet the competition offered by the Hollister Branch of the Bank of America and the recently announced branch in Hollister of Wells Fargo.

The entry of the charter bank into the merging bank's service area through merger will bring to that area the advantages of another large, full-service bank. Trust services, not now offered by the merging bank, will become available to its customers.

The office of the charter bank nearest to the merging bank is 20 miles away and, consequently, the competition between them which might be eliminated as a result of the merger is minimal. The additional resources which will be acquired by the charter bank will have no effect upon the banking structure in California except to achieve a somewhat greater efficiency in use of capital. In Hollister, the competitive picture will be improved with the arrival of a new broad based institution.

Applying the statutory criteria to this proposal, the application is hereby approved.

MARCH 5, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Hollister National is a successful single-office bank with assets of \$11,049,000, deposits of \$10,057,000, and loans of \$4,773,000. It is located in Hollister, Calif., the county seat and principal commercial center of San Benito County, an inland agricultural area in the central coast region of the State. The only other financial institution in the county is Bank of America, which has a branch office in Hollister and another in San Juan Bautista, 6 miles west of Hollister.

Bank of California is the 6th largest commercial bank in California and 38th in the Nation, with assets of \$1,165,052,000, deposits of \$1,057,383,000, loans of \$661,436,000, and substantial trust accounts. It has 45 banking offices in California and 1 each in Portland, Ore., and in Seattle and Tacoma, Wash. Bank of California has engaged in seven acquisitions in the past decade of which the most substantial was consummated in June 1964.

There appears to be little direct competition between Hollister National and Bank of California because the latter's closest offices are from 20 to 45 miles from the communities served by Hollister National. The merger would, however, eliminate some potential competition between the applicants. By reason of their geographic location, the three nearest offices of Bank of California are among the next available alternatives for those customers who are or may in the future become dissatisfied with the services rendered by the banks with offices in San Benito County.

The proposed merger would also eliminate the only locally owned and controlled bank now serving San Benito County by converting that bank into another branch of one of California's giant branch bank systems. The excellent earnings record and deposit growth compiled by Hollister National in recent years reflect considerable local demand for the services it offers and augurs well for its future prospects as an independent competitor in the event the proposed merger is disapproved.

There is a high level of concentration in California's banking industry. The Bank of California and most of the State's other largest banks have helped to create this concentration by carrying out extensive and aggressive merger programs. The proposed acquisition would aggravate the competitive problems inherent in this

merger trend by further concentrating banking resources in California's largest banks, by eliminating a successful and effective institution which is the only locally owned and controlled bank serving its com-

munity, and by eliminating some potential competition between the applicants.

We conclude that the proposed merger would have an adverse effect upon competition.

\* \* \*

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

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Peoples National Bank of Lexington, Lexington, Va. (7173), with.....	\$9, 328, 046	3	.....
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had.....	251, 575, 692	21	.....
merged Mar. 17, 1965, under charter and title of the latter bank (2737). The merged bank at the date of merger had.....	260, 542, 308	.....	24

COMPTROLLER'S DECISION

On January 7, 1965, the First National Exchange Bank of Virginia, Roanoke, Va., and the Peoples National Bank of Lexington, Lexington, Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

The First National Exchange Bank maintains headquarters and five of its branch offices in Roanoke, whose population exceeds 100,000. The Roanoke metropolitan area is the chief commercial and industrial complex in southwestern Virginia and serves additionally as the major distribution center for most of western Virginia and neighboring sectors of Tennessee, West Virginia, and North Carolina. The wide variety and dynamism of the economy fully support expectations for continued growth.

In addition to its Roanoke offices, the charter bank operates 15 branches in 9 outlying communities of southwestern Virginia. In varying degree, each of these communities is experiencing transition from a largely agricultural economic base to a more diversified base, including light manufacturing, industry, and mining. The city of Bristol, located on the Virginia-Tennessee border, is an exception in that it has already become a manufacturing and commercial center of some importance.

The \$8 million merging bank maintains its headquarters and one of its two recently opened branches in Lexington, some 45 miles northeast of Roanoke. This town of 8,000 is the county seat, and the major trading and shopping center of Rockbridge County. Livestock raising and general agricultural pursuits

provide a substantial portion of income in the Lexington area. Economic activity in Lexington depends in great part on the operations of Washington and Lee University and Virginia Military Institute.

The merging bank operates its second branch office in Buena Vista, a town of some 6,500 located 6 miles southeast of Lexington. Buena Vista has, in contrast to its sister community, enjoyed a recent acceleration in industrial activity which is now providing the major impetus for growth. In spite of different economic circumstances, Lexington and Buena Vista because of their geographic proximity and ready access have been fused into a common trading market and a common area for banking competition.

Consummation of the merger will neither appreciably affect the relative standing of the charter bank as a major banking competitor in the Commonwealth nor eliminate a significant amount of competition between the merging institutions. The office of the charter bank nearest Lexington is some 43 miles distant.

The competitive impact of this merger will be felt chiefly in the Lexington-Buena Vista area. Banking competition in these communities is composed of an admixture of local institutions and of branches and affiliates of larger statewide or regional banking operations. Thus, in Lexington, existing banking facilities are provided by the merging bank, the \$7 million Rockbridge National Bank, and the \$3.3 million First National Bank of Lexington. The latter is a subsidiary of the large Financial General Corp. which controls a number of banks throughout Virginia. In Buena Vista, banking competition is provided by the

recently opened office of the merging bank; the Peoples Bank of Buena Vista, another subsidiary of Financial General; and a branch office of Virginia National Bank, the second largest bank in Virginia. The local institutions are viable and the introduction of an office of the charter bank cannot be expected to have substantially adverse results for these institutions. The affiliate banks and the branch office of Virginia National Bank will, to a greater degree, be substantially unaffected by consummation of the merger. The competitive effects of the merger on banks in surrounding communities will be negligible as the competitive efforts of these institutions have historically been directed to local banking markets. It is our judgment, therefore, that the merger will not have adverse consequences on the banking structure in the Lexington-Buena Vista area.

The merger will prove to be of distinct benefit to the Lexington-Buena Vista community. As experience had demonstrated in like circumstances, the charter bank and other similar major regional banking institutions make available a broadened range of banking services and specialties. It is of particular importance to developing areas such as the Lexington-Buena Vista region that the introduction of regional banking facilities has frequently proven a catalyst to the establishment and growth of needed industry and

commerce. To this end, the charter bank is equipped to offer the full range of trust facilities, specialized farm credit services, larger lending limits to assist in industrial expansion, and the capital funds necessary to meet local loan demand that cannot be satisfied out of locally generated deposits.

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, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Since October of 1960, First National Exchange Bank, the largest bank in southwestern Virginia, has merged 9 banks with 15 banking offices. From these banks, at the time merged, 45 percent of the present depositors and over 71 percent of the present banking offices of First National Exchange Bank were acquired.

The explosive growth of First National Exchange Bank via the merger process and the resultant elimination of nine 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 encourage this trend and result in an adverse effect on competition.

\* \* \*

#### TRYON BANK & TRUST CO., TRYON, N.C., AND NORTH CAROLINA NATIONAL BANK, CHARLOTTE, N.C.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Tryon Bank & Trust Co., Tryon, N.C., with .....	\$8, 978, 708	2	.....
and North Carolina National Bank, Charlotte, N.C. (13761), which had .....	708, 867, 916	70	.....
merged Mar. 22, 1965, under the charter and title of the latter bank (13761).			
The merged bank at the date of merger had .....	717, 068, 468	.....	72

#### COMPTROLLER'S DECISION

On January 19, 1965, the North Carolina National Bank, Charlotte, N.C., and the Tryon Bank & Trust Co., Tryon, N.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, with 68 offices, serves 12 principal cities in North Carolina. Charlotte, the site of the main office of the charter bank, is the largest city of the two Carolinas, with a city population exceeding 225,000 and trade area population of 500,000. It is the commercial, financial, and distribution center of the largest

industrial area in the two States and one of the largest in the South. Many nationally known and diverse concerns have factories in the area. Other major cities served by the charter bank include Greensboro, the second largest city in the State with an estimated population of 135,000, and Winston-Salem, third largest city in the State with an estimated population of 112,000. Both cities lie in areas containing important concentrations of the textile, tobacco, and insurance industries.

Tryon is located at the western part of the State in the foothills of the Blue Ridge Mountains, approximately 3 miles from the South Carolina border. With

a population of 2,200 persons, Tryon is in Polk County, which has some 11,400 residents. Due to an unusual thermal belt which extends through the area bringing mild winters and cool summers, the area has become a haven for wealthy retired individuals. Industry consists of a number of textile mills and smaller concerns dealing in wood products. In all, some 85 manufacturing and commercial firms in Polk County have an annual payroll exceeding \$4.5 million. The county, heretofore considered remote because of location and inferior road networks, anticipates increased economic activity and industrial expansion when north-south Interstate Route 26 is completed.

The charter bank, although second in size among banks in North Carolina, operated only 8.2 percent of the banking offices located within the State and holds only 15 percent of the total deposits held by all banks in the State. It is in direct competition with the Wachovia Bank & Trust Co., Winston-Salem; the First Union National Bank, Charlotte; and the First-Citizens Bank & Trust Co., Smithfield. The majority of the charter bank's offices are located in the industrialized and economically well-diversified Piedmont section of the State. It has no offices in the western part of the State.

The merging bank is the only bank in Tryon. It operates a branch at Columbia, approximately 4 miles north of Tryon. Competition is offered by 5 banks operating 11 offices within a radius of 23 miles from Tryon. Tryon Trust is the smallest, holding 1 percent of the total deposits in the service area. The principal competition to Tryon Trust is provided by the \$150 million First Commercial National Bank of South Carolina, which operates a branch 5 miles from Tryon. Other competition is offered by the \$500 million First Union National Bank of North Carolina and the \$200 million Northwestern Bank, North Wilkesboro.

The addition of the merging bank to the charter bank will have no adverse effects on competition on a statewide basis or in the primary service areas of the charter bank. Consummation of the proposed merger will increase the charter bank's share of total deposits in the State by only 0.2 percent. The nearest offices of the participating banks are located in Charlotte and Tryon, some 100 miles apart. With the possible exception of a limited amount of competition for trust accounts, there is no competition between the participating banks which would be eliminated by the proposed merger.

Consummation of the proposed merger will serve the convenience and needs of the Tryon community

more adequately than at present. Tryon Trust presently has a lending limit of some \$65,000. The resulting bank will have a lending limit in excess of \$4.5 million, and will thus be better equipped to compete for accounts of the large- and moderate-size business firms in the Tryon area and to meet their credit needs. The retired residents in Tryon, many of whom have major trust accounts with large banks elsewhere due to the inability of the local bank to service such accounts, will be better served by the resulting bank. The charter bank operates an extensive trust department and holds substantial trust assets of Tryon residents. The charter bank will also bring to Tryon diversified services, including an industrial development department staffed with specialized personnel who will assist in developing the anticipated economic and industrial growth of the area. The merging bank, due to its size and limited resources, is not in a position to entice industry to locate in the area.

Although the Tryon bank has long been a soundly managed bank, its leadership and policies have provided for no management succession. Merger with the charter bank will bring with it strong and extensive management.

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

MARCH 19, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

North Carolina National Bank, the second largest bank in North Carolina in deposits, which operates over 64 offices throughout the State proposes to acquire Tryon Bank & Trust Co., a small independent bank in Tryon which has a small branch office located to the northeast in Columbus.

The merger, if approved, will eliminate any potential competition between the two banks and it will result in the disappearance of another prosperous independent bank in North Carolina where commercial banking has shown a constant trend toward concentration. The North Carolina National Bank itself has materially contributed toward this concentration by merging into it since September 1960, five smaller banks and increasing its share of total deposits in the State to over 15 percent.

We believe that the overall effect of this merger upon competition in banking in North Carolina against the background of growing concentration by merger, will be adverse.

\* \* \*

THE LIVE STOCK NATIONAL BANK IN CHICAGO, CHICAGO, ILL., AND CENTRAL NATIONAL BANK IN CHICAGO, CHICAGO, ILL.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Live Stock National Bank in Chicago, Chicago, Ill. (13674), with . . . . .	\$56, 033, 278	1	.....
and Central National Bank in Chicago, Chicago, Ill. (14362), which had . . .	260, 559, 166	1	.....
merged Mar. 26, 1965, under the charter and title of the latter bank (14362).			
The merged bank at the date of merger had . . . . .	311, 592, 444	.....	1

COMPTROLLER'S DECISION

On December 16, 1964, the \$247 million Central National Bank in Chicago, Chicago, Ill., and the \$59 million Live Stock National Bank 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, with a population in excess of 3½ million, is the focal point of a large metropolitan area numbering over 6 million inhabitants. It is one of the largest cities in America, strategically located in the middle part of the country close to sources of raw materials and markets. It is one of the great industrial complexes of America. It is the hub of the Nation's major railroad systems and has a large port on the Great Lakes which connects it by water to the rest of the world. In addition to being an important industrial city leading all others in the production of steel, telephone equipment, metal wares, and machinery, it is the financial center for the Midwest.

The charter bank was organized in 1936. As one of the banks located in the financial district of Chicago, it presently ranks seventh among the metropolitan area banks. Chief among its many competitors are the Continental Illinois National Bank, the First National Bank, the Harris Trust Co., the Northern Trust Co., the American National Bank, and the La Salle National Bank.

The merging bank is located about 5 miles south of the charter bank. The Chicago stockyards, which were the source of most of the merging bank's banking activities, have been declining since 1950, resulting in depressed conditions throughout the bank's service area. Nevertheless, the bank has been successful in maintaining active correspondent banking relationships with banks located primarily in the cattle feeding areas of the Midwest. It is doubtful, however, that the maintenance of the merging bank as an independent institution can contribute in any measure to the growth and prosperity of the Chicago metropolitan area.

Consummation of the proposed merger will solve the problem of a bank faced with an uncertain future caused by economic deterioration of its neighborhood. The Chicago public will benefit from the resulting better use of capital and operating efficiency. Moreover, the merger will be a step in the progressive movement to create larger regional banks which must grow by merger in Illinois because of the anachronistic anti-branching laws there.

This proposal will have no significant adverse effects upon competition in the Chicago area. The dollar amount of the resulting bank's assets in relation to the size of its relevant market, to the needs of its relevant market, or to the size and number of its competitors are hardly overwhelming. Indeed, although the Chicago metropolitan area largely generates the necessary banking resources to support a dynamic economy without excessive reliance on banking resources located elsewhere, these resources are so scattered among some 135 banks that only a minority of banks have sufficient resources to satisfy the demands of the area's substantial corporate manufacturing and other enterprises and to absorb the risks inherent in financing newer and healthy younger enterprises.

Applying the statutory criteria to this proposal, the application is hereby approved.

MARCH 22, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger of Central National Bank in Chicago and Live Stock National Bank of Chicago would have significantly adverse effects upon competition in the Chicago area.

The commercial banking structure in the city of Chicago is characterized by heavy concentration of resources, particularly among the Loop banks, of which Central is one. With such degree of heavy concentration, percentage shares of banks other than the two largest may not at first glance seem very large. However, their absolute dollar amounts are substantial.



Thus, to argue, as the application does, that the resulting bank in the proposed merger would have a small percentage share of the market ignores that it would have \$306.7 million in assets, and would be \$41.6 million larger than the next largest bank, La Salle National.

The present Chicago banking structure intensifies the competitive pressure felt by its many small banks each time one of the larger banks is permitted to merge. Such pressure may well induce these smaller banks to seek similar unions with other banks, with consequent cumulative anticompetitive results.

The proposed merger would eliminate the substantial competition between Central and Live Stock for the deposits and loans originating in those areas of Chicago in which both compete. This competition, in terms of percentages as well as dollar amounts, is significant. Moreover, since Illinois is a unit banking State, the independent banking facility now operated by Live Stock would be denied to the public.

Central has thus far had an extensive merger history which presently shows no signs of abating. Within

the past 10 years, Central has caused, through acquisitions, the closing of 4 banking facilities in Chicago. These 4 banks brought to Central 48 percent of its present dollar amount in deposits and 36 percent of its dollar amount in loans.

That Live Stock's area currently has a relatively short-term unfavorable economic outlook should not justify the merger with the much larger Central. Merger with other and smaller banks in Live Stock's immediate area or in the city of Chicago could make Live Stock's future brighter without the anticompetitive effects that would flow from its merger with Central. To use the present urban redevelopment dislocation as justification for the approval of mergers with anticompetitive effects is to establish a poor precedent. The very progress our cities are seeking could well be impeded by the absence of experienced banks in the redeveloped areas.

The proposed merger would have significantly adverse effects upon competition in commercial banking in the Chicago area.

\* \* \*

THE CENTRAL BANK OF HOWARD COUNTY, CLARKSVILLE, MD., AND THE CITIZENS NATIONAL BANK OF LAUREL, LAUREL, MD.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Central Bank of Howard, County, Clarksville, Md., with.....	\$4, 793, 154	2	.....
and the Citizens National Bank of Laurel, Laurel, Md. (4364), which had ...	23, 665, 674	5	.....
merged Mar. 31, 1965, under the charter of the latter bank (4364) and under			
title "The Citizens National Bank." The merged bank at the date of merger			
had.....	28, 454, 838	.....	7

COMPTROLLER'S DECISION

On January 21, 1965, the Citizens National Bank of Laurel, Laurel, Md., and the Central Bank of Howard County, Clarksville, Md., applied to the Comptroller of the Currency for permission to merge under the charter of the former and with the title "The Citizens National Bank."

Laurel, the headquarters of the charter bank, is located about midway between Baltimore and Washington in the approximate center of the rapidly merging Baltimore-Washington metropolitan area. Although Laurel is essentially a residential and commercial community, many of its 10,000 residents are engaged in a wide diversification of local industries, including private research and development, small manufacturing

plants, military and Government facilities, and local businesses. There are presently over 80,000 employees working within 12 miles of the city.

The merging bank maintains its main office and its one branch in Howard County. Clarksville is the site of Central's main office, and is a predominantly agricultural community, with an estimated population of 2,000, located 13 miles to the northwest of Laurel. There has been a recent population increase in this area due to the local development of new research facilities. Simpsonville, a farm community approximately 5 miles southeast of Clarksville and the site of Central's branch office, has a population of 1,000. There are long-range plans for the establishment of a new city, Columbia City, to contain 100,000 people in the Howard County area.

As the merging banks are 13 miles apart, there will be no significant elimination of competition. Other competitors in this area include such major banks as Equitable Trust Co., Baltimore, Md.; American National Bank of Maryland, Silver Spring, Md.; Suburban Trust Co., Hyattsville, Md.; and Citizens Bank of Maryland, Riverdale, Md.

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

MARCH 22, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The Citizens National Bank of Laurel (Citizens) has requested permission to merge with the Central Bank of Howard County (Central), under the title of "The Citizens National Bank."

The main offices of the two banks are located 13

miles apart and their service areas do not overlap to any substantial degree. Because of the distance between the banks, the proposed merger is not expected to eliminate any substantial competition between Citizens and Central.

Citizens is the smallest bank in its service area with approximately 2.67 percent of total area deposits. The addition of Central's deposits to those of Citizens would increase Citizens percentage approximately one-half of 1 percent. In view of the size of the large banks in Citizens' service area, it is unlikely that the addition of Central's assets would result in a substantial lessening of competition.

Although Central is presently the only bank within a radius of 9 miles any advantage derived from its location is expected to be of short duration in view of the intention of two large banks to open branches in Central's service area.

\* \* \*

#### GUARANTY BANK, TORRANCE, CALIF., AND CITY NATIONAL BANK, BEVERLY HILLS, CALIF.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Guaranty Bank, Torrance, Calif., with and City National Bank, Beverly Hills, Calif. (14695), which had merged Apr. 2, 1965, under charter and title of the latter bank (14695). The merged bank at the date of merger had.....	\$5,235,895 268,858,640 274,094,536	1 13 .....	..... ..... 14

#### COMPTROLLER'S DECISION

On January 26, 1965, the City National Bank, Beverly Hills, Calif., and the Guaranty Bank, Torrance, Calif., applied to the Office of the Comptroller of the Currency for permission to merger under the charter and with the title of the former.

Beverly Hills, a city of 34,000 in Los Angeles County, is prominent in the financial, insurance, and real estate fields. Its wealthy residents, as well as its proximity to the business center of Los Angeles, indicate continuing prosperity for the future.

Torrance, with a population in excess of 125,000, is located in the southwestern part of Los Angeles County, about 22 miles south of downtown Los Angeles. It has a diversified industrial economy which supports a rapidly increasing population.

The charter bank operates 10 branches in the Los Angeles metropolitan area and 1 at Palm Springs, all but 1 of which were established *de novo*.

The single office merging bank is over two years old and is experiencing competition from 20 existing

or approved offices of other banks, as well as savings and loan associations, within a 3-mile radius. The bank has had management problems since its inception and has not made provision for management succession.

Consummation of the proposed merger will result in greater efficiency in operations and use of capital, as well as provide the merging bank's customers with services not now available. Moreover, the availability of the charter bank's personnel will eliminate management difficulties facing the merging bank.

Since the two banks operate in different service areas, consummation of the proposed merger will have no adverse effect on competition. The availability of banking services through numerous offices of other banks provides the public in Torrance with ample alternative banking facilities.

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

MARCH 24, 1965.

# SUMMARY OF REPORT BY ATTORNEY GENERAL

City National Bank, Beverly Hills, Calif., has applied for approval to merge Guaranty Bank, Torrance, Calif.

Both banks are located in the Los Angeles metropolitan area, and compete within that area with 29 other banks which have numerous branches throughout the area. City National, with current deposits of \$230 million, is much smaller than six larger banks, four of which account for approximately 80 percent of total bank deposits in the metropolitan area. The acquired bank, Guaranty Bank, is a small, new bank, with total deposits of \$4 million. City National accounts for approximately 1.71 percent and Guaranty Bank 0.05 percent of total deposits in the area.

\* \* \*

## THE FARMERS BANK & TRUST CO., ROCKINGHAM, 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 Farmers Bank & Trust Co., Rockingham, N.C., with . . . . .	\$5, 989, 829	2	.....
and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had . . . . .	44, 192, 662	15	.....
merged Apr. 3, 1965, under charter and title of the latter bank (10610). The merged bank at the date of merger had . . . . .	50, 182, 487	.....	17

### COMPTROLLER'S DECISION

On February 15, 1965, the \$44.8 million Southern National Bank of North Carolina, Lumberton, N.C., and the \$6 million Farmers Bank & Trust Co., Rockingham, N.C., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Lumberton, with a population of 15,300, is the home office of the charter bank and the seat of Robeson County in southeastern North Carolina. The charter bank operates 16 banking offices in 6 counties west and north of Lumberton. Primary economic support for the area is derived from agricultural activities, with main emphasis on tobacco, corn, cotton, and peaches. Tourism is of increasing importance in Lumberton, as Interstate 95, the major artery of the Southeast, runs near Lumberton.

Rockingham, the site of both offices of the Farmers Bank & Trust Co., as well as one of the charter bank's branch offices, is located 55 miles west of Lumberton approximately 10 miles north of South Carolina. Rockingham has been traditionally an agricultural

town, although this merger, viewed by itself, will probably not give the resulting bank substantial additional advantages over its present competitors, it will result in a slight increase in banking concentration in the area. Moreover, the fact that this merger represents the third acquisition in less than 5 years by City National, all the acquired banks being relatively new, indicates that future acquisitions by this bank should be closely scrutinized.

In view of these facts, it is our judgment that the present merger, by itself may not have serious adverse effects on the present state of competition among banks in the Los Angeles metropolitan area but that future acquisitions by City National bear close watching.

town, but it is now served primarily by large textile mills which represent a strong and progressive element in the community's economy.

The charter bank has experienced internal growth over the past 5 years in good measure through expanding branch operations. This growth is dramatized by the fact that the charter bank has opened 12 new branches since 1960. Although there has been significant expansion by the charter bank, it is still relatively small in relation to the \$550 million First Union National Bank of North Carolina, Charlotte, N.C., as well as to the \$153 million Branch Banking & Trust Co. Fayetteville, N.C., and the \$408 million First-Citizens Bank & Trust Co., Fayetteville with which it competes.

The resulting bank will have four of the eight banking outlets in the Rockingham area. It is not felt that this percentage of deposits is excessive when the policies of each bank are considered on the basis of their loan structure. The charter bank has 30 percent of its outstanding loans in installment loans and another 30 percent in commercial and industrial loans, while Farmers Bank & Trust has less than 10 percent in each of these

categories. The merging bank has concentrated on real estate loans. It is obvious, then, that different financial interests in the community are being served by each bank, and the present competition between them is not to be considered intense.

The merger will respond to the needs of the Rockingham community. The lending limit of the resulting bank will permit it to make some of the loans to the larger textile concerns which are presently banking with the largest North Carolina banks. A number of participation loans which were originated in the local banks last year will be kept in the area for the benefit of the community. Further, the prospects for growth, which have been described as favorable in the Rockingham area, will be more satisfactorily served by a progressive institution such as the charter bank.

Applying the statutory criteria to this proposal, the

application is found to be in the public interest and is, therefore, approved.

APRIL 2, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger of the Farmers Bank & Trust Co., Rockingham, N.C., into Southern National Bank of North Carolina, Lumberton, N.C., will eliminate all existing competition between the two banks. It will reduce the number of banks now operating in the Farmers Bank service area from four to three and will result in the emergence of a new bank which will control more than three-quarters of the banking resources, deposits and loans in this area. The trend toward merger and concentration in commercial banking prevailing in many parts of North Carolina would be carried into another region of the State. The effect on competition in commercial banking will be adverse.

\* \* \*

#### THE FIRST STATE BANK OF COVINGTON, COVINGTON, TEX., AND THE FIRST NATIONAL BANK OF ITASCA, ITASCA, TEX.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First State Bank of Covington, Covington, Tex., with was purchased Apr. 5, 1965, by the First National Bank of Itasca, Itasca, Tex. (4461), which had.....	\$795, 730	1	.....
After the purchase was effected, the receiving bank had.....	3, 236, 769 3, 900, 920	1	..... 1

#### COMPTROLLER'S DECISION

The First State Bank of Covington, Covington, Tex., a State chartered bank subject to the supervision of the Commissioner of Banks of the State of Texas and the Federal Deposit Insurance Corporation, has been declared insolvent by the Federal Deposit Insurance Corporation in a letter of its Chairman to this Office under date of March 30, 1965. The First National Bank of Itasca, Itasca, Tex., has applied to the Comptroller of the Currency for permission to purchase some of the assets and assume the deposit liabilities of the First State Bank of Covington. In its letter, the Federal

Deposit Insurance Corporation stated that it plans to facilitate this assumption transaction by purchasing certain nonbankable assets of the First State Bank of Covington for an amount which, with other assets of the bank, will be sufficient to equal the liabilities of the bank.

Because of the impending failure of the First State Bank of Covington, and in order to protect its depositors and creditors, the First National Bank of Itasca is hereby authorized to proceed with the assumption transaction.

APRIL 3, 1965.

\* \* \*

THE SOUTH OMAHA BANK, OMAHA, NEBR., AND STOCK YARDS NATIONAL BANK OF SOUTH OMAHA, OMAHA, NEBR.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The South Omaha Bank, Omaha, Nebr., with	\$10, 072, 726	1	.....
was purchased Apr. 7, 1965, by Stock Yards National Bank of South Omaha,			
Omaha, Nebr. (9908), which had	29, 790, 840	2	.....
After the purchase was effected, the receiving bank had	38, 513, 868	.....	2

COMPTROLLER'S DECISION

On December 15, 1964, the \$34.7 million Stock Yards National Bank of South Omaha, Omaha, Nebr., applied to the Comptroller of the Currency for permission to acquire the assets and assume the liabilities of the \$9.9 million South Omaha Bank, Omaha, Nebr.

Omaha, population 330,000, is located in eastern Nebraska and is separated from the city of Council Bluffs, Iowa, by the Missouri River. As one of the country's largest livestock centers, Omaha industry is primarily devoted to food processing, with meatpacking which employs 9,500 people, the largest single industry. Insurance companies, 39 of which have their home office in Omaha, play an important role in the area's economy and employ over 8,000 people.

South Omaha, the site of the applicant banks, was originally an incorporated community which in 1915 was annexed to Omaha. Its economy has been closely allied with that of the stockyard, which has been in a static condition for the past several years.

Located only seven blocks away from the charter bank, the South Omaha Bank is presently operating a detached teller facility jointly with Stock Yards National. Upon the approval of the application, Stock Yards National Bank will modernize and extend its own headquarters, while the South Omaha Bank will close its present headquarters and, pending approval by the Federal Deposit Insurance Corporation, take over the Center Bank, approximately 3 miles to the northwest.

Since both applicant banks are owned and controlled by the same parent corporation, Northwest Bancorporation, Minneapolis, Minn., and presently share their most important facility, the detached drive-in teller facility, the proposed transaction will only change the form, not the existence, of competition between the subject banks. The effect on the only other bank in South Omaha, the \$18.2 million Packers National Bank, will be minimal.

The large Omaha banks, other than the \$130 million United States National Bank of Omaha, which is an affiliate of the Northwest Bancorporation, compete only for the business in the South Omaha area which would be out of the reach of the applicants as unit banks. The other two large banks, the \$29.5 million Omaha National Bank and the \$25 million First National Bank of Omaha, will, therefore, not be affected.

The only public inconvenience which will ensue as a result of this proposal is the lessening of banking convenience to the South Omaha Bank's loan customers. However, this will be a minimal consideration in relation to the greater efficiency achieved by merging the subject banks, as well as by the increased lending limit of Stock Yards National Bank and the proposed expansion of trust department activities.

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

FEBRUARY 26, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The South Omaha Bank and Stock Yards National Bank of South Omaha, affiliates of Northwest Bancorporation, are, respectively, 10th and 4th in size among 17 banks in the Omaha area, and they now jointly operate as their most important facility a modern drive-in, walk-in bank. By reason of their joint ownership and, to a considerable extent, joint operation, it does not appear that there is presently substantial competition between the two banks which may be lessened by the purchase of the assets and assumption of liabilities by one bank of the other. Nor does it appear, in view of the relative size of the participating banks and the availability of several other banking alternatives, that there would be an impact upon commercial banking in the Omaha area which would be substantially adverse.

\* \* \*

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Leonia Bank & Trust Co., Leonia, N.J., with . . . . .	\$23, 402, 692	1	.....
and Citizens National Bank of Englewood, Englewood, N.J. (4365), which had . . . . .	125, 148, 032	10	.....
merged Apr. 9, 1965, under the charter of Citizens National Bank of Englewood (4365) and under title of "Citizens National Bank." The merged bank at the date of merger had . . . . .	148, 550, 725	.....	11

## COMPTROLLER'S DECISION

On February 2, 1965, the Leonia Bank & Trust Co., Leonia, N.J., and Citizens National Bank of Englewood, Englewood, N.J., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Englewood, with a population of 27,900, is located in Bergen County, directly across the Hudson River from New York City in the northeastern corner of the State of New Jersey. Englewood is primarily a residential community with many high-rental apartments and numerous large private residences. In the past decade, there has been a substantial amount of industrial and commercial development.

Leonía, with a population of 8,700, is the abutting community south of Englewood and is also located in Bergen County. Primarily residential in character because of its proximity to New York City, Leonia is tightly zoned to prohibit industry. Although a large part of its growth has consisted of single-family residences, high-rise apartment construction has recently begun and this development indicates future population growth.

The charter bank, serving an area extending to the north and west of Englewood, operates 10 offices in 6 communities. It is the third largest bank of 25 commercial banks serving the county, but holds only 9.1 percent of deposits and 8.7 percent of loans of the county banks. The two largest banks in the county, the \$281.5 million Peoples Trust Co. of Bergen County and the \$140.1 million National Community Bank of Rutherford, hold 23 percent and 16 percent, respectively, of total deposits of county banks.

The merging bank is a single unit bank. It ranks 14th in size in the county with 1.7 percent of deposits and 2 percent of loans, and operates primarily in the immediate area of Leonia. It is the only bank in Leonia proper. It competes, however, with 17 other banking offices, including offices of the 4 largest banks in the county, within a radius of some 3 miles of Leonia.

The addition of the merging bank to the charter bank will have little effect upon competition on a countywide basis. The resulting bank will remain third in size in the county, with 10.8 percent of deposits and 10.7 percent of loans. Although approval of this merger eliminates some small degree of competition since the charter bank and the merging bank have slightly overlapping trade areas, there will be as many banking choices in the Leonia-Englewood area after the merger as before due to the numerous other banks and branches located there. In addition, the organization of two new National banks has been approved by this Office, one to be located in Englewood, home office city of the charter bank, and one to be located in Fort Lee, approximately 1½ miles east from Leonia. Further, many of the residents of this area of Bergen County commute daily to New York City and the neighboring industrial centers of New Jersey. Thus, in addition to competition from numerous savings and loan associations, sales finance companies, and personal loan companies, commercial banks outside the county, particularly those in New York City, provide keen competition for banking business in the Leonia-Englewood area.

Consummation of the proposed merger will serve the convenience and needs of the Leonia area more adequately than at present. The Leonia Bank & Trust Co. has a lending limit of some \$120,000; the resulting bank will have a lending limit in excess of \$800,000. Further, the resulting bank will be able to offer a much wider range of banking services to customers in the Leonia area. Although both institutions have trust powers, Leonia Bank has not actively solicited such business. Citizens National, on the other hand, will bring to the Leonia area the services of an active, fully developed trust department.

The merging bank, while concentrating on consumer financing has been unable to give adequate attention to real estate lending. The charter bank, on the other hand, has been much more active in real

estate lending, and the residents of the Leonia area should benefit from this policy.

In addition, Citizens National has completed automation of its demand deposit and mortgage loan accounting, a step which the Leonia Bank has yet to take. Computer services will thus be made available to commercial customers throughout the Leonia area. Leonia Bank customers may also benefit from Citizens National's lower service charge policy.

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

APRIL 9, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger of a relatively small independent bank and Bergen County's third largest commercial bank would eliminate a degree of competition between the banks which arises from the proximity of their offices. It would eliminate an independent bank which appears to be a successful competitor: The

merging bank, with about one-fifth the deposits of the charter bank, had nearly one-third the latter's earnings during the past 5 years, and the merging bank's deposits have grown from about \$13 million at the end of 1960 to \$20 million by the end of 1964.

Approval of this merger would add to the high concentration of commercial banking resources in Bergen County which has been furthered by the recent merger activity of the county's largest banks. The charter bank, which has declared its intention to participate in banking expansion in Bergen County, apparently believes that mergers furnish an appropriate means of such growth. The charter bank discerns "a definite trend toward fewer, larger banks with expanding branch systems" (application, p. 24). The proposed merger may thus be a prelude to a further decrease-by-merger in the number of independent banks in Bergen County even as the county continues its economic expansion.

For these reasons, it is our opinion that the proposed merger will have a substantial adverse effect on competition in commercial banking in Bergen County.

\* \* \*

FIRST NATIONAL BANK OF GATE CITY, GATE CITY, VA., AND VIRGINIA NATIONAL BANK, NORFOLK, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Gate City, Gate City, Va. (13502), with	\$12, 575, 629	3	.....
and Virginia National Bank, Norfolk, Va. (9885), which had	423, 112, 582	46	.....
merged Apr. 9, 1965, under charter and title of the latter bank (9885). The			
merged bank at the date of merger had	435, 574, 954	.....	49

COMPTROLLER'S DECISION

On February 5, 1965, the \$441.7 million Virginia National Bank, Norfolk, Va., and the \$11.2 million First National Bank of Gate City, Gate City, Va., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Norfolk, with a population of over 300,000, is the largest city in Virginia and the principal city of the rapidly growing Tidewater region of the State. The population of its trade area on both sides of Hampton Roads is about 800,000. The area's economy depends on a diversification of industry and military establishments. Its port of entry, Hampton Roads, ranks second only to New York City in value of exports. The Chesapeake Bay Bridge Tunnel, completed in April

1964, will give the area increasing importance as a distribution center.

Gate City is a community with a population of about 2,000 located in a predominantly agricultural region of southwest Virginia, about 8 miles from Kingsport, Tenn. The industries in Kingsport employ many of Gate City's working population and the continued industrial development of this adjacent Tennessee area should inure to the benefit of the Gate City economy.

The charter bank operates 24 branches in the Norfolk area, 19 branches in central Virginia, and 2 branches in southwest Virginia. As a dynamic, full-service bank, it has contributed in substantial measure to the economic growth of Tidewater Virginia. Its operations in the State place it in competition with Financial General Corp., United Virginia Bankshares, Inc., the Virginia Commonwealth Corp., and First

Virginia Corp., all of which are bank holding companies. Its other major competitors include First and Merchants National Bank, Richmond, and First National Exchange Bank of Virginia, Roanoke.

The merging bank maintains its three offices in Gate City and the surrounding area. Growth of its assets and earnings in recent years has been satisfactory. The bank, however, lacks depth and continuity of management.

Consummation of the proposed merger will complement the development of regional banking systems in Virginia and will bring to the merging bank's area retail banking and trust services not now available. The charter bank's pool of experienced personnel will bring better bank management to the merging bank's area.

The merger will have no adverse effect on competition in Virginia. The position of Virginia National Bank among Virginia banking systems will be unaffected after the merger. In the merging bank's area, the resulting bank will more effectively meet the competition from the Kingsport, Tenn., area. Moreover, it will bring the charter bank further into southwest Virginia in competition with the aggressive First National Exchange Bank of Virginia.

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

APRIL 9, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Virginia National, the second largest bank in Virginia, proposes to merge the First National Bank of Gate City, a bank with assets of \$11,192,000, which operates three banking offices, each located in a small town in southwestern Virginia.

Since April of 1963, Virginia National has merged 8 banks in 4 widely separated sections of Virginia, which had combined deposits at the time merged equal to approximately 43 percent of the present deposits of Virginia National, and operated 28 of the 47 present banking offices of Virginia National. Eight independents have been eliminated and the rapidly increasing concentration of banking in Virginia has been fostered.

The proposed merger will continue that trend and it is the view of this Department that the cumulative effect on competition of this series of mergers will be adverse.

\* \* \*

#### THE PEOPLES NATIONAL BANK OF FARMVILLE, FARMVILLE, VA., AND VIRGINIA NATIONAL BANK, NORFOLK, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Peoples National Bank of Farmville, Farmville, Va. (9222), with.....	\$10, 144, 803	1	.....
and Virginia National Bank, Norfolk, Va. (9885), which had.....	435, 574, 955	49	.....
merged Apr. 9, 1965, under the charter and title of the latter bank (9885).			
The merged bank at the date of merger had.....	445, 425, 250	.....	50

#### COMPTROLLER'S DECISION

On February 5, 1965, the Virginia National Bank, Norfolk, Va., and the \$9.5 million Peoples National Bank of Farmville, Farmville, Va., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

The charter Virginia National Bank operates some 46 offices in 4 widely separated areas of the Commonwealth. The bank's headquarters are maintained in Norfolk, a city which serves as the hub of the industrially oriented Tidewater region and the bank's major market. The second most important area of the charter bank's operations is centered in Charlottesville in the north-central section of the State. Other offices

are operated in the Abingdon-Bristol area at the southwest extreme of the State and in the Danville region near the midpoint of the Virginia-North Carolina border. The economic factors influencing the charter bank's policies and performance are widely diverse as they range from basic agriculture to heavy industry and shipping.

The merging Peoples National Bank operates its main office and its sole branch in Farmville, a community of some 4,500 situated in central Virginia, 65 miles west of Richmond and 140 miles northwest of Norfolk. Farmville is the county seat of Prince Edward County and the trading center for a primarily agricultural region where tobacco is the principal crop.



Some elements of diversity in the local economy are afforded by the presence of a shoe manufacturing corporation, by the operation of two colleges in the vicinity, and by the operation of small local industries related to farm and forest products.

Consummation of the merger will not eliminate any significant competition between the applicant banks as the nearest office of the charter bank is located at Dillwyn, some 20 miles north of Farmville. In addition, the merger can be expected to have only a minor effect on statewide banking competition. While the charter bank ranks second in size among Virginia banks, other large statewide and regional banks and banking systems provide vigorous banking competition that will not be diminished by the proposed merger.

The merger will have some competitive impact in the Farmville area. Banking competition there is provided by the merging bank, by the \$11 million First National Bank of Farmville, by the \$5 million Planters Bank & Trust Co. of Farmville, and by banking institutions of similar size headquartered in nearby communities. The merger, then, will introduce a large statewide banking institution into a banking market that has historically been served by locally headquartered banks with modest assets. Nonetheless, the facts of the present application and our experience in comparable situations suggest that the existing banks will remain fully able to grow and to serve the Farmville community. At the same time, we believe the merger will

stimulate banking competition in Farmville and bring to this area banking services and lending capacities that heretofore were not readily or fully available. The experienced and aggressive industrial development programs and the municipal financing facilities of the charter bank should prove of particular benefit.

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

APRIL 9, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Virginia National, the second largest bank in Virginia, proposes to merge the Peoples National Bank, a bank with assets of \$9,500,000, which operates a single banking office.

Since April of 1963, Virginia National has merged 8 banks in 4 widely separate sections of Virginia, which had combined deposits at the time merged equal to approximately 43 percent of the present deposits of Virginia National and operated 28 of the 47 present banking offices of Virginia National. In the process eight independents have been eliminated and the rapidly increasing concentration of banking in Virginia has been fostered.

The proposed merger will continue that trend and it is the view of this Department that the cumulative effect on competition of this series of mergers is adverse.

\* \* \*

ORANGE EMPIRE NATIONAL BANK, ANAHEIM, CALIF., AND UNITED STATES NATIONAL BANK, SAN DIEGO, CALIF.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Orange Empire National Bank, Anaheim, Calif. (15361), with	\$6, 415, 955	1	
was purchased Apr. 12, 1965, by the United States National Bank, San Diego,			
Calif. (10391), which had	260, 254, 939	34	
After the purchase was effected, the receiving bank had	266, 670, 894		35

COMPTROLLER'S DECISION

On April 10, 1965, application was made to the Comptroller of the Currency for permission for the United States National Bank, San Diego, Calif., to purchase assets and assume the deposit liabilities of the Orange Empire National Bank, Anaheim, Calif.

It is found that an emergency situation exists within the meaning of the seventh sentence of 12 U.S.C. 1828(c) and, with respect thereto this office must act

immediately. Accordingly, approval by the shareholders of the Orange Empire National Bank of the purchase and sale agreement is waived.

Because of the emergency nature of the situation, and in order to protect the depositors, creditors, and shareholders of the Orange Empire National Bank, the United States National Bank is authorized to proceed with the purchase and assumption transaction.

APRIL 10, 1965.

\* \* \*

CENTRAL NATIONAL BANK OF WASHINGTONVILLE, WASHINGTONVILLE, N.Y., AND COUNTY NATIONAL BANK, MIDDLETOWN, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Central National Bank of Washingtonville, Washingtonville, N.Y. (13913), with..	\$5, 700, 026	1	.....
and County National Bank, Middletown, N.Y. (13956), which had .....	69, 703, 375	10	.....
merged Apr. 23, 1965, under charter and title of the latter bank (13956). The			
merged bank at the date of merger had .....	75, 403, 401	.....	11

COMPTROLLER'S DECISION

On February 23, 1965, County National Bank, Middletown, N.Y., and the \$5 million Central National Bank of Washingtonville, Washingtonville, N.Y., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Both banks are located in Orange County, an area of about 850 square miles containing a population of 185,000. Orange County is situated in the southeastern part of the State approximately 50 miles northwest of New York City. Although largely a rural area, the county is experiencing steady residential construction and continued population growth with attendant commercial expansion.

Middletown, located in the northwest part of Orange County in the foothills of the Catskill Mountains, is a city of about 23,600 people. While dairy farming has predominated for many years, land is increasingly being used for shopping centers, industrial buildings, and residential sites.

County National Bank is the largest of the 14 county-based commercial banks. It operates eight branches in Orange County and one in Sullivan County, N.Y. Its trade area is estimated at 95,000 persons.

Washingtonville, situated 19 miles east of Middletown in the east-central portion of Orange County, is a rural village with a population of about 1,400 serving a trade area of 3,000. The area is devoted chiefly to dairy farming. Although Washingtonville contains a few retail service establishments, shopping centers in outlying sections or in surrounding villages and nearby cities provide for most of the area's needs.

Central National Bank of Washingtonville, operating a single banking office, is the only bank in the village. It does not offer complete banking services and its loan policy has been restrictively conservative. Its prospects for future growth are quite limited.

Orange County is served by 32 banking offices. Additionally, it is served by several savings and loan

associations, small loan companies, and sales finance companies. Competition is vigorous. If the proposed merger of County Trust Co., White Plains, N.Y., with Intercounty Trust Co., Monticello, N.Y., and Goshen National Bank, Goshen, N.Y., is approved, that resulting bank would introduce into Orange County the services of a bank several times the size of the charter bank with a proportionate competitive advantage.

This merger will have little effect on competitor banks now serving Middletown and its immediate area. It will enable the charter bank to compete more efficiently in the southern part of Orange County which is experiencing the major portion of growth in the county.

There is little competition between the two applicant banks. Offices of competitor banks are nearer to the office of the merging bank than are branches of the charter banks. The merging bank makes no consumer installment loans and thus offers no competition in this important field.

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

APRIL 22, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

County National Bank operates 9 banking offices throughout Orange County, N.Y., and a 10th office located in adjoining Sullivan County. Since 1955 it has acquired five formerly independent banks located in all parts of Orange County. As of December 31, 1964, it had total assets of \$70,483,000, total deposits of \$64,625,000 (\$29,467,000 demand, \$35,158,000 time), and net loans and discounts of \$42,873,000. Total capital accounts were \$4,598,000.

Central National Bank of Washingtonville, Washingtonville, N.Y., is located in east-central Orange County 19 miles east of the charter bank's home office. As of December 31, 1964, it had total assets of \$5,085,000, total deposits of \$4,734,000 (\$2,893,000 demand, \$1,841,000 time), and net loans and dis-

counts of \$2,174,000. Total capital accounts were \$351,000.

The amount of direct competition between the two banks is difficult to assess. What competition exists is diminished by the fact that six banking offices of competitor banks are nearer to the office of Central National Bank than are the nearest branches of County National Bank, and, further, by the fact that Central National Bank makes no consumer installment loans. What direct competition exists, therefore, is probably insubstantial.

Thirteen banks operating 18 banking offices comprise the service area of Central National Bank. Two banks presently account for 47 percent and 53 percent

of total deposits and total loans, respectively, in this area. The percentages for the County National Bank are 8.32 percent and 9.29, respectively, for total deposits and total loans. Central National Bank's respective percentages for total deposits and total loans are 2.14 percent and 1.54 percent. While the merger alone would not have a significant adverse effect on competition, we wish to point out our increasing concern over the accelerating pace of mergers in this section of the State of New York, as well as in the State generally, and the consequent reduction in the number of competing independent banks. This trend in the long run will have a materially adverse effect on competition in commercial banking in the State.

\* \* \*

BANK OF MILLVALE, MILLVALE, PA., AND WESTERN PENNSYLVANIA NATIONAL BANK, PITTSBURGH, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank of Millvale, Millvale, Pa., with . . . . .	\$24, 690, 315	1	.....
and Western Pennsylvania National Bank, Pittsburgh, Pa. (2222), which had . .	579, 178, 980	54	.....
merged Apr. 23, 1965, under charter and title of the latter bank (2222). The . .			
merged bank at the date of merger had . . . . .	603, 869, 296	.....	55

COMPTROLLER'S DECISION

On February 17, 1965, Western Pennsylvania National Bank, Pittsburgh, Pa., and the \$25.4 million Bank of Millvale, Millvale, Pa., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Pittsburgh, with a population of 604,000, is the second largest city in Pennsylvania. The Pittsburgh area has long been recognized for its heavy industry, as it contains the world's largest manufacturers of aluminum, steel, rolling mill machinery, and airbrakes. The area accounts for 21 percent of the entire national output of steel and is the home of more than 100 industrial research and testing laboratories.

The Borough of Millvale, with a population of 6,624, is located across the Allegheny River from Pittsburgh and shares in the economic benefits of the Metropolitan Pittsburgh area. The Millvale area is both residential and commercial.

The charter bank operates 53 offices. It is one of the major banks in the Pittsburgh metropolitan area, where it competes with the Mellon National Bank & Trust Co., operating 78 branches; the Pittsburgh

National Bank, operating 68 branches; and the Union National Bank of Pittsburgh, operating 30 branches.

Competition between the charter bank and the merging bank is insignificant. The charter bank's nearest office is in Sharpsburg, Pa., which is 2.8 miles distant. The merging bank is the only bank operating in the Borough of Millvale. Competition will not be hindered by the merger but will, in fact, be stimulated because of the charter bank's aggressive marketing policies. The position of the charter bank as the third largest bank in Pittsburgh will remain relatively unchanged but the merger will allow it to compete more effectively with the substantially larger Mellon National Bank & Trust Co. and the Pittsburgh National Bank.

The advantages of a major bank will be made available to the Millvale public. The merging bank does not have a trust department; trust services will be available after the merger. The merging bank does not have specialized consumer and mortgage loan departments; the resulting bank will offer lending services in the fields of consumer credit and home mortgages. In addition, other specialized services will be made available because of the modern data-processing center which serves the charter bank. It is evident that the entry of the charter bank into Millvale will

give its citizens the kind of banking facilities they need and deserve.

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

APRIL 19, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Western Pennsylvania National Bank is the third largest bank in the Pittsburgh area (Allegheny County), accounting for approximately 12 percent of the commercial banking business 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 and among the leading banks. The top three banks currently account for approximately 80 percent of total Allegheny County deposits.

Western itself has been an extremely active participant in the consolidation movement having since 1953 acquired 23 small- and medium-sized banks in Allegheny County and the adjoining counties of Westmore-

land, Washington, and Beaver. The instant proposal is Western's fifth merger in the past year.

Millvale Bank, the seventh largest bank in Allegheny County, is one of the few remaining medium-sized banks in the area and under an alert management has shown a good record of earnings over the years. Approval of this merger would only serve to eliminate one of the few banks competing successfully with the large banks in the area, and would, in addition, eliminate existing competition between the participating banks. The continuing elimination of the smaller banks in Allegheny County has proceeded at an alarming rate in the past few years and threatens to concentrate the total banking assest of this substantial commercial area in the hands of a few large institutions, each of which appears to prefer the quick acquisition of a competing bank to the establishment of a *de novo* branch whenever the choice presents itself. This trend has already eliminated effective competition in the area and should not be permitted to continue.

We, therefore, believe that approval of this merger will have a seriously adverse effect on competition in the Pittsburgh area.

\* \* \*

DUNKIRK TRUST CO., DUNKIRK, N.Y., AND LIBERTY NATIONAL BANK & TRUST CO., BUFFALO, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Dunkirk Trust Co., Dunkirk, N.Y., with.....	\$15, 216, 556	1	.....
and Liberty National Bank & Trust Co., Buffalo, N.Y. (15080), which had....	341, 524, 888	32	.....
merged Apr. 27, 1965, under charter and title of the latter bank (15080). The			
merged bank at the date of merger had.....	356, 833, 382	.....	33

COMPTROLLER'S DECISION

On February 23, 1965, Liberty National Bank & Trust Co., Buffalo, N.Y., and the \$15.4 million Dunkirk Trust Co., Dunkirk, N.Y., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Buffalo, located in western New York, is the second largest city in the State. It has a population of 533,000 and serves as the financial center of an area which numbers over 1½ million people. The city is linked to overseas markets by the St. Lawrence Seaway and to the entire United States by an extensive railway system. Heavy industry and commerce make Buffalo a major contributor to the economy of the northeast.

Dunkirk, with a population of 18,000, is located

about 45 miles southwest of Buffalo in the heart of the large agricultural region devoted primarily to grape production. The city derives most of its economic support from agriculture and recreational facilities. The area's population in recent years has remained static.

The charter bank operates 32 offices, 16 in Buffalo and the remainder throughout western New York. It has followed an aggressive policy of expansion by merger and by *de novo* branching in order to keep pace with the growth of the suburban area around Buffalo and certain rural communities and in order to try to achieve some degree of competitive balance with its large competitors. Among its many competitors are Marine Trust Co., an affiliate of the \$3.16 billion Marine Midland Corp., operating offices in 30 communities in western New York; the Manufacturers &

Traders Trust Co.; the Buffalo Savings Bank; the Erie County Savings Bank; and the Western Savings Bank.

The single-office merging bank has not adapted to the changing needs of a growing society. Deposit growth has been slow, and retail banking services are limited. Moreover, senior management has made no provision for succession.

The merger will bring to Dunkirk the facilities of a large, full-service bank and offer competition to the Dunkirk office of the Chautauqua National Bank of Jamestown and the Manufacturers & Traders Trust Co. Consumer lending services and more funds for financing will be available. The management problem of the merging bank will be solved by the availability of the personnel of the charter bank.

The consummation of the proposed merger is in keeping with the need for a larger regional banking system in western New York capable of meeting, with its own resources, all the credit needs of its growing industrial economy without reliance on the larger financial centers located elsewhere. If the industrial economy of western New York is to develop in a balanced manner, some consolidation of existing banking facilities is necessary. A fragmented banking system, suitable perhaps for a rural economy with minimal credit requirements, does not meet the needs of the present, and must yield to growth for the sake of efficiency and economic progress.

The proposed merger will not diminish competition generally in the Buffalo region, nor specifically between the charter and merging banks. The presence of two commercial bank competitors considerably larger than the resulting bank, one of which is a member of a large bank holding company, precludes any lessening of competition. Moreover, the availability of another office of a large bank in the merging bank's area will intensify bank competition there.

Applying the statutory criteria to this proposal, the

application is found to be in the public interest and it is, therefore, approved.

APRIL 26, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger of Dunkirk Trust Co., having total deposits of \$13.2 million, into Liberty National Bank & Trust Co., with total deposits of \$312 million and 32 offices, will eliminate the competition of the former and seriously concentrate banking facilities in the local area served by it.

Commercial banking in the Ninth Banking District of New York State, in which both of merging banks are located, is highly concentrated, with the three largest institutions accounting for 82 percent of the total assets and 65 percent of all banking offices. Liberty is the third largest bank in the district, accounting for 12.33 percent of banking assets therein. Since 1945, the number of independent banks in the district has decreased from 91 to 39. Seven independent banks have lost their identity through mergers with Liberty since 1961.

Dunkirk Trust Co. manifests every indication of a sound institution. Deposits and loans have exhibited slow but steady growth. Earnings for the past 5 years were satisfactory; 1964 was the bank's second-best year. Resurgence in the economic life of the community promises opportunity for continued growth. In view of the sharp decline in the number of banks serving the ninth district, the importance of retaining the competitive activity of those remaining becomes increasingly evident. Elimination of Dunkirk will be antithetical to that objective and would endanger the status of the remaining independents.

For the reasons stated herein it is our opinion that the proposed merger would exert a most serious adverse effect on competition.

\* \* \*

THE FARMERS BANK, SUNBURY, OHIO, AND THE FIRST NATIONAL BANK OF DELAWARE, DELAWARE, OHIO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Farmers Bank, Sunbury, Ohio, with . . . . .	\$3, 013, 975	1	.....
and the First National Bank of Delaware, Delaware, Ohio (243), which had . . . . .	16, 693, 489	2	.....
merged Apr. 30, 1965, under charter and title of the latter bank (243). The merged bank at the date of merger had . . . . .	19, 684, 102	.....	3

On February 17, 1965, the \$17.2 million First National Bank of Delaware, Delaware, Ohio, and the \$3.2 million Farmers Bank, Sunbury, Ohio, applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Delaware, with a population of approximately 15,000 persons, is the county seat of Delaware County and is located 23 miles north of Columbus, Ohio. Delaware County, which has recently been the site of oil exploration, is an agriculturally oriented area. The community of Delaware, on the other hand, contains a number of small industrial firms and provides a home for Ohio Wesleyan University, with an enrollment of approximately 2,000. Delaware also serves as a trade center for the surrounding area.

Sunbury is a rural agricultural community with a population of 1,500 persons located about 12 miles east of Delaware and 22 miles northeast of Columbus. Although a number of residents commute to work in Columbus, farming plays the major role in the local economy.

The charter bank, which has one branch in operation and another branch approved but unopened, is a subsidiary of BancOhio Corp. Although its policies are supervised by the parent corporation, the bank's daily operations are carried out by its own management, which is considered both competent and aggressive. The charter bank is a full-service bank with the exception of trust powers.

The merging bank has shown little recent growth. Its limited lending policy, combined with indifferent management, has handicapped not only its own expansion but that of the entire community. More through default than competitive excellence, the only other financial institution in Sunbury has managed to obtain nearly 90 percent of the community's banking business, thus severely unbalancing the local banking structure. Management of the merging bank appears to reside solely in its president, who is past retirement age. In

addition, none of the other employees are equipped to assume the responsibility for managing the bank.

Consummation of the proposed merger will have no effect upon the banking structure in Delaware County but will redress the totally unbalanced situation in Sunbury. Substitution of a branch of the charter bank in place of the merging bank will provide more adequate banking services to the Sunbury community by offering a broad range of consumer, real estate, and commercial loans. At the same time, because competition between the applicant banks is minimal and because the merging bank offers no competition to any other financial institution in Delaware County, the relative competitive positions of the remaining Delaware County banks will remain undisturbed.

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

APRIL 20, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The First National Bank of Delaware, Delaware, Ohio, a \$17 million bank and a subsidiary of BancOhio Corp., proposes to acquire by merger the Farmers Bank, Sunbury, Ohio, a \$3 million unit bank 12 miles east of Delaware.

The competitive impact of the proposed merger upon the service areas of the two banks is believed to be less than might appear from the figures relating to the banks which serve these areas, since the financial strength of First National is increased by its connection with the BancOhio Corp. and the competitive vigor of Farmers Bank is far below that which might be expected from the size of its assets. For these reasons the direct effect of the proposed merger upon competition may not be substantially adverse. However, the proposal does constitute another step in the direction of increased concentration on the part of the dominant BancOhio Corp. and for this reason may have adverse competitive implications.

\* \* \*

CENTRAL STATE BANK, DALTON, PA., AND THE FIRST NATIONAL BANK OF CARBONDALE, CARBONDALE, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Central State Bank, Dalton, Pa., with and the First National Bank of Carbondale, Carbondale, Pa. (664), which had merged Apr. 30, 1965, under charter of the latter bank (664), and under the title of "First National Bank, Carbondale, Pa." The merged bank at the date of merger had.....	\$3,343,595 14,591,454  17,949,035	1 3  4	   4

COMPTROLLER'S DECISION

On February 12, 1965, the \$13.9 million First National Bank of Carbondale, Carbondale, Pa., and the \$3.3 million Central State Bank, Dalton, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Established in 1864, the charter First National Bank maintains its main office in Carbondale. With a population of 13,500, the city is located some 14 miles northeast of Scranton in the Appalachian Highland county of Lackawanna. The depletion of recoverable anthracite coal deposits in the area has brought about a significant change in the economic character of the Carbondale community from its previous dependence on coal mining. The decline of the mining industry and allied activities led to severe unemployment and to a marked attrition in the local population. In recent years, however, energetic local industrial development programs, combined with Federal strip-mining rehabilitation efforts, have injected new and more broadly diversified income sources into the economy. The leading economic factors in the Carbondale area are now light manufacturing, metal fabrication, and textile processing. The once inordinate rate of unemployment has been reduced and population figures have stabilized. With continued industrial development programs, and with implementation of remedial Federal legislation affecting this segment of the Appalachian region, the overall economic prospects for Carbondale are favorable.

In addition to its main office, the charter bank operates two branches in outlying communities. One branch is located at Mayfield, a residential development on the periphery of the Carbondale trading area; the other is located 8 miles southwest of Carbondale at Archbald, a community which has recently shown increased industrial activity.

The merging Central State Bank operates its only office in the Borough of Dalton, a high-income resi-

dential area situated 21 miles west of Carbondale and 10 miles northwest of Scranton. The borough has a modest population of some 1,200 and an economy which is relatively static. Economic activity is confined largely to dairy farming, and prospects are for gradual elimination of existing farms in the wake of demand for prime residential sites. Dalton residents are, for the greater part, employed in the city of Scranton. Recent completion of a modern highway connecting Dalton and environs with the city has insured an increasing integration with the greater metropolitan area.

Consummation of the merger will not eliminate any competition between the merging institutions inasmuch as such competition does not now exist.

In Carbondale, banking services are provided chiefly by the charter bank, by the \$8.9 million Liberty Discount & Savings Bank, and by the Carbondale branch of the Scranton-based \$170 million Northeastern Pennsylvania National Bank & Trust Co. Clearly, the minor increment in the charter bank's assets resulting from the merger will neither bring about a measurable dislocation in this competitive structure nor substantially alter the nature of banking competition in the communities where the charter bank operates its branches.

Banking competition in the Dalton area is provided by the merging bank, the Chinchilla branch of the \$48 million Third National Bank & Trust Co. of Scranton, located 5 miles to the southeast; the Clark's Summit branch of the Northeastern Pennsylvania National Bank, located 4 miles to the southeast; and the \$2.2 million First National Bank of Factoryville, located 4 miles to the northwest. The entrance of the charter bank into the Dalton area will disadvantage only one bank, viz., the First National Bank of Factoryville, because of its size, and it is our judgment that the effects of the merger on that institution will not be adverse.

Applying the statutory criteria to the proposed

merger, we find it to be in the public interest and it is, therefore, approved.

APRIL 23, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

First National Bank of Carbondale is located in Carbondale, Pa., near the city of Scranton. It operates two branches in other towns located in the immediate surrounding area. Central State Bank operates one office in Dalton, Pa. Dalton is also near

Scranton, about 21 miles from Carbondale and 20 miles from the nearest branch office of the First National Bank of Carbondale. There appears to be little, if any, direct competition between these banks and both banks compete to some degree with larger banks located in Scranton.

Approval of this proposed merger may further a trend toward concentration in banking in the Scranton area. Thus, the effect of the proposed merger on potential competition might be adverse.

\* \* \*

FORTY FORT STATE BANK, FORTY FORT, PA., AND MINERS NATIONAL BANK OF WILKES-BARRE, WILKES-BARRE, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Forty Fort State Bank, Forty Fort, Pa., with . . . . .	\$14, 134, 289	2	.....
was purchased Apr. 30, 1965, by Miners National Bank of Wilkes-Barre, Wilkes-Barre, Pa. (19852), which had . . . . .	117, 734, 503	6	.....
After the purchase was effected, the receiving bank had . . . . .	130, 665, 231	.....	8

COMPTROLLER'S DECISION

On February 19, 1965, Miners National Bank of Wilkes-Barre, Wilkes-Barre, Pa., applied to the Office of the Comptroller of the Currency for permission to acquire the assets and assume the liabilities of Forty Fort State Bank, Forty Fort, Pa.

Wilkes-Barre, a city of 63,551, is situated approximately 120 miles northwest of Philadelphia in Luzerne County on the east bank of the Susquehanna River in the approximate center of the Wyoming Valley. This area was for many years the heart of the anthracite industry and the economy of the Wyoming Valley was based almost entirely on mining. Since 1945, this industry has declined steadily and the area is often regarded as economically depressed despite many efforts to develop a diversified economy in Wilkes-Barre and the surrounding region.

Forty Fort is a residential suburb of Wilkes-Barre on the west side of the Susquehanna River. Two bridges connect Wilkes-Barre with the west side of the valley. The area encompassing Wilkes-Barre and Forty Fort is considered to be a single economic entity.

There are 27 commercial banks with home offices in Luzerne County, which operate 24 branches within the county. These banks hold deposits of \$440 million and loans of \$273 million. In addition, these banks must compete with Northeastern Pennsylvania Na-

tional Bank & Trust Co. which operates three offices in Luzerne County and whose home office is in Scranton, which is but 18 miles from Wilkes-Barre. The Scranton-Wilkes-Barre area is considered to be a single metropolitan area for banking competition.

The acquiring bank operates five branches in Luzerne County and one at Bloomsburg in Columbia County, which is located outside the Wyoming Valley trade area. The selling bank operates one branch in Wilkes-Barre in addition to its home office.

This acquisition and assumption will have little effect upon banking competition in the Wilkes-Barre service area. It will give the acquiring bank an increase of only 2.6 percent of the deposits and 2 percent of the loans held by commercial banks in Luzerne County. Furthermore, the acquiring bank will remain but half the size of its chief competitor, Northeastern Pennsylvania National Bank & Trust Co.

The convenience and needs of Forty Fort, as well as of this entire trade area, will be served by consummation of this acquisition and assumption. Forty Fort is a well-to-do suburb, many of whose residents desire trust services which will be offered by the charter bank's full-trust department and which are not now available at the selling bank. Also the acquiring bank will offer more extensive consumer financing and lower interest rates on home mortgage loans.

Applying the statutory criteria to the proposal, we



conclude that it is in the public interest and the application is, therefore, approved.

APRIL 27, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Miners National Bank of Wilkes-Barre, Wilkes-Barre, Pa., conducts commercial banking through a main office located in Wilkes-Barre, and through six branches located in the area outside of Wilkes-Barre. As of December 31, 1964, it reported total assets of \$117,734,000.

The Forty Fort State Bank, Forty Fort, Pa., conducts commercial banking through a main office located in the town of Forty Fort and through a branch office

located in the town of Wilkes-Barre. As of December 31, 1964, it reported total assets of \$14,134,000.

If the proposed merger of these two banks is approved serious anticompetitive effects will result since (1) the banks are in direct competition; (2) the concentration in banking in Wilkes-Barre and the surrounding environs will increase so that almost 80 percent of the deposits held by banks having offices in this area will be held by the three largest banks; and, (3) a continuing trend toward banking concentration in the Wilkes-Barre area will be furthered.

For the above reasons the proposed merger would have a significant adverse effect on both present and future competition.

\* \* \*

#### SHIRLINGTON TRUST CO., INC., ARLINGTON, VA., AND FIRST & CITIZENS NATIONAL BANK OF ALEXANDRIA, ALEXANDRIA, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Shirlington Trust Co., Inc., Arlington, Va., with	\$15, 313, 409	3	.....
and First & Citizens National Bank of Alexandria, Alexandria, Va. (651), which had	97, 278, 025	8	.....
merged May 3, 1965, under charter of the latter bank (651), and under title "First & Citizens National Bank." The merged bank at the date of merger had	112, 591, 434	.....	11

#### COMPTROLLER'S DECISION

On February 26, 1965, Shirlington Trust Co., Inc., Arlington, Va., and First & Citizens National Bank of Alexandria, Alexandria, Va., applied to the Comptroller of the Currency for permission to merge under the charter of the latter and with the title of "First & Citizens National Bank."

All offices of the participants are located in Northern Virginia, directly across the Potomac River from Washington, D.C. The largest portion of the area consists of the city of Alexandria and the counties of Arlington and Fairfax.

Alexandria, with a population of 114,000, many of whom work in Washington, D.C., is both a high-income residential community and an important trade and industrial center. Products of the area's industrial plants include electronic components, fertilizers, beverages, chemicals, sewer pipes, and lumber products. Alexandria is served by 5 railroads and its port handles more than 100,000 tons of shipping annually.

Arlington County, with a population of 178,000, is relatively small in area and is largely a residential

community for persons employed in Washington, D.C. Commercial activities are for the most part confined to retailing and service outlets.

The charter bank operates eight offices in Alexandria, plus two facilities, one at nearby Fort Belvoir and one at Washington National Airport. A branch to be located in the town of Springfield in contiguous Fairfax County has been approved but not yet opened. The bank is a subsidiary of United Virginia Bankshares, Inc., a regional bank holding company, and is the largest bank in Alexandria. Competition in the city of Alexandria is offered by four other local banks plus a branch of the largest Arlington County bank.

The merging bank is the 6th largest of 9 banks serving Arlington County but operates only 3 of the 35 banking offices in the county. While the condition of the merging bank is considered satisfactory, it has not shown as favorable growth in deposits as the other Arlington County banks, has had erratic earnings during the past 6 years, and appears to lack continuity and depth of management.

The addition of the merging bank to the charter bank will not significantly alter the charter bank's

competitive position in Alexandria. Further, there will be little elimination of competition between the two existing banks as common depositors and borrowers are few. Although the closest banking offices of the participating banks are 1½ miles apart, the inconvenience of crossing traffic barriers, such as the Shirley Highway, is a handicap which offsets the comparatively short distance between the two banks.

In Arlington County, a more aggressive resulting bank will meet competition in the area from the other Arlington banks and from the Washington, D.C., banks, as well as from some 37 offices of savings and loan associations, 47 credit unions, and 50 small loan company offices.

Consummation of the proposed merger will serve the convenience and needs of the area more adequately than at present. The increased resources and lending limit of the resulting bank will better enable it to meet the credit needs of some of the merging bank's largest customers. The merging bank does not offer trust services; the resulting bank will bring to the area a sizeable and well-established trust department.

Consummation of the proposed merger will serve to bring needed aggressive management to, and provide depth of management for, 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.

APRIL 30, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

First & Citizens is the largest bank in Alexandria and in the Northern Virginia area with assets of \$94,270,000, deposits \$85,934,000, loans and discounts \$49,428,000 and a lending limit of \$500,000.

Shirlington Trust is the fifth largest bank in Arlington County with assets of \$15,263,000, deposits \$13,500,000, loans and discounts \$9,544,000 and a lending limit of \$180,000. This bank has experienced an unsatisfactory growth and earnings record, losses having been suffered in 2 of the past 6 years and deposits having been reduced in its last year of operations.

Because of the heavily traveled arterial highways separating these two banks direct and vigorous competition between them has probably been somewhat frustrated.

This merger will enhance First & Citizens' dominant position in Alexandria. It will also result in the elimination of the largest of the medium-sized banks in Northern Virginia.

In Arlington County there are three local banks that have lending limits comparable with First & Citizens and since Arlington is directly across the Potomac from Washington, there are five Washington banks with much greater resources than the Northern Virginia banks that compete for business in Arlington County.

The four bank holding companies operating in Virginia, which presently control approximately 25.6 percent of the total deposits of all banks in the State, would be increased to 25.9 percent. While the increase in concentration of banking represented by the two mergers above-mentioned are not in themselves substantial, the cumulative effect of absorbing banks by bank holding companies is a source of concern to this Department.

The effect of this proposed merger on competition will be adverse.

\* \* \*

THE NATIONAL SHAWMUT BANK OF BOSTON, BOSTON, MASS., AND CONGRESS NATIONAL BANK OF BOSTON, BOSTON, MASS.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The National Shawmut Bank of Boston, Boston, Mass. (5155), with . . . . .	\$606, 275, 320	31	.....
and Congress National Bank of Boston, Boston, Mass. (15509), which had . . . . .	315, 394	1	.....
consolidated May 6, 1965, under charter of the latter bank (15509) and under title "The National Shawmut Bank of Boston." The consolidated bank at date of consolidation had . . . . .	606, 381, 496	.....	31

#### COMPTROLLER'S DECISION

On February 11, 1965, the \$607.5 million National Shawmut Bank of Boston, Boston, Mass., and the organizing Congress National Bank of Boston, Boston, Mass., applied to the Office of the Comptroller of the Currency for permission to merge under the charter of the former and with the title "The National Shawmut Bank of Boston."

The proposed consolidation is a part of the plan of reorganization of the presently existing bank holding company group consisting of the National Shawmut Bank of Boston and Shawmut Association, a Massachusetts business trust and registered bank holding company which owns controlling interest in 12 banks operating in the Boston area. The provisions of the trust's declaration of trust expressly contemplate a close relationship between the trust and the Shawmut Bank and, with one exception, trustees have always been directors or officers of the Shawmut Bank. Shareholders of the trust have no voting power regarding the selection of trustees, as successor trustees are appointed by the remaining trustees. Because of its indirect control of trustees, Shawmut Bank is a registered bank holding company.

The proposed reorganization will convert the trust into a new holding corporation, Shawmut Association, Inc., and the assets of the trust will be transferred to the corporation in exchange for the assumption of the trust's liabilities by the corporation. There will be a share-for-share exchange of stock.

Congress National Bank of Boston, which is being organized for the purpose of this plan, will become a subsidiary of the holding corporation, and will be wholly owned, except for directors' qualifying shares. Congress Bank will then consolidate with the present Shawmut Bank, the shareholders of which will receive shares in the holding corporation in exchange for shares of the present Shawmut Bank. The resulting bank will be a subsidiary of Shawmut Association, Inc., and will have the title "The National Shawmut Bank of Boston."

The reorganization of which this proposed consolidation is a part is a constructive development which will clarify and make more logical the corporate form of the holding corporation and its relationship to the National Shawmut Bank of Boston.

After the reorganization, the shareholders will have full voting rights in the holding corporation, which is not the case under the present trust arrangement.

The reorganization is thus in the best interest of the shareholders of both the Association and Shawmut Bank, as well as of the general public.

The consolidation will have no effect upon competition.

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

MAY 5, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed consolidation of the Congress National Bank of Boston and the National Shawmut Bank of Boston, which is the third largest bank in the State of Massachusetts is one part of an overall plan to rearrange the relationship that has existed for years between the latter and a Massachusetts business trust (Shawmut Association). Among other assets, this Association holds controlling stock interests in 12 banks that operate in the counties (Essex, Middlesex, Norfolk, and Plymouth) surrounding Suffolk County in which Boston is located. (All but 2 of National Shawmut Bank's 29 branches, as well as its head office, are in Boston.)

Officers and/or directors of National Shawmut Bank have always been the trustees of the Association trust. The executive committee of this bank also has the right to pass on the appointment or removal of trustees. In addition, the bank provides many services and facilities to the Association. Thus, the National Shawmut Bank has for years exercised indirect control over the Association's affiliated banks and has accordingly been registered and treated as a bank holding company.

The plan of which this transaction is a part contemplates the organization by the trustees of a new holding corporation (Shawmut Association, Inc.), to which would be transferred the assets of the Association. The newly created Congress National Bank would become a virtually wholly owned subsidiary of this corporation and would consolidate with National Shawmut Bank, so that the latter would then also be a subsidiary of said corporation. In this way, control and ownership of the Association's affiliated banks, as well as of National Shawmut Bank, would be vested in Shawmut Association, Inc.

In our opinion the changes to be effected by this plan would be more of form than of substance. The close relationship that presently exists between and among National Shawmut Bank and the Association's affiliated banks would be clarified and made more cer-

tain. The competitive situation presented by this relationship, however, would not appear to be materially or substantially changed. We, therefore, do not believe

that the proposed reorganization and consolidation, in and of themselves, pose any serious competitive problems.

\* \* \*

# CANAL NATIONAL BANK, PORTLAND, MAINE, AND THE BATH NATIONAL BANK, BATH, MAINE

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Canal National Bank, Portland, Maine (941), with.....	\$62,780,659	18	.....
and the Bath National Bank, Bath, Maine (494), which had.....	6,176,258	2	.....
consolidated May 14, 1965, under the charter and title of "Canal National Bank." The consolidated bank at date of consolidation had.....	68,865,785	.....	20

## COMPTROLLER'S DECISION

On March 12, 1965, Canal National Bank, Portland, Maine, and the Bath National Bank, Bath, Maine, applied to the Office of the Comptroller of the Currency for permission to consolidate under the charter and with the title of the former.

Portland, with a population of 72,566, is located 34 miles southwest of Bath in southeastern Maine. The total population for all communities served by Canal National Bank is over 212,000. Although there are a few local industries, Portland is mainly a deep-water port and serves as a distribution point for northern New England.

Bath, with a population of 10,717, is located on the Kennebec River, and serves an area of 17,000. The principal industry in Bath is shipbuilding. The population of both Bath and Portland is substantially increased during the summer by vacationers.

The charter bank, which has grown substantially in recent years, ranks fourth in size among the banking institutions serving Maine. Its main office, along with 5 of its 16 branches, is located in Portland. The remaining 11 offices are located within a 35-mile radius of Portland. The charter bank is substantially smaller than the largest bank in Maine, Depositors Trust Co., located in Augusta, as well as First National Bank of Portland, which is located in Bath. After the consolidation is consummated, the resulting bank will still be much smaller than the two larger banking institutions in Maine.

The proposed consolidation will result in a bank better able to meet the needs and serve the interests of the Bath community and its service area. The improvement in banking services there will be marked by a larger lending limit than the consolidating bank

can offer, as well as by complete fiduciary services. A large and well trained staff with specialized knowledge of Maine business will also be available.

Although the two banks compete to some extent, consummation of the proposal will not eliminate any meaningful competition. On the contrary, the resulting bank should increase competition with other banks in the area and improve banking services to the communities.

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

MAY 12, 1965.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed consolidation seeks to bring together Canal National Bank, southeastern Maine's fourth largest bank with deposits of \$56,329,000 and 17 offices in Portland and surrounding communities, and the Bath National Bank, a smaller independent bank with 2 offices, 1 each in Bath and Boothbay Harbor, and deposits of \$6,124,000. Canal National now operates a branch in Brunswick 8 miles from Bath National's main office and competitive with it.

The consolidation will eliminate the existing and potential competition between Canal's Brunswick branch and Bath National. It will eliminate the last independent bank from the Bath-Brunswick area. It represents one further step in the present march toward concentration of southeastern Maine's commercial banking in the hands of a few large chain banks and the eventual total elimination of independent banks from the area. For these reasons we conclude that the effects of the proposed consolidation on competition will be adverse.

\* \* \*

MARTIN STATE BANK, MARTIN, 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
Martin State Bank, Martin, Mich., with.....	\$3, 578, 387	1	.....
was purchased May 22, 1965, by the First National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich. (191), which had.....	144, 927, 988	21	.....
After the purchase was effected, the receiving bank had.....	148, 452, 098	.....	22

COMPTROLLER’S DECISION

On February 5, 1965, the First National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich., applied to the Comptroller of the Currency for permission to purchase the assets and assume the liabilities of the \$3.4 million Martin State Bank, Martin, Mich.

Kalamazoo, located in the southwest part of lower Michigan, has an estimated population of 85,000. It is a well-diversified, balanced community deriving economic support from industry, education, and agriculture. The principal industries are paper manufacturing and pharmaceuticals, with the Sutherland Paper Co. and Upjohn Co. each employing in excess of 3,000 persons. In addition to the more than 50 diversified industries in the area, a new General Motors Fisher Body plant now under construction is expected to employ 3,500 persons within a year.

Martin, located 19 miles to the north of Kalamazoo, is a small agricultural community with a population of 560. There are over 20 businesses in the village area and about 10 farming-related industries and wholesale establishments. The village is assuming some of the characteristics of a residential community for people employed in other areas, and present plans for the construction of a new \$800,000 high school should have a stimulating effect on the local economy.

The purchasing bank operates a main office and 7 branches in Kalamazoo, and 13 additional offices in communities ranging from 5 to 25 miles from the main office. There are 22 commercial banks in Kalamazoo, with chief competition furnished by the \$97.4 million American National Bank & Trust Co. of Kalamazoo, with 11 branches; and the \$49.2 million Industrial State Bank of Kalamazoo, operating 13 branches. All the major banks maintain active new business solicitation departments and the fact that competition is extremely keen is evidenced by the almost immediate increase of interest rates to the maximum permitted after their recent relaxation. Additional competition

is offered by savings and loan associations, which hold share accounts in excess of \$150 million; several prominent insurance companies, which actively solicit real estate mortgages; credit unions; sales finance and personal loan companies; and lending agencies of the U.S. Government.

The selling bank does not operate any branches or a trust department. Martin State, serving a trade area of approximately 4,000 persons, is the only bank in Martin but 3 other banks, including the purchasing bank, operate within a 12-mile perimeter. The most active competition for banking business in the area is provided by a branch of American National Bank & Trust Co. of Kalamazoo, located in Plainwell, 6 miles to the south, and the \$8 million Wayland State Bank, 11 miles to the north.

The community will also benefit from the increased services of the purchasing bank. Martin State is a limited service bank, with a legal lending limit of \$40,000 which is inadequate to meet the needs of the larger grain elevators and industries in the area. The purchasing bank is better able to serve this community, both in size of loans and by supplying a complete line of banking services, including fiduciary and installment lending facilities, that are sorely needed and presently unavailable.

It does not appear that the effect of the proposed transaction on competition in the area will be significantly adverse as existing competition between the two applicant banks is minimal indeed.

Applying the statutory criteria to the proposed purchase of assets and assumption of liabilities, we find that this proposal is in the public interest and it is, therefore, approved.

APRIL 9, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Martin State is the only bank in Martin, a farm community of 560. It competes with another bank of

comparable size and with branches of First National, the largest, and American National Bank of Kalamazoo, the second largest bank in southeast Michigan all operating offices (seven) at five different locations within a radius of 12 miles of Martin.

The argument that the proposed acquisition would better serve the needs of the community is not convincing since Martin's banking requirements are limited to begin with, and it already has the benefit of the added banking facilities of the banks just mentioned. There is no merit seen in representations that an aging management wishing to retire is justification for the acquisition.

The law makes no such concession to personal expediency.

The proposed acquisition, then, is viewed as leading to further concentration of banking power in the general area, a condition to which First National itself has already contributed by past acquisitions. The takeover of Martin State by First National would be minor, but in the circumstances any accretion by First National becomes significant. *United States v. Philadelphia National Bank*, 374 U.S. 321 (1963). So viewed, the proposed acquisition in its potential effects is anticompetitive.

\* \* \*

THE SANDBORN BANKING CO., SANDBORN, IND., AND THE AMERICAN NATIONAL BANK OF VINCENNES, VINCENNES, IND.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Sandborn Banking Co., Sandborn, Ind., with . . . . .	\$1, 803, 743	1	.....
and the American National Bank of Vincennes, Vincennes, Ind. (3864), which had . . . . .	27, 662, 668	2	.....
merged May 26, 1965, under the charter and title of the latter bank. The merged bank at the time of merger had . . . . .	29, 379, 168	.....	3

COMPTROLLER'S DECISION

On March 19, 1965, the \$29.5 million American National Bank of Vincennes, Vincennes, Ind., and the \$1.9 million Sandborn Banking Co., Sandborn, Ind., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Vincennes, the county seat of Knox County, is located approximately 115 miles southwest of Indianapolis in southwestern Indiana. The city's population declined from 18,834 to 18,046 during the period from 1950 to 1960. The area depends primarily for support on farming, although there are several major industries that also contribute substantially to the economy.

The banking needs of the Vincennes trading area are served by the charter bank and the \$19.5 million Security Bank & Trust Co., Vincennes.

The village of Sandborn, population 700, is located 29 miles northeast of Vincennes, and like the rest of Knox County, the economy is primarily supported by diverse agricultural pursuits. The small merging bank is the only bank in Sandborn.

The consummation of the proposed merger will provide Sandborn with more satisfactory banking services.

The introduction of more realistic lending practices in the Sandborn service area should attract a considerable volume of farm crop loans, real estate mortgage loans, and loans for livestock feeding operations not now provided by the merging bank. At present, the lending policies of the Sandborn bank are most selective, as loans and discounts represent only 16 percent of deposits.

Competition between the two institutions has been nonexistent. The applicant banks are located 29 miles apart and there are no common customers. No competition will, therefore, be eliminated by the merger.

The most critical problem which the merging bank faces is the impending retirement of its only executive officer, who is beyond normal retirement age. There are no prospects for such a small bank to retain an adequate replacement. The merger is a salutary solution to this problem.

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

MAY 24, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

In Knox County, Ind., the acquiring bank, with 62

percent of deposits, and Security Bank & Trust Co. of Vincennes, with 38 percent, would be the sole survivors of 19 banks formerly competing in the market—most disappearing through merger with the 2 survivors.

If this merger is approved, a duopoly of banking activity, would be imposed on Knox County, Ind. The impact of the proposed merger on competition is clearly adverse.

\* \* \*

THE HOME STATE BANK OF LAWRENCE, LAWRENCE, MICH., AND THE AMERICAN NATIONAL BANK & TRUST CO., OF KALAMAZOO, KALAMAZOO, MICH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Home State Bank of Lawrence, Lawrence, Mich., with . . . . .	\$2, 383, 464	1	.....
was purchased June 1, 1965, by the American National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich. (13820), which had . . . . .	109, 179, 911	12	.....
After the purchase was effected, the receiving association had . . . . .	111, 515, 811	.....	13

COMPTROLLER'S DECISION

On March 4, 1965, the American National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich., applied to the Office of the Comptroller of the Currency for permission to acquire the assets and assume the liabilities of the Home State Bank of Lawrence, Lawrence, Mich.

Kalamazoo, with a rapidly growing population now in excess of 85,000, is located in southwestern Michigan, midway between, and 140 miles from, Chicago and Detroit. Included among 11 nationally known industrial firms with home offices or branches located in this city are a major paper company, a large pharmaceutical firm, and, in the near future, an automobile body plant which will employ 3,500 people. In addition, Kalamazoo is a cultural and educational center with over 14,000 students attending 3 colleges and universities within the city. With unemployment below 3 percent and with forward-looking leadership, this area possesses an extremely healthy economic outlook.

Lawrence, a small farming community, is a trading center for over 10,000 people. It is located approximately 25 miles west of Kalamazoo. Except for seasonal fruit processing and freezing operations, there is virtually no industry within the community.

The acquiring bank operates eight offices in Kalamazoo, and one each in Allegan Plainwell, Portage, and Richland. None of the branches or offices is less than 24 miles from Lawrence. The selling bank, with \$2.5 million in assets, operates only one office and there

is no overlap in service areas between it and the purchaser.

The transaction will scarcely affect the competitive position of the acquiring bank, as it will still be in second place in the Kalamazoo area behind the First National Bank & Trust Co. of Kalamazoo.

The purchase will greatly expand the lending limits now provided by the selling bank. The seasonal industries within the Lawrence area will not have to seek larger city banks to meet their local lending needs. Furthermore, numerous bank services, such as trust department, consumer credit, check-credit loans, and bank-by-mail service, will be offered to the Lawrence service area. The convenience and needs of this area will thus be better met.

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

MAY 18, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

American National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich., with 11 branches and total assets of \$96,565,000 proposes to purchase the assets and assume the liabilities of the Home State Bank of Lawrence, Mich., with total assets of \$2,571,000.

The proposed acquisition by American represents another step toward absorption of independent banks in the area by three Kalamazoo banks of which American is second largest and which, by merger or by branching, have penetrated the banking structure of small communities. The merger would eliminate an-

other small bank, jeopardize the capability of three banks similar in size in the Lawrence area to offer effective competition against American's superior resources and facilities and encourage a concentration

of banking which has already made inroads in the general service areas of the Kalamazoo banks.

We conclude, therefore, that the proposed acquisition would have an adverse effect on competition.

\* \* \*

THE BANK OF BASIL CO., BALTIMORE, OHIO, AND THE FAIRFIELD NATIONAL BANK OF LANCASTER, LANCASTER OHIO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Basil Co., Baltimore, Ohio, with.....	\$1,716,786	1	.....
was purchased June 5, 1965, by the Fairfield National Bank of Lancaster, Lancaster, Ohio (7517), which had.....	15,365,592	1	.....
After the purchase was effected, the receiving bank had.....	16,966,510	.....	2

COMPTROLLER'S DECISION

On April 12, 1965, the \$16.5 million Fairfield National Bank of Lancaster, Lancaster, Ohio, applied to the Office of the Comptroller of the Currency for permission to acquire the assets and assume the liabilities of the \$1.7 million Bank of Basil Co., Baltimore, Ohio.

Lancaster, located 30 miles southeast of Columbus, is the county seat of Fairfield County. The 30,000 inhabitants of the city are largely dependent on manufacturing, with dairy farming, livestock and general farming also playing an important role in the local economy. The Anchor Hocking Glass Corp., employing 4,100 persons, and the Lancaster Glass Co., employing 830 persons, are the employment leaders among the 50 industrial plants in the area.

Baltimore, population 2,200, is located 10 miles north of Lancaster. A papermill employing 500 persons is the principal industry in an otherwise agricultural area of large dairy farms. The trend is toward increasing commercial and residential development in Baltimore, with many of its residents commuting to Columbus or Lancaster for employment.

There are 10 banks in Fairfield County, 4 of which are located in Lancaster. Competition is furnished the acquiring bank by the \$17.7 million Farmers & Citizens Bank, the \$12.8 million Hocking Valley National Bank, and the \$6.9 million Lancaster National

Bank. Competition is also provided by two local savings and loan associations with assets of \$26.7 and \$20.4 million.

The effect of the proposed transaction on competition will be minimal as there is presently no significant competition between the applicant banks. No adverse effect on competition can be foreseen.

Applying the statutory criteria to this proposal, we conclude that the proposed acquisition of assets and assumption of liabilities is in the public interest and it is, therefore, approved.

MAY 24, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Fairfield National Bank, Lancaster, Ohio, the second largest bank in the Lancaster area, proposes to acquire the assets and to assume the liabilities of the Bank of Basil Co., approximately 10 miles to the north in Baltimore, Ohio. Neither of the two banks has any branch office nor any history of mergers or acquisitions. Basil Bank, with a lending limit of \$11,500, competes with First National Bank, Baltimore, Ohio, which has a substantially higher lending limit.

Though the proposed transaction may lead to some inroads upon the banking business of First National Bank in Baltimore, it is not believed that the overall effect upon competition will be substantially adverse.

\* \* \*



THE ROSSFORD SAVINGS BANK, ROSSFORD, OHIO, AND THE NATIONAL BANK OF TOLEDO, TOLEDO, OHIO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Rossford Savings Bank, Rossford, Ohio, with.....	\$19, 519, 810	1	.....
and the National Bank of Toledo, Toledo, Ohio (14586), which had.....	139, 068, 265	14	.....
merged June 7, 1965, under charter of the latter bank (14586), and under title of "First National Bank of Toledo." The merged bank at the date of merger had.....	158, 588, 075	.....	15

COMPTROLLER'S DECISION

On March 22, 1965, the National Bank of Toledo, Toledo, Ohio, and the \$19 million Rossford Savings Bank, Rossford, Ohio, applied to the Office of the Comptroller of the Currency for permission to merge under the charter of the former and with the title "First National Bank of Toledo."

Toledo, population 332,000, is located on the western edge of Lake Erie in northwestern Ohio. Toledo is the apex of a heavy industrial manufacturing complex and also serves as an important trading center. It is the principal glass producing city in the United States and, since the completion of the St. Lawrence River Seaway in 1959, it has become the ninth ranking port in terms of freight tonnage which passes through it.

Rossford, population 4,406, is a village situated within the Greater Toledo metropolitan area. It is contiguous with the corporate limits of Toledo. Recently, the conversion of the Rossford Ordnance Depot into an industrial park has attracted into Rossford new industry which should increase the economic activity there.

The National Bank of Toledo is an aggressive, well-managed, and well-capitalized bank providing a full range of commercial banking services to its customers in the Toledo metropolitan area and the surrounding trade region. As the third largest bank in the Toledo metropolitan area, however, it experiences competition from the dominant Toledo Trust Co., which holds approximately half of all bank assets in this area, and also from the Ohio Citizens Trust Co.

The merging bank's service area is confined mainly to the village of Rossford. The merging bank does not have the capacity or experience to finance substantial industrial activity. Moreover, three of its ex-

ecutive officers have reached retirement age and a management problem may, therefore, arise.

The village of Rossford will be especially benefited by this merger. The charter bank's strong management will solve the merging bank's management succession problem. All of the charter bank's services will be available to the industrial and commercial firms in Rossford. The resulting bank will, in addition, provide the service of a full trust department.

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

JUNE 4, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

This is a proposal to merge the third largest bank in Toledo with a profitable independent bank in Rossford, across the Maumee River from Toledo.

Lucas County, in which Toledo is located, has six commercial banks, three of which hold about 90 percent of the banking resources of the county. This merger would add to the size of one of Lucas County's dominant banks; the charter bank would increase in rank from third to second in deposits in Toledo.

The proposed merger would eliminate present and prospective competition between the merging banks. It would increase the competitive pressure on several smaller banks which compete with the merging bank. Finally, the independent merging bank, which has shown considerable growth in recent years, would be eliminated as a competitor.

For these reasons, it is our opinion that the proposed merger would have a serious adverse effect on competition in commercial banking in the Toledo-Rossford region.

\* \* \*

THE NATIONAL BANK OF SANFORD, SANFORD, 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 National Bank of Sanford, Sanford, N.C. (13791), with.....	\$14, 768, 193	4	.....
and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had .....	49, 204, 143	18	.....
merged June 12, 1965, under charter and title of the latter bank (10610). The merged bank at the date of merger had .....	63, 706, 449	.....	22

COMPTROLLER'S DECISION

On April 13, 1965, the National Bank of Sanford, Sanford, N.C., and Southern National Bank of North Carolina, Lumberton, N.C., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Sanford, with a population of 16,000, lies near the center of the State in a primarily industrial area which has been growing rapidly in recent years. Its 50 plants employing more than 6,000 people produce a variety of products, which include lumber, brick, tile, textile machinery, and electronic equipment. Much of the surrounding area is devoted to the agricultural production of such items as tobacco, corn, soybeans, and livestock. Lillington, the location of Sanford National's only out-of-town branch, is 23 miles southeast of Sanford, has a population of 1,242, and is both industrial and agricultural in its orientation.

Lumberton has a population of 19,000 and is located in the south-central part of the State in a primarily rural area devoted principally to the production of tobacco and corn. Other areas served by the bank and its branches are noted for their industry, their resorts, and Fort Bragg, described as the largest land area military reservation in the United States and located at Fayetteville.

The merging bank, with resources of \$16 million, has 4 offices, 3 of which serve the community of Sanford and the surrounding area. The other is located in Lillington, which lies 23 miles east of Sanford. Competition in the Sanford area is afforded by 2 branches of the \$13 million Central Bank and Trust Co., headquartered in Broadway, N.C., 10 miles from Sanford. Two savings and loan associations with resources of \$13 million and \$15 million, respectively, also compete in Sanford, while the bank's Lillington office competes with the \$4 million Bank of Lillington.

The charter bank operates 18 offices in 11 cities and communities, all within 55 miles of its head office

at Lumberton, and has been expanding rapidly in recent years. It competes with a number of banks in the areas which it serves including branches of the First-Citizens Bank & Trust Co. and Branch Banking & Trust Co., both of which are located in Fayetteville, N.C. It competes also with a number of larger North Carolina banks, whose correspondents solicit loans and deposits in the areas served by Southern National, as well as other financial institutions.

The principal effect of the merger will be to provide badly needed additional banking services in the rapidly growing Sanford area. Consummation of the proposal will provide an increased lending limit of approximately \$600,000 over the presently existing \$75,000 limit of the merging bank. In addition, it will introduce a full-time trust department, and a farm and forestry service department.

The merger appears to be the solution to several serious problems of the merging bank, including inadequate capitalization, and lack of management succession. It will permit the charter bank to diversify its operations by introducing it into a primarily industrial area.

As the closest offices of the merging banks are 30 miles apart, the proposed merger will have little effect on competition between them. Competition between the charter bank and its competitors will also be little affected, as the principal consequences of the merger will be felt in the Sanford area. Effects on competition in the Sanford area will be minimal, also as that area, described by the North Carolina Department of Conservation and Development as one of the fastest growing in the State, should continue to afford plenty of room for the operation and expansion of any competing bank.

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

JUNE 10, 1965.

# SUMMARY OF REPORT BY ATTORNEY GENERAL

National Bank of Sanford, which has 3 offices located in Sanford and 1 in Lillington, N.C., has total assets of \$16,029,000, total deposits of \$14,667,000, net loans and discounts of \$8,827,000, and total capital accounts of \$789,000.

Southern National, with 18 offices located throughout the southern portion of central North Carolina, has total assets of \$57,215,000, total deposits of \$50,083,000, net loans and discounts of \$32,590,000, and total capital accounts of \$4,937,000.

Since the merging banks appear to serve separate areas, the principal anticompetitive effect of the proposed merger would lie, not in the elimination of competition between them, but in the increase in the dominant position which each already enjoys in its own

service area. In the Sanford service area, we believe the considerations are much the same as those enunciated by your office in 1962 in denying an application by Southern National to merge with the Bank of Lillington on the ground that such merger would be detrimental to the banking structure of the area and to National Bank of Sanford. In the area served by Southern National, we believe the 29 percent increase in its size which would result from the merger would likewise be detrimental to smaller competing banks.

In addition, approval of the proposed merger would serve to perpetuate the trend toward concentration through merger which has existed in North Carolina for several years.

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

\* \* \*

## THE FIRST NATIONAL BANK OF PETERSBURG, PETERSBURG, PA., AND UNION NATIONAL BANK & TRUST CO. OF HUNTINGDON, HUNTINGDON, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Petersburg, Petersburg, Pa. (10313), with.....	\$1,250,005	1	.....
and Union National Bank & Trust Co. of Huntingdon, Huntingdon, Pa. (4965), which had.....	15,025,808	3	.....
merged June 16, 1965, under charter and title of the latter bank (4965).			
The merged bank at the date of merger had.....	16,275,813	.....	4

### COMPTROLLER'S DECISION

On February 23, 1965, the \$14.6 million Union National Bank & Trust Co. of Huntingdon, Huntingdon, Pa., and the \$1.3 million First National Bank of Petersburg, Petersburg, Pa., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Huntingdon, with a population of 7,400, is the largest town and major trading center in Huntingdon County, population 39,500. A local movement to entice small industries into the area has met with reasonable success and, while a more diversified economy is now being formed, the major economic factor remains the agrarian pursuits conducted in the surrounding area.

Petersburg, with a population of 560 serving an estimated rural community of 2,000, is 12 miles northwest of Huntingdon and serves as a trading center for local farmers. Neither the town's population nor the merging bank has grown in recent years.

The proposed merger will provide more complete

banking services for the Petersburg area by offering trust services and a larger lending limit. The managerial staff of the charter bank will provide additional management personnel who will supplement the limited staff of the merging bank.

The competition existing between the applicant banks is not significant as the merging bank is separated from the charter bank by rugged terrain. The merging bank, controlling less than 2 percent of the deposits and loans in the county, is the smallest of nine banks there.

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

JUNE 10, 1965.

### SUMMARY OF REPORT BY ATTORNEY GENERAL

Under the proposed merger agreement the First National Bank of Petersburg with assets of \$1,136,000 is to be merged into the Union National Bank & Trust Co. of Huntingdon with assets of \$14,654,000.

First National is located in the town of Petersburg which has a population of 650 and is approximately 10 miles from the main office of Union. Union is located in the town of Huntingdon which has a population of 7,500. First National is the only bank in Petersburg and Union is the second largest bank in the town of Huntingdon. Union's head office is in Huntingdon and it has a drive-in office next to its main office. It also operates a branch in the town of Mount Union which has a population of 4,091.

The merger will eliminate only a very limited amount of direct competition between Union and First

National, since First National serves primarily customers located in Petersburg and the immediately surrounding area. The merger does not appear to have an adverse effect upon potential competition. Because of the very small size of Petersburg it is unlikely that any new bank will open in the town in the foreseeable future.

Although the proposed merger would increase concentration in the banking industry in Huntingdon County to a small degree, we have concluded that the overall effect on competition would not be significantly adverse.

\* \* \*

COUNTY NATIONAL BANK OF LONG ISLAND, MINEOLA, N.Y., AND VALLEY NATIONAL BANK OF LONG ISLAND, VALLEY STREAM, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
County National Bank of Long Island, Mineola, N.Y. (14951), with.....	\$9, 245, 078	2	.....
and Valley National Bank of Long Island, Valley Stream, N.Y. (11881), which had .....	123, 025, 379	17	.....
merged June 21, 1965, under charter and title of the latter bank (11881). The merged bank at the date of merger had .....	132, 270, 456	.....	19

COMPTROLLER'S DECISION

On June 18, 1965, the Valley National Bank of Long Island, Valley Stream, N.Y., and the County National Bank of Long Island, Mineola, N.Y., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Upon the facts presented and otherwise known to this Office, it is found that this Office must act immediately with respect to this application. Accord-

ingly, the reports of competitive factors provided for by the seventh sentence of 12 U.S.C. 1828(c) are waived.

Because of the nature of this situation, and in order to protect the depositors, creditors, and shareholders of the County National Bank of Long Island, the application to merge is hereby approved, said merger to be effected upon the close of business Monday, June 21, 1965.

JUNE 21, 1965.

\* \* \*

THE FIRST NATIONAL BANK OF HIGHLAND PARK, HIGHLAND PARK, N.J., AND FIRST BANK & TRUST CO., NATIONAL ASSOCIATION, FORDS, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Highland Park, Highland Park, N.J. (12598) with...	\$22, 646, 413	3	.....
and First Bank & Trust Co., National Association, Fords, N.J. (15255), which had .....	85, 454, 570	6	.....
consolidated June 25, 1965, under charter and title of the latter bank (15255). The consolidated bank at date of consolidation had .....	108, 108, 070	.....	9

#### COMPTROLLER'S DECISION

On April 30, 1965, First Bank & Trust Co., National Association, Fords, N.J., with \$67.4 million in IPC deposits, and the First National Bank of Highland Park, Highland Park, N.J., with \$18 million in IPC deposits, applied to the Office of the Comptroller of the Currency for permission to consolidate under the charter and with the title of the former.

Both banks are located in Middlesex County, which is about 25 miles from New York City. The charter bank has its headquarters in Fords, population 7,000, and has 4 branches in Woodbridge Township, population 93,000. The township, a diversified residential and industrial community, is one of the fastest growing sections of the county. Highland Park is the main office of the consolidating bank and is a residential town of some 12,000 located on the outskirts of the much larger city of New Brunswick.

First Bank & Trust Co., National Association, a full-service bank, is the largest of 20 commercial banks in Middlesex County. It is far from dominant, however, as it presently holds only 17.4 percent of deposits and 19.6 percent of loans. When the resources of the two highly competitive savings banks in the county are considered, the resulting bank will hold only 16.7 percent of deposits and 14.8 percent of loans.

Competition between the applicant banks is minimal. The nearest offices are 4.5 miles apart. Between these offices there are four offices of four different commercial banks. A graphic illustration of the lack of competition is the fact that the applicant banks have no common borrowers or depositors.

The principal reason for this consolidation is the need of the consolidating bank to find new management. The president is past the retirement age and, due to poor health, is unable to participate actively in the bank's affairs. There is no successor management within the bank and attempts to secure management outside the bank have been unsuccessful.

The convenience and needs of the community will be served by the consolidation because of additional

services which the charter bank can provide for the consolidating bank's customers. At present, the consolidating bank does not have trust powers; the charter bank has an active trust department. The charter bank will bring expertise in such fields as automobile financing, home modernization loans, and personal loans to the customers of the consolidating bank. The resulting bank will, in addition, realize significant savings through the operation of the charter bank's computer and other operational equipment. A larger lending limit of the resulting bank arising from the consolidation will put the banks 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, we conclude that the consolidation is in the public interest and it is, therefore, approved.

JUNE 25, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

First Bank & Trust Co. is the largest bank in Middlesex County, N.J. One of its five branch offices is located only about 4.5 miles from a branch office of the First National Bank of Highland Park, N.J., the seventh largest bank in the county, which it seeks to acquire. The present competitive climate in the commercial banking business in Middlesex County would appear to be favorable with no single bank having an unduly large share of the business. Should this application be approved, however, some existing competition between the participating banks would be eliminated. In addition, First Bank & Trust Co.'s share would increase to almost one-fourth of the total banking business in the county, much of it having been acquired through the instant merger and the acquisition of a bank of similar size about 1 year ago. The presently favorable competitive climate in Middlesex County, N.J., would be impaired. We, therefore, believe approval of this application would have an adverse effect on competition.

\* \* \*

THE CITIZENS TRUST CO. OF SCHENECTADY, SCHENECTADY, N.Y., AND 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 Trust Co. of Schenectady, Schenectady, N.Y., with.....	\$46,911,148	2	.....
and National Commercial Bank & Trust Co., Albany, N.Y. (1301), which had.....	482,467,478	48	.....
merged June 25, 1965, under charter and title of the latter bank (1301). The merged bank at the date of merger had.....	529,166,891	.....	50

COMPTROLLER'S DECISION

On April 19, 1965, the \$490 million National Commercial Bank & Trust Co., Albany, N.Y., and the \$50 million Citizens Trust Co., Schenectady, N.Y., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Albany, located in northeastern New York, is the State capital. It has a population of 130,000 and serves as the financial center of an area which numbers about 700,000 persons. Although Albany is an economically diversified city, it is particularly known as a major commercial center for the New England States by virtue of an excellent highway system, major rail connections, and harbor facilities on the Hudson River. A deepening of the channel to New York City, scheduled for completion next year, will increase shipping volume and hence industrial activity.

Schenectady, situated about 15 miles northwest of Albany, has a population of 81,000. The city, which serves as the commercial center for 250,000 persons, derives its economic support from heavy capital goods. The city is substantially dependent upon a plant of the General Electric Co., which employs about 22,000, and, to a lesser degree, upon Alco Products, a division of Worthington Corp. Both operations tend to be cyclical, but with the \$60 million General Electric expansion now underway, the economic outlook for the community is favorable.

The charter bank operates 42 offices, 19 in Albany and the remainder throughout the Fourth Banking District of New York. It has followed an aggressive policy of expansion by merger and by *de novo* branching in order to achieve competitive balance with the other two large banks in Albany, the State Bank of Albany and the First Trust Co. of Albany.

The merging bank's one branch office is in Schenectady. Among the commercial banks there, the merging bank ranks third in size behind the \$105 million

Schenectady Trust and the \$57 million Mohawk National Bank of Schenectady. The city is also served by the much larger \$207 million Schenectady Savings Bank.

The merger will bring to Schenectady the facilities of a substantial bank and increase competition with the three local banking institutions which are now larger than the merging bank. The invigorated competition will provide both an energetic stimulus and stabilizing influence to Schenectady's cyclical economy. The staff of the charter bank will provide additional management personnel who will supplement the limited management staff of the merging bank.

The competition existing between the applicant banks is not significant, as the closest offices of the two banks are separated by a distance of 7 miles.

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

JUNE 24, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The National Commercial Bank & Trust Co. is the largest bank in Albany in terms of loans, and a close second in terms of assets and deposits. It has 41 branches, 18 in the immediate Albany area and the remainder scattered throughout the Fourth Banking District of New York, the area to which its operations are limited by law. It has no branches in Schenectady but does have branches in a number of surrounding towns. The Citizens Trust Co. of Schenectady operates a main office and one branch, both in Schenectady, about 10 to 15 miles from Albany, and within the fourth banking district. Citizens Trust of Schenectady is the third largest bank in Schenectady and is a profitable and effective competitor in the banking business of that city.

Since 1952 National Commercial Bank & Trust Co. of Albany has been engaged in a campaign of mergers

and acquisitions, absorbing 16 independent institutions with a total of 21 offices. These mergers account for between 20 and 25 percent of National Commercial Bank & Trust Co.'s present size. In this same period State Bank of Albany, the principal rival of National Commercial Bank & Trust Co., has acquired 10 banks and its application has been denied on 2 others. This merger activity has enabled the two principal Albany banks to race for primacy in the fourth banking district, and meanwhile expanding to a point where they account for over 86 percent of the banking resources

in Albany, with the remainder being divided among only three institutions.

In view of this extensive history of mergers and acquisitions and the concentration it has already created, if this trend of mergers and acquisitions is not halted, the continued existence of an independent and adequately fragmented banking system in the Fourth Banking District of New York will be seriously jeopardized. Accordingly, the proposed merger, if approved, would appear to have a seriously adverse effect on competition.

\* \* \*

FIRST NATIONAL BANK OF LELAND, LELAND, MISS., AND THE COMMERCIAL NATIONAL BANK OF GREENVILLE, GREENVILLE, MISS.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Leland, Leland, Miss. (15215), with.....	\$1, 800, 663	1	.....
and the Commercial National Bank of Greenville, Greenville, Miss. (13403), which had.....	19, 037, 396	3	.....
merged July 2, 1965, under the charter and title of the latter bank (13403). The merged bank at the date of merger had.....	20, 838, 059	.....	4

COMPTROLLER'S DECISION

On May 10, 1965, the First National Bank of Leland, Leland, Miss., and the Commercial National Bank of Greenville, Greenville, Miss., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Leland, with a population of 7,000, lies 8 miles east of Greenville in Washington County, in which it is the second largest city. Many of the citizens in Leland are employed in Greenville, where they commute daily. Although primarily a residential community, Leland does have a thriving retail business district.

Greenville has a population of 47,000 and is the county seat of Washington County. It is the fourth largest city in Mississippi and is located on the Mississippi River, 150 miles south of Memphis, Tenn., and 125 miles north of Jackson, Miss. The natural trading center for a primary service area of an approximately 50-mile radius which includes most of Washington County, Greenville has an economy based primarily on industrial activity, including the operation of an active and profitable towboat and barge industry. Its primary service area, on the other hand, is situated in the heart of the "Delta" section of Mississippi and is primarily agricultural.

The merging bank, chartered in December 1963, has resources of almost \$2 million. It has no branches and does not offer any trust services. Lacking in experienced and competent professional management, the bank has not yet attained a profitable level of operation. Its principal direct competition is provided by the \$8.8 million Bank of Leland, which is a State-chartered bank having the only other bank office located in Leland.

The charter bank has resources of \$20 million and is the largest bank in Washington County. Its head office and two branch offices are located in Greenville, which is also the site of the Greenville Bank & Trust Co. and the First National Bank, Greenville. These two banks have four offices altogether. Other competition in the area is afforded by 2 savings and loan associations, 3 sales finance companies, 11 small loan companies, and several Federal credit agencies.

The merger will provide the Leland office with more competent and efficient management. It will enable the resulting bank to meet better the credit needs of the growing communities which it serves by increasing the lending limit to an estimated \$151,000 from \$140,000 present limit of the charter bank and the \$20,000 limit of the merging bank. Additional banking services will be offered the Leland area by introducing the trust facilities of the charter bank.

Consummation of the proposed merger will have little effect on competition in the areas served by the merging banks. The position of the charter bank as largest bank in the area will not be increased in any significant degree. Elimination of the insignificant amount of competition between the merging banks will have little adverse effect on the overall competitive structure of the area. Competition in the Leland area should be enhanced by the merger. The larger lending limit and the more complete banking services of the resulting bank will provide stronger competition for the strongly entrenched and solidly established Bank of Leland, which now competes only with the smaller and weaker merging bank.

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

JULY 1, 1965.

\* \* \*

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

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Appalachia, Appalachia, Va. (9379), with.....	\$14, 073, 320	2	.....
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had.....	264, 517, 384	24	.....
merged July 9, 1965, under charter and title of the latter bank (2737). The merged bank at the date of merger had.....	278, 590, 705	.....	26

COMPTROLLER'S DECISION

On May 12, 1965, the First National Bank of Appalachia, Appalachia, Va., and First National Exchange Bank of Virginia, Roanoke, Va., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and title of the latter.

The charter bank is headquartered in Roanoke, and operates 25 offices in 12 communities situated in 10 counties in the southwestern section of Virginia. The populations of the towns in which the bank operates range from 2,100 in Lebanon to 97,100 in Roanoke, the principal city in this section of the State. Economic support for these communities is derived from diversified industrial and agricultural activities.

The merging bank operates its main office in Appalachia, population 2,500 and a branch at Big Stone Gap, population 4,700. Both facilities are situated in

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Commercial National Bank of Greenville, Greenville, Miss. (Greenville Bank), is the largest bank in Greenville (a city of 47,000) and in Washington County with deposits of \$17,988,000. Its head office and two branches are located in Greenville.

First National Bank of Leland, Leland, Miss. (Leland Bank) is the smallest bank in the county with deposits of \$1,585,000. Leland (a community of 7,000) is 8 miles east of Greenville.

Of the 5 banks located in the Greenville-Leland area, Greenville Bank has 32 percent of deposits and Leland Bank 2.5 percent.

The proposed merger would eliminate some existing and potential competition between the participating banks, increase the market share of the county's largest bank to a limited degree, and place the remaining bank in Leland at a competitive disadvantage. Thus, it would appear that the proposed merger, if consummated, would have an adverse effect on competition.

Wise County, which is in the far southwestern portion of Virginia. The economy in this area depends almost entirely upon coal and has been depressed for several years. There are a large number of unemployed in the area. The supporting countryside supports limited agricultural activities, principally the raising of cattle, tobacco, and dairying. Between 1950 and 1960, the population of Appalachia and Big Stone Gap fell about 16 and 9 percent, respectively.

The charter bank is the fourth largest bank in Virginia and the largest bank headquartered in the southwestern section of the State. Approximately half of its deposits originate in the Roanoke area. Three other banks and a branch of a statewide institution are also located in Roanoke. These three banks are the Colonial American National Bank, deposits \$53 million; Mountain Trust Bank, deposits \$40 million; and the recently organized Security National Bank of



Roanoke, deposits \$4 million. The Bank of Virginia, Richmond, deposits \$194 million, an affiliate of Virginia Commonwealth Corp., operates a branch in Roanoke. Other affiliates of Virginia Commonwealth Corp. operating in the southwest section of the State include the Bank of Salem (adjacent to Roanoke); Washington Trust & Savings Bank, Bristol, which is in direct competition with the charter bank's branches in Bristol; and the Peoples National Bank of Pulaski, which is about 22 miles from the charter bank's branches in Wytheville. Also, the Roanoke Bank is in direct competition with branches of several other large banking organizations which are headquartered outside of southwest Virginia.

The banking structure in the general area served by the Appalachia Bank is composed of nine local independent banks and two branches of the Virginia National Bank, Norfolk, the State's second largest bank. The Appalachia Bank has a slightly larger percentage of the area's banking deposits than the other banks in the area.

The addition of the merging bank to the charter bank will have little effect upon competition. There is virtually no competition existing between the First National Bank of Appalachia and the First National Exchange Bank of Virginia. Consummation of the proposed merger will not significantly alter the charter bank's competitive capacity in the areas in which it currently operates nor alter its position in relation to other large bank organizations in the State. The proposed transaction will increase the charter bank's share of deposits in the State by less than 3 percent. Accordingly, competition in the area will remain active.

Consummation of the proposed merger will serve the convenience and needs of western Virginia. The strengthening of the charter bank will provide a more

balanced economic structure in Virginia because of the concentration of economic growth of the State in Richmond and the cities on the coast. The merger will provide increased funds to sustain the growth in the Roanoke area and to turn the tide of the depressed area of Appalachia. Consummation of the merger will provide a larger lending limit, diversified banking and trust services in the merging bank's service area which are not presently offered by the merging bank.

Moreover, the Appalachia area has been designated as a depressed area under the Appalachian Regional Development Act of 1965. It is anticipated that this act will ultimately stimulate the economic growth of the area, and the wide range of bank services to be offered by the resulting bank will be fully utilized.

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

JULY 8, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Since October of 1960, First National Exchange Bank, the largest bank in southwestern Virginia, has merged 10 banks with 16 banking offices. From these banks, at the time merged, about half the present deposits and 73 percent of the present banking offices of First National Exchange were acquired.

The explosive growth of First National Exchange Bank via the merger process and the resultant elimination of 10 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 encourage this trend and thereby result in an adverse effect on competition.

\* \* \*

SECURITY TRUST CO., ST. LOUIS, MO., AND MERCANTILE TRUST CO. NATIONAL ASSOCIATION, ST. LOUIS, MO.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Security Trust Co., St. Louis, Mo., with	\$128, 052, 634	2	.....
and Mercantile Trust Co. National Association, St. Louis, Mo. (15452),			
which had	913, 306, 994	1	.....
merged July 14, 1965, under charter and title of the latter bank (15452).			
The merged bank at the date of merger had	1, 040, 357, 271	.....	2

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 10th 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 table 1.)

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>
<b>Missouri:</b>				
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
<b>Illinois:</b>				
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

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 Kosciusko 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 im-

prove 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 trunkline 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 7 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; meatpacking; 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 table 2.)

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	. 5	9, 895	. 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	. 6	14, 870	. 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

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 million 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 Merchantile 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 antitrust 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 Merchantile 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 consolidation 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 section 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 section 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, "... 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 earning, 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 big-

ness, 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 advisers. 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. Traveler's 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 nonbank 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 competition. 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 the 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 lender's 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. 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.

#### *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 of 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 individuals, partnerships, and corporations of \$529.2 million. Mercantile Trust now holds 18.7 percent of the deposits 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 the 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 table 3). When the percentages of deposits held by the 2 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 postmerger 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 effect 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 so 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 42d. 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 metro-



TABLE 3.—CONCENTRATION OF COMMERCIAL BANK DEPOSITS IN LARGEST METROPOLITAN AREAS, JUNE 30, 1962

Area	Number of banking institutions <sup>1</sup>	Total deposits (in millions of dollars)	Percent of deposits		Area	Number of banking institutions <sup>1</sup>	Total deposits (in millions of dollars)	Percent of deposits	
			Largest banks <sup>1</sup>	2 largest banks <sup>1</sup>				Largest banks <sup>1</sup>	2 largest banks <sup>1</sup>
States with statewide branch banking					States with limited branch banking—Continued				
Fresno, Calif. ....	7	438	59.2	76.8	Richmond, Va. ....	8	723	32.9	60.6
Providence-Pawtucket, R.I.-Mass. ....	11	889	51.5	85.3	Syracuse, N.Y. ....	11	625	31.7	55.2
Phoenix, Ariz. ....	8	955	49.6	80.7	Springfield-Chicopee-Holyoke, Mass. ....	11	354	31.3	59.7
Sacramento, Calif. ....	11	828	48.8	70.9	Gary-Hammond-East Chicago, Ind. ....	22	439	31.2	41.0
Wilmington, Del.-N.J. ....	17	590	47.0	68.5	Atlanta, Ga. ....	39	1,461	31.0	56.2
Hartford, Conn. ....	14	764	44.7	88.9	Cincinnati, Ohio-Ky. ....	25	1,372	29.3	54.7
Bridgeport, Conn. ....	7	298	44.6	84.0	Jersey City, N.J. ....	11	818	28.7	48.8
New Haven, Conn. ....	10	311	43.0	66.3	Louisville, Ky.-Ind. ....	19	887	28.6	57.1
San Bernardino-Riverside-Ontario, Calif. ....	15	746	41.7	80.4	Harrisburg, Pa. ....	28	420	26.8	49.8
San Jose, Calif. ....	9	982	41.7	63.9	Youngstown-Warren, Ohio. ....	15	474	24.4	43.6
San Diego, Calif. ....	10	1,046	41.5	66.4	Canton, Ohio. ....	14	327	20.7	41.1
San Francisco-Oakland, Calif. ....	25	8,399	41.1	65.1	Newark, N.J. ....	42	2,490	19.8	36.3
Honolulu, Hawaii. ....	11	700	40.6	76.0	Philadelphia, Pa.-N.J. ....	99	5,968	19.1	36.0
Seattle, Wash. ....	21	1,552	39.7	59.6	New York, N.Y. ....	104	40,724	19.0	35.8
Portland, Oreg.-Wash. ....	19	1,243	39.2	77.0	Wilkes-Barre-Hazleton, Pa. ....	31	430	18.6	33.9
Tacoma, Wash. ....	10	289	38.1	67.8	Allentown-Bethlehem-Easton, Pa.-N.J. ....	37	697	17.8	28.9
Los Angeles-Long Beach, Calif. ....	52	11,192	35.4	61.0	Paterson-Clifton-Passaic, N.J. ....	41	1,649	16.6	30.6
Baltimore, Md. ....	30	1,586	29.0	50.2					
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					
Albany-Schenectady-Troy, N.Y. ....	19	1,047	33.9	59.6					

<sup>1</sup> All banks in an area that were controlled by one holding company were considered as a single bank and their deposits were added together.

Source: Federal Reserve Bulletin, September 1963.

NOTE.—The "largest metropolitan areas" are the Census Bureau's standard metropolitan statistical areas with populations of 300,000 or more.

politan 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 cor-

porations with major operations in the St. Louis area have outdistanced the rates of growth of the major St. Louis banks in recent years. (See table 4.) For example, the rates of growth in total assets between 1950 and 1963 was as follows for these corporations: Brown Shoe Co., 319 percent; Emerson Electric Co., 505 percent; Granite City Steel Co., 1,582 percent; McDonnell Aircraft Corp., 794 percent; Monsanto Co., 540 percent. In contrast, the comparable figure for Mercantile Trust was 109 percent.

TABLE 4.—GROWTH OF TOTAL ASSETS OF SELECTED ST. LOUIS MANUFACTURING CORPORATIONS AND MAJOR ST. LOUIS BANKS, 1950-63

<i>Firms</i>	<i>1950</i>	<i>1963</i>	<i>Percentage increase</i>
<b>Manufacturing corporations:</b>			
Brown Shoe Co.....	\$36,496,324	\$153,064,874	319.4
Emerson Electric Manufacturing Co.....	20,526,096	124,226,372	505.2
Granite City Steel Co.....	12,808,187	215,384,376	1,581.6
Laclede Steel Co.....	19,117,241	51,447,320	169.1
McDonnell Aircraft Corp.....	22,430,723	200,611,452	794.4
Monsanto Co.....	221,377,051	1,416,072,000	539.7
Ralston-Purina Co.....	87,808,998	333,799,467	280.1
<b>Banks:</b>			
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

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 42d nationally in assets but 33d 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 Koscisko 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 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.

TABLE 5.—DEPOSITS OF METROPOLITAN ST. LOUIS AREA BANKS, JUNE 30, 1964

<i>Banks</i>	<i>Amount (thousands of dollars)</i>	<i>Percentage of total SMSA deposits</i>
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 & Trust Co.....	99,565	2.47
Manufacturers Bank & Trust Co.....	67,265	1.67
Manchester Bank.....	63,005	1.57
State Bank & Trust Co. (Wellston).....	55,979	1.39
Jefferson Bank & Trust Co.....	50,887	1.26
Southwest Bank.....	47,165	1.17
Lindell Trust Co.....	44,645	1.11
First National Bank & Trust Co. (Alton, Ill.).....	38,954	.97
117 additional banks.....	1,473,795	36.63
Total.....	4,023,956	100.00

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 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.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger would increase the deposits of Mercantile Trust, already the largest commercial bank in Missouri and 42d largest in the Nation, by over 13 percent. In addition it would eliminate a highly competitive bank in Security Trust, whose office is located across the street from Mercantile Trust's office in downtown St. Louis.

The resulting bank, with deposits of \$996.4 million, would hold 34.9 percent of the deposits held by 24 banks in the city of St. Louis and 21.5 percent of the deposits held by the 130 banks in the greater St. Louis area. Its deposits would exceed those of its closest

competitor by over \$290 million and would be over three times as large as the third largest competitor.

It is our opinion that the anticompetitive effects of the proposed merger are substantial and seriously adverse.

\* \* \*

# AVALON BANK, AVALON, PA., AND WESTERN PENNSYLVANIA NATIONAL BANK, PITTSBURGH, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Avalon Bank, Avalon, Pa., with.....	\$9, 531, 992	1	.....
was purchased July 16, 1965, by Western Pennsylvania National Bank, Pittsburgh, Pa. (2222), which had.....	590, 820, 008	56	.....
After the purchase was effected, the receiving bank had.....	600, 052, 097	.....	57

## COMPTROLLER'S DECISION

On May 25, 1965, Western Pennsylvania National Bank, Pittsburgh, Pa., applied to the Office of the Comptroller of the Currency for permission to acquire the assets and assume the liabilities of Avalon Bank, Avalon, Pa.

Pittsburgh, the Nation's 16th largest city with a population of 604,332, is a diversified industrial city. Besides being a major factor in the steel industry, the area contains other heavy industries and service establishments. Research is a major activity in Pittsburgh, with approximately 150 industrial research and testing laboratories employing around 18,000 people.

Avalon, with a population of 6,859, is a primarily residential area approximately 7 miles from downtown Pittsburgh. It has a small commercial center.

The \$8.5 million selling bank, operating only one office, is the only bank in Avalon. Recently, the bank has encountered some serious reverses arising from loan losses. There is no overlap in service areas between it and the acquiring bank. The nearest Western Pennsylvania National Bank office is in McKees Rocks, which is 4.5 miles away and is separated by the Ohio River.

Competition in Pittsburgh is provided by the Mellon National Bank & Trust Co., the Pittsburgh National Bank, and 20 other smaller banks. In addition, there are almost 200 savings and loan associations in the area.

The transaction will scarcely affect the competitive position of the acquiring bank in Pittsburgh. It will, however, greatly expand the lending limits now provided by the selling bank in its service area. Also, Western Pennsylvania National Bank will offer a com-

plete range of trust services, not now available in Avalon. The convenience and needs of this area will thus be better met.

While we would be reluctant to encourage the entry into the National banking system of a bank beset by the vicissitudes of the selling bank, this transaction appears to be the only way in which the bank can weather the storm of recent months. The strength of the acquiring bank leads us to expect that the Avalon community will once more be served by a viable institution. The public interest compels us to approve this rescue of the State bank in Avalon by the Western Pennsylvania National Bank.

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

JULY 16, 1965.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

Western Pennsylvania National Bank is the third largest bank in the Pittsburgh area (Allegheny County) holding approximately 12 percent of the deposits and loans held by banks in that area. Banking in this area is almost totally dominated by the three largest banks operating there which control over 83 percent of the area's total deposits.

Western has acquired 24 banks since 1953 and in the last 18 months has acquired 5 banks and now has, including this application, 2 merger applications pending.

Avalon Bank is a small bank located in the town of Avalon near the Ohio River, just outside the corporate limits of the city of Pittsburgh. Although

Avalon Bank and the nearest branch of Western Pennsylvania National Bank are located some miles apart, it appears that because of the limited number of banking alternatives available in this area, there is some direct competition between the two banks. Further, banking in Allegheny County is extremely concentrated and Avalon Bank is located in the center of this concentration. The merger, if consummated, will

increase the already great concentration and further a long continued trend toward concentration in the area.

The instant merger, standing alone, however, would not appear to have significant anticompetitive effects due to the relative small size of the merging bank, its financial condition and the lack of substantial competition to be eliminated between the merging banks.

\* \* \*

BANK OF GILES COUNTY, PEARISBURG, VA., AND THE FIRST NATIONAL EXCHANGE BANK OF VIRGINIA, ROANOKE, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank of Giles County, Pearisburg, Va., with . . . . .	\$6, 669, 714	2	.....
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had . . . . .	280, 917, 540	26	.....
merged July 16, 1965, under charter and title of the latter bank (2737). The merged bank at the date of merger had . . . . .	287, 251, 230	.....	28

COMPTROLLER'S DECISION

On May 19, 1965, the Bank of Giles County, Pearisburg, Va., and the First National Exchange Bank of Virginia, Roanoke, Va., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and title of the latter.

The charter bank operates 25 offices in 12 communities situated in 10 counties in the southwestern section of Virginia. The populations of the towns in which the bank operates range from 2,100 in Lebanon to 97,100 in Roanoke, the principal city in this section of Virginia. Economic support for these communities is derived from diversified industrial and agricultural activities.

The merging bank's main office is located in a town of 2,300, and serves an area with a population of 17,800. A division of Celanese Corp. of America accounts for a major portion of manufacturing employment in such area. This plant produces acetate fiber, flake, and cigarette filter. Other products produced in the area include shoe leather, limestone products, textiles, lumber, and concrete blocks. There is also limited agricultural activity, the importance of which is declining. The Appalachian Regional Development Act of 1965 designates Giles County as a depressed area.

The charter bank, the fourth largest in Virginia, is the largest bank headquartered in the southwest section of the State. Approximately half of its deposits

originate in the Roanoke area. Four other banks also serve Roanoke, including the \$194 million Bank of Virginia, Richmond, Va., an affiliate of Virginia Commonwealth Corp. In other areas the charter bank also competes with other affiliates of Virginia Commonwealth Corp. and several other large banking organizations which are headquartered outside of southwestern Virginia.

The banking structure in the area served by the merging bank is composed of four relatively small independent banks. The merging bank and the First National Bank of Narrows are the two largest in the area. Nonbank financial institutions in the same area include savings and loan associations, insurance companies, a credit union, sales finance and personal loan companies, and direct lending agencies of the Government.

The proposed merger will not eliminate competition in the area served by the merging bank since there is virtually no competition between the charter and merging banks. The proposed merger would provide the area of the merging bank with experienced trust services and a greater loan limit for present and future demands of industry. Consequently, entrance of the charter bank into this area should stimulate competition and provide increased funds for future growth, consistent with its regional redevelopment. Also, the strengthening of the charter bank will provide a more balanced banking structure in Virginia.

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

JULY 15, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Since October of 1960, First National Exchange Bank has merged 11 banks with 18 banking offices. From these banks First National Exchange acquired approximately half its present \$255 million deposits and 75 percent of its present 24 banking offices. The

instant merger, which would add another \$6 million in deposits to the First National Exchange total, represents the third in 1965.

The elimination of 11 independent banks in so short a space of time by the largest bank in southwestern Virginia contributes to the rapidly increasing concentration of banking in Virginia by large banking institutions. Approval of the instant merger in our view would further the concentration trend and in this respect may result in an adverse effect on competition.

\* \* \*

#### CENTRAL BANK NATIONAL ASSOCIATION, TACOMA, WASH., AND PEOPLES NATIONAL BANK OF WASHINGTON, SEATTLE, WASH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Central Bank National Association, Tacoma, Wash. (15477), with	\$6,814,181	3	.....
was purchased July 28, 1965, by Peoples National Bank of Washington,			
Seattle, Wash. (14394), which had.....	297,733,989	35	.....
After the purchase was effected, the receiving bank had.....	304,231,676	.....	38

#### COMPTROLLER'S DECISION

On May 27, 1965, Peoples National Bank of Washington, Seattle, Wash., with \$236 million in IPC deposits, applied to the Office of the Comptroller of the Currency for permission to acquire the assets and assume the liabilities of Central Bank, National Association, Tacoma, Wash., a bank holding \$5.8 million in IPC deposits.

Seattle, with a population of 563,000, is the center of a large metropolitan area containing some 1 million persons. It is the largest trading center in the northwest and a key distribution point for the northwestern United States, Alaska, and the Orient. The city is predominantly a manufacturing center, and its economy, somewhat dependent upon the Boeing Co., reflects the fluctuations of the aircraft industry. With its extensive deep-water harbor facilities, Seattle is a major shipping center and the center for the salmon and deep-sea fishing industry of the North Pacific coast and Alaska.

Tacoma, on Puget Sound, is 32 miles south of Seattle. With a population of 151,000 and a trade area of 290,000, it is the third largest city in Washington. The city has one of the finest natural harbors in the world and is the home of the Weyerhaeuser Lumber Co. Tacoma has more than 500 industries, which include lumber, pulp, papermills, furniture and

manufacturing plants, plywood factories, shipyards, food processing, and foundries, all of which provide wide diversification and a consistency of employment.

The acquiring bank has 7.6 percent of the deposits in Washington. The two larger banks in both Seattle and the State, the Seattle First National Bank and the National Bank of Commerce of Seattle, have substantial deposits. The acquiring bank has followed a vigorous policy of expansion of services and facilities which have improved its position. The selling bank, the 33d largest in the State, has a minor deposit position in the State and in Tacoma.

The acquisition of Central Bank, National Association, by the larger Peoples National Bank will offer the customers of the selling bank, the ninth largest in Tacoma, improved management and additional banking services, such as foreign, trust and investment departments, and automatic data-processing.

Neither the acquiring bank, located in King County, nor the selling bank, in Pierce County, has an office within the other bank's county. The competition existing between the two banks is clearly insignificant, as their main offices are 35.7 miles apart and their closest offices are separated by a distance of 10.6 miles.

Applying the statutory criteria to this proposal, we conclude that the proposed acquisition of assets and

assumption of liabilities is in the public interest and it is, therefore, approved.

JULY 26, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

People's National is the third largest bank in the city of Seattle. Central Bank, although much smaller, is the sixth largest bank in the city of Tacoma which is located about 30 miles south of Seattle on Puget Sound. There is some competition between the par-

ticipating banks in the area adjacent to Tacoma. In both communities the two largest banks account for over 70 percent of the total commercial banking resources. The present acquisition will eliminate a degree of existing competition between the participating banks. However, since neither bank is in a dominant position in either Seattle or Tacoma and because of the relative small size of the merging bank, it does not appear that the effect of this merger on competition would be significantly adverse.

\* \* \*

THE NATIONAL DEPOSIT BANK OF ARNOLD, ARNOLD, PA., AND WESTERN PENNSYLVANIA NATIONAL BANK, PITTSBURGH, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The National Deposit Bank of Arnold, Arnold, Pa. (11896), with	\$13, 431, 465	2	.....
and Western Pennsylvania National Bank, Pittsburgh, Pa. (2222), which	598, 293, 031	57	.....
had.....			
merged July 29, 1965, under charter and title of the latter bank (2222).	611, 724, 496	.....	59
The merged bank at the date of merger had.....			

COMPTROLLER'S DECISION

On May 18, 1965, the National Deposit Bank of Arnold, Arnold, Pa., and Western Pennsylvania National Bank, Pittsburgh, Pa., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Arnold is located on the Allegheny River in Westmoreland County, 21 miles northeast of downtown Pittsburgh. With a population of 9,437, Arnold and 4 other towns form an industrial and residential complex based primarily on the manufacture of aluminum and steel products. The 1960 population of this area was 31,937.

Pittsburgh, with a population of 604,000, is the 2d largest city in Pennsylvania and the 16th largest in the country. It is the seat of Allegheny County, population 1,600,000, and is one of the world's major industrial cities. Although primarily known for its production of iron and steel, nearly 6,000 different products are manufactured in the Greater Pittsburgh area.

The merging bank, with \$11.3 million in IPC deposits, operates a head office in Arnold, and a single branch in nearby New Kensington. It has approximately 0.3 percent of deposits and loans from the combined Arnold-Pittsburgh area.

The charter bank, with \$416 million in IPC deposits, is the third largest in the Pittsburgh-Arnold area, with approximately 11.6 percent of deposits and 13.1 percent of loans from the combined area. It operates 55 offices, 42 of which are located in Allegheny County. The two largest banks in the Pittsburgh area, the Mellon National Bank and the Pittsburgh National Bank, far exceed the charter bank in size.

The merging bank does not possess trust powers. Consummation of the merger will bring to that bank's trade area the services of a complete trust department.

The merging bank is lacking in depth of management. The problem is particularly acute now as the chief executive officer has reached the age of retirement. Consummation of the merger will provide the merging bank with needed knowledgeable management.

The charter bank has no banking office in the Arnold bank's service area. Consequently, there will be no apparent elimination of direct competition between the merging banks. Further, consummation of the merger will mean entry of the third largest bank in Greater Pittsburgh into competition with the first, second, and fourth largest banks in the Arnold 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 26, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Western Pennsylvania National Bank proposes to acquire the National Deposit Bank of Arnold. The latter had, as of April 26, 1965, total assets of \$13.3 million. It operates in a small corner of northwest Westmoreland County, Pa., about 22 miles from Pittsburgh, Pa.

Western Pennsylvania National Bank, a large Pittsburgh institution with total assets of \$609.2 million, op-

erates 40 branch offices in Alleghany County and 13 in surrounding counties. There is no apparent competition between the two banks.

While the proposed merger would mean the entry of the third largest bank in greater Pittsburgh into competition within the Arnold area where the first, second, and fourth largest now operate, it would also be another step in the trend toward concentration by elimination of independents through mergers.

But for the increase in concentration and the elimination of another independent bank by one of dominance, it is our view that the effect on competition would not be substantially adverse.

\* \* \*

PACIFIC STATE BANK, HAWTHORNE, CALIF., AND UNITED STATES NATIONAL BANK, SAN DIEGO, CALIF.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Pacific State Bank, Hawthorne, Calif., with and United States National Bank, San Diego, Calif. (10391), which had, merged July 30, 1965, under charter and title of the latter bank (10391). The merged bank at the date of merger had	\$32, 891, 205 275, 071, 670 307, 962, 875	6 36 .....	..... ..... 42

COMPTROLLER'S DECISION

On May 13, 1965, United States National Bank, San Diego, Calif., and Pacific State Bank, Hawthorne, Calif., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

San Diego, with a population of approximately 654,000, is a Pacific port city located 12 miles north of the Mexican border and is California's third largest city. Although it is headquartered in San Diego, the charter bank has offices in five major counties in southern California. The economy of this area is highly diversified in agriculture, industry, and foreign and domestic finance. Other commercial and service activities include fishing, tourism, manufacturing, military establishments, and retail trade. The employment rate is rising and the area is growing in population by nearly 400,000 each year.

The charter bank, with total IPC deposits of \$149 million, is the 10th largest bank in the State. It operates 34 offices in the counties of San Diego, Los Angeles, Orange, Riverside, and San Bernardino and has applications approved for 2 additional branches in San Diego County. The principal competitors in southern California are four of the five largest banks in the State. The proposed merger will not change

the position of the bank in respect to these large competitors.

Hawthorne, with a population of 45,000, is located some 14 miles southwest of downtown Los Angeles. It has numerous small business concerns and manufacturing plants, with aircraft and electronic components production predominating.

Pacific State Bank operates six offices in the southwestern section of the Los Angeles metropolitan area. Aggregate population of cities with Pacific State Bank branches is around 213,000. The economy of this area is primarily industrial. Oil production and processing, automobile manufacturing, and steel fabrication represent the primary industries. The population within this southwestern section of the Los Angeles metropolitan area is continuously expanding.

The merging bank has total IPC deposits of \$23.9 million. Competition is offered the Pacific State Bank by 78 existing or approved offices of 5 large branch banking institutions, 4 small unit banks, and 5 branches of 4 smaller branch banking institutions. Also, there are 45 offices of 27 savings and loan associations located in the South Bay area. The same four of the five largest banks in California, which furnish competition to the charter bank, dominate the banking complex of the Los Angeles area. The resulting bank



will have an insignificant percentage of the total deposits in this area.

The merging banks do not compete with each other, as their service areas join but do not coincide. The United States National Bank has no offices in the South Bay area where all of the offices of Pacific State Bank are located. The nearest office of these two banks is United States National Bank's branch in North Long Beach, which is 7 miles southeast of Pacific State Bank's branch in Torrance. There are natural barriers and numerous offices of other banks between these offices of the merging banks. They have no common depositors, borrowers, or stockholders. Pacific has never participated with United States National in any loans.

The merger will result in a larger bank with a wider range of banking services, larger lending limits and greater possibilities of achieving economies of operation. The branches of the merging bank will be able to service loans to larger local commercial and industrial concerns, and to provide substantially more competition to the large branch banking institutions now serving the area. In addition, the merger will solve a serious management and other problems at the Pacific State Bank.

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

JULY 30, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

This is a proposal by the charter bank, a San Diego-based institution with 33 branches, some in the vicinity

of Los Angeles, and deposits of \$225 million, to acquire by merger a six-office bank serving the South Bay area near Los Angeles. The charter bank has acquired 6 banks, with a total of 10 offices, since 1950. The banks acquired account for more than 25 percent of the charter bank's deposits. This would be its most significant merger to date.

Although the charter bank operates several offices in the Los Angeles area, it is asserted that the service areas of the merging banks are contiguous rather than overlapping. While this is not determinative to show the banks are not in actual competition, the merger, in any event, would eliminate competition which might prevail should either bank extend its operations into areas now served by the other.

The merging bank, which, during its 10 years of existence, has grown to a six-office institution with deposits in excess of \$30 million and has rendered significant service to the South Bay area, would be eliminated as an independent competitor by the proposed merger. Although branches of California's largest banks are located in the South Bay, the area is also served by several small institutions which might be encouraged to seek unions with large banks if this proposal is approved.

Thus, the merger would eliminate potential competition and further the trend toward concentration of California's commercial banking resources in the hands of a few large regional and statewide banks.

For these reasons, it is our view that the proposed merger would have an adverse effect on competition.

\* \* \*

THE FIRST NATIONAL BANK & TRUST CO. OF SCHUYLKILL HAVEN, SCHUYLKILL HAVEN, PA., AND PENNSYLVANIA NATIONAL BANK & TRUST CO., POTTSVILLE, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank & Trust Co. of Schuylkill Haven, Schuylkill Haven, Pa. (5216), with	\$10, 806, 455	1	.....
and Pennsylvania National Bank & Trust Co., Pottsville, Pa. (1663), which had	57, 352, 360	10	.....
merged July 30, 1965, under charter and title of the latter bank (1663). The merged bank at the date of merger had	68, 158, 378	.....	11

COMPTROLLER'S DECISION

On May 24, 1965, Pennsylvania National Bank & Trust Co., Pottsville, Pa., and the First National Bank & Trust Co., Schuylkill Haven, Pa., applied to the Of-

fice of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

The charter bank, with deposits of individuals, part-

nerships, and corporations totaling \$49.5 million, operates 9 offices all of which, except 1, are located within Schuylkill County. The main office at Pottsville is 4 miles north of the only office of the \$8.5 million merging bank, and both institutions are part of the same economic area.

The Greater Pottsville region has, in the past, depended almost exclusively upon anthracite coal for its economic life. A decline in the use of this coal plunged the region into a severe economic depression, and unemployment reached as high as 19.9 percent at the end of 1958. The populations of Pottsville, approximately 21,000, and Schuylkill Haven, exceeding 6,000, had, in 1960, declined by 8 percent over the previous decade. The present economic forecast, however, is optimistic. As a result of efforts by the Greater Pottsville Industrial Development Corp., a nonprofit organization designed to promote industry in southern Schuylkill County, the area has attracted textile and other light manufacturing industries. Unemployment rates are still above 7 percent, but it is likely that the region has entered a period of economic improvement.

The complete service area for the charter and merging banks stretches from 3 to 25 miles from Pottsville, and from 7 to 29 miles from Schuylkill Haven. The American Bank & Trust Co. of Pennsylvania, with its main office in Reading, is by far the dominant banking institution as it holds 42.7 percent of total deposits and 50.6 percent of all loans. Its branch in Pottsville alone holds \$11 million in deposits of individuals, partnerships, and corporations. The charter bank, currently the second largest bank, holds 10.5 percent of total deposits and 9.5 percent of all loans. Consummation of the merger will increase these percentages to 12.3 and 11.1 percent, respectively, but it will scarcely alter the relative competitive positions of banks within the service area. The third bank in size, the Miners National Bank of Pottsville, holds 6.7 percent of area

deposits, and it will continue to offer effective competition to the two larger institutions.

After completion of the merger, the main office of the merging bank will become a branch of the charter bank. The residents of Schuylkill Haven will thus be able to take advantage of additional services such as a time sales department, FHA- and VA-financed housing, and a well-staffed, effective trust department. Furthermore, the greater lending limits will enable the bank to increase its assistance to industrial development opportunities not only at Schuylkill Haven but also at other branch sites.

Consummation of the merger will avert a serious management problem for the merging bank. Within a short time, the principal officer will be at retirement age, and there are no apparent successors. The remaining members of middle management have neither the inclination nor the experience to assume major responsibilities. In the future, officers of the charter bank will be able to fill any gap which might arise.

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

JULY 28, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

This is Pennsylvania's eighth acquisition since 1953. During that time it has grown from a market share of 12.2 percent to, presently, 28.7 percent in central Schuylkill County. This acquisition of a successful, vigorous bank would increase its market share to 34 percent, almost entirely traceable directly to mergers rather than healthy internal growth. The unmistakable trend toward oligopoly now endemic throughout the State of Pennsylvania is clearly the pattern in central Schuylkill County.

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

\* \* \*

#### FIRST NATIONAL BANK OF LONG BEACH, LONG BEACH, CALIF., AND THE BANK OF CALIFORNIA, NATIONAL ASSOCIATION, SAN FRANCISCO, CALIF.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Long Beach, Long Beach, Calif. (14632), with.....	\$15, 206, 828	3	.....
and the Bank of California, National Association, San Francisco, Calif. (9655), which had.....	1, 285, 689, 926	57	.....
merged July 31, 1965, under charter and title of the latter bank (9655). The merged bank at date of merger had.....	1, 300, 443, 842	.....	60

## COMPTROLLER'S DECISION

On May 17, 1965, the Bank of California, National Association, San Francisco, Calif., and First National Bank of Long Beach, Long Beach, Calif., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

San Francisco has a population of 745,000 and is generally considered to be the financial and insurance capital of the West. It is also a major industrial, trading, transportation, and communications center. Other commercial and service activities in the area include lumbering, fishing, tourism, and mining.

The Bank of California, National Association, with IPC deposits of \$922.6 million, is the seventh largest bank in California. It holds approximately 2.4 percent of the total bank deposits in California, 4.1 percent in Oregon, and 4.1 percent in Washington. Its 49 branches, excluding 6 temporary locations in San Francisco pending completion of a new head office building, serve 36 northern, central, and southern California communities, the cities of Seattle and Tacoma in the State of Washington, and Portland, Oreg. The bank presently has approval for three branches which have not been opened, and an application for another branch was recently filed.

Long Beach, with a population of approximately 365,000, is located 30 miles southeast of Los Angeles on the Pacific Ocean. It is the fifth largest city in California and derives its principal economic support from crude oil producing and refining, a naval shipyard and naval base, the missile and aircraft industry, and its port, which is the second largest in cargo handling on the west coast.

The First National Bank of Long Beach presently operates two branches and has received approval to open a branch in the northern part of Long Beach. As of March 31, 1965, the bank had IPC deposits of \$12.4 million.

The Bank of California has experienced some management difficulties in the past, with loan supervision centered in one office. This situation, however, is being rectified. Management of the First National Bank of Long Beach is considered very able and they will add to the management of the charter bank.

The Bank of California offers a wide range of services, many of which are not offered by the First National Bank of Long Beach. New services which will be provided by the resulting bank include fiduciary activities, international banking, insurance premium financing, and stock transfer services. These services

are now offered by the other large branch banking systems serving the area.

The lending limit of the First National Bank of Long Beach is \$90,800 compared to a limit of \$8.1 million for the Bank of California. The larger lending limit of the resulting bank will benefit the growing Long Beach community.

The Bank of California competes throughout California with the other large and vigorous statewide and regional branch banking institutions, as well as with many smaller banks located in the 36 California cities where the Bank of California branches are located. The nearest branch of the Bank of California to Long Beach is its regional office in the heart of Los Angeles.

Competition to the First National Bank of Long Beach is offered by 39 existing or approved offices of 7 large branch banking institutions, 5 offices of smaller branch systems, and a unit bank.

Competition will not be reduced by the merger. The result will be the substitution of a larger bank with some additional services and a substantially larger lending limit. The competitive impact in Long Beach and San Francisco from the merger will be nominal.

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

JULY 26, 1965.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

First National is a successful local bank with assets of \$15,241,000, deposits of \$13,931,000 and loans and discounts of \$8,553,000. It has two banking offices and approval to establish a third office all located south of Los Angeles in the Greater Long Beach area of California. Substantially all other bank offices in this area are branches of large regional or statewide chain banking systems.

Bank of California is the 7th largest commercial bank in California and 32d in the Nation with assets of \$1,308,111,000, deposits of \$1,168,580,000, loans and discounts of \$722,502,000 and substantial trust accounts. It has 46 banking offices in California and 1 each in Portland, Oreg., and Seattle and Tacoma, Wash.

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 Long Beach area. The merger would have the undesirable effect of eliminating one of the two smaller independent banks in the area and would tend to make Long Beach dependent on branches of banks

whose headquarters and major interest are elsewhere (San Francisco or Los Angeles). In addition, the merger would tend to increase concentration of bank-

ing into the eight larger banking systems of California. We conclude that the proposed merger would have an adverse effect upon competition.

\* \* \*

THE UNION CITY NATIONAL BANK, UNION CITY, MICH., AND THE SOUTHERN MICHIGAN NATIONAL BANK OF COLDWATER, COLDWATER, MICH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Union City National Bank, Union City, Mich. (1826), with.....	\$4, 268, 316	1	.....
was purchased Aug. 31, 1965, by the Southern Michigan National Bank of Coldwater, Coldwater, Mich. (1924), which had.....	17, 565, 036	2	.....
After the purchase was effected, the receiving bank had.....	21, 828, 464	.....	3

COMPTROLLER'S DECISION

On June 7, 1965, the Southern Michigan National Bank of Coldwater, Coldwater, Mich., applied to the Office of the Comptroller of the Currency for permission to acquire the assets and assume the liabilities of the Union City National Bank, Union City, Mich.

The participating banks are located in Branch County, southern Michigan, a region which is predominantly agricultural. The area has enjoyed economic and population growth.

Coldwater, with a population of approximately 9,000, is the county seat of Branch County, located near the Michigan-Indiana line, and serves an estimated trade area with a population of some 32,300. The city is 35 miles southeast of Battle Creek. Although there are a number of manufacturing plants located in Coldwater, the economy of the area is primarily agricultural. The largest employer in the area is the Coldwater State Home and Training School, employing some 900 persons and having about 3,000 patients.

Union City, with a population of about 1,750, is located 13 miles northwest of Coldwater. It is predominantly a farming community, but contains some light industry.

The Southern Michigan National Bank of Coldwater, with IPC deposits of \$14.8 million, is the third largest of 12 banks competing in the area. It operates a drive-in branch a short distance from its main office. Over the past several years, the bank has experienced growth in deposits and lending activities. Principal direct competition is provided by Branch County Bank in Coldwater. The First Na-

tional Bank of Quincy, 6 miles east of Coldwater, is also a strong competitor and has obtained permission to establish a branch at the edge of Coldwater.

The Union City National Bank, with no branches and \$3.8 million in IPC deposits, is the only bank in Union City. While the bank is in satisfactory condition, it is operated by unaggressive management. The bank's growth has been slow over recent years and it will soon be faced with a management succession problem. Principal competition is provided by Michigan National Bank with branches at Battle Creek and Marshall. This bank is active throughout the area and is an aggressive competitor throughout the State. In addition, there are two savings and loan associations in Branch County.

The consummation of the proposed transaction will bring into Union City expanded banking services, including an increased lending limit, trust services, and improved consumer and mortgage lending facilities. It will solve the management succession problem for the selling bank and provide an adequate capital structure and favorable future earnings prospects.

The service areas of the two banks do not overlap to any significant extent. In view of the size of the merging bank, the lack of substantial competition between the two banks, and the availability of alternate sources for banking services in the area, it does not appear that the proposed transaction will have anti-competitive effects.

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

AUGUST 24, 1965.

# SUMMARY OF REPORT BY ATTORNEY GENERAL

The Southern Michigan National Bank of Coldwater, Coldwater, Mich., with assets of \$16,364,000 proposes to acquire the assets and assume the liabilities of the Union City National Bank, Union City, Mich., with assets of \$4,146,000.

The acquisition by Southern, the largest bank in the

area, of the assets of Union, the second smallest, would eliminate some competition which exists between them. However, in view of the size of the merging bank, the lack of substantial competition to be eliminated and the availability of alternate sources for banking services in the general area, it does not appear that the proposed merger would have significant anticompetitive effects.

\* \* \*

## THE LOUDOUN NATIONAL BANK OF LEESBURG, LEESBURG, VA., AND FIRST & MERCHANTS NATIONAL BANK, RICHMOND, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Loudoun National Bank of Leesburg, Leesburg, Va. (1738), with . . . . .	\$10,911,046	3	.....
and First & Merchants National Bank, Richmond, Va. (1111), which had . .	499,558,755	37	.....
merged Aug. 31, 1965, under charter and title of the latter bank (1111). The merged bank at date of merger had . . . . .	510,033,118	.....	40

### COMPTROLLER'S DECISION

On June 25, 1965, the Loudoun National Bank of Leesburg, Leesburg, Va., and First & Merchants National Bank, Richmond, Va., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Leesburg is located 38 miles northwest of Washington, D.C. Once primarily agricultural, the Leesburg area is now in transition brought about by the building of Dulles International Airport, and the establishment of the Control Center for the Federal Aeronautics Agency. The appearance of light industry and residential developments signify not only a rapidly growing area, but also the extension of Metropolitan Washington.

The merging bank has its main office in Leesburg and its sole branch at Dulles International Airport, 16 miles southwest of Leesburg. With deposits of individuals, partnerships, and corporations in excess of \$8 million, the bank undertakes to serve more than 25,000 people in eastern Loudoun County.

The charter bank, with its main office in Richmond, a thriving metropolitan center, is the largest single commercial bank in the State. With deposits of \$375 million, the bank operates 36 branches. The bank's service area includes Bedford on the west, Staunton on the north, Newport News on the east, and Petersburg on the south. Twenty-one of the offices are within 25 miles of Richmond, however, and the nearest branch office to Leesburg is 125 miles.

Currently, the merging bank is the smaller of two banks with head offices in Leesburg. The Peoples National Bank, a subsidiary of the Financial General Corp., operates three offices within the community. In addition, the First National Bank of Purcellville, Va., a small bank with principal offices 9 miles to the west, also operates a branch in Leesburg. The Purcellville bank is a subsidiary of the First Virginia Corp. Within the service area of Loudoun County, from which the merging bank draws 90 percent of its customers, there are also three other banking institutions.

Because of the distance between the charter and merging banks, there is virtually no competition between the institutions and hence, no competition is eliminated by consummation of the merger. Moreover, the increase in size of the charter bank will not be significant. Establishment of a branch of the charter bank will result in the introduction of an aggressive bank capable of competing with the subsidiaries of the holding companies, and of bringing additional quality bank services 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.

AUGUST 25, 1965.

### SUMMARY OF REPORT BY ATTORNEY GENERAL

First & Merchants National Bank is the largest bank in Virginia. Since 1959, 7 banks with deposits of \$131,684,000 have been merged. Direct competition

between the participating banks is insignificant, their closest offices being separated by a distance of 135 miles.

In the service area of Loudoun National Bank, chiefly Loudoun County, are nine competing banks, three of which are subsidiaries of two large bank holding companies, viz., First Virginia Corp. and Financial General. Should the proposed merger be approved these two holding companies and the largest bank in Virginia will control 70 percent of Loudoun County's

banking offices and 68 percent of the total deposits held by such offices. Thereafter, banking in Loudoun County will be dominated by three of the largest banking aggregations in Virginia. The remaining small banks in the area will operate at an increased competitive disadvantage and an incentive and precedent for each to merge in self protection will be established.

To this extent the effect of the proposed merger on competition would be adverse.

\* \* \*

# ST. PAUL NATIONAL BANK, ST. PAUL, VA., AND THE FIRST NATIONAL EXCHANGE BANK OF VIRGINIA, ROANOKE, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
St. Paul National Bank, St. Paul, Va. (8547), with.....	\$6,989,414	1	.....
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had.....	289,403,748	28	.....
merged Sept. 14, 1965, under charter and title of the latter bank (2737). The merged bank at date of merger had.....	295,773,132	.....	29

## COMPTROLLER'S DECISION

On July 14, 1965, the St. Paul National Bank, St. Paul, Va., and the First National Exchange Bank of Virginia, Roanoke, Va., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

St. Paul, population of 1,250, is 171 miles west of Roanoke being located in the extreme western part of Virginia at the southeastern tip of Wise County. It serves a trade area of about 19,000 people, the primary economic activity of which is bituminous coal mining, apparel manufacturing, and industrial activity utilizing the area's timber and limestone resources.

Roanoke, located west of the south-central part of Virginia, has a population of 107,419. It is the center of the charter bank's service area, the population of which is 2,918,833. The economy of this service area is diverse, including industrial, agricultural, and coal mining activity.

The charter bank operates 29 banking offices in 15 cities or towns in western Virginia, including 8 offices in Roanoke. It has experienced considerable growth in deposits and other resources in recent years largely as a result of increased economic activity in the areas served by the bank and its branches. A number of banks compete with the charter bank, with its principal competition in the Roanoke area coming from the Colonial-American National Bank and the Mountain Trust Bank.

The merging bank has no branch offices and its head office in St. Paul is the only banking office within a 14-mile radius. The nearest bank is the Farmers Exchange Bank which is situated 14 miles north of St. Paul in Coeburn, Va. Within the area of 25 to 30 miles of St. Paul the merging bank is second largest of five banks having six offices. The largest is the Wise County National Bank, headquartered 24 miles west in Norton, Va. None of these banks competes in a substantial way with the merging bank.

Because the closest offices of the merging banks are more than 25 miles apart, there is no competition between them which will be affected by the merger. Competition between the charter bank and its principal competitors will not be affected since the impact of the merger will be felt only in the St. Paul area. Since the merging bank has little competition in and around St. Paul the proposed transaction will have no anti-competitive effect.

Consummation of the proposed transaction will bring to St. Paul expanded banking services, including an increased lending limit, trust services, and numerous kinds of real estate financing. In addition a full-time agricultural specialist and expert credit and investment advisers will be available to the St. Paul area.

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

SEPTEMBER 13, 1965.

# SUMMARY OF REPORT BY ATTORNEY GENERAL

Since October of 1960, First National Exchange Bank has merged 13 banks with 20 banking offices. From these banks First National Exchange Bank acquired approximately 43 percent of its present nearly \$260 million deposits and 20 of its present 27 banking offices. The merger now proposed and a pending proposed merger of St. Paul National Bank, St. Paul, Va.,

will together add \$8,627,010 in deposits to the First National Exchange total and represent the fourth and fifth banks it has merged in 1965.

This proposal will put added pressure on four small banks and continue a trend toward concentration of banking in Virginia which is proceeding at an accelerated pace. To this extent the effect upon competition will be adverse.

\* \* \*

## THE BANK OF GLASGOW, INC., GLASGOW, VA., AND THE FIRST NATIONAL EXCHANGE BANK OF VIRGINIA, ROANOKE, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Glasgow, Inc., Glasgow, Va., with . . . . .	\$2, 162, 867	1	.....
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had . . . . .	295, 773, 132	29	.....
merged Sept. 14, 1965, under charter and title of the latter bank (2737). The merged bank at date of merger had . . . . .	297, 928, 479	.....	30

### COMPTROLLER'S DECISION

On July 19, 1965, the First National Exchange Bank of Virginia, Roanoke, Va., and the Bank of Glasgow, Inc., Glasgow, Va., applied to the Office of 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, has an urban population of 97,000 and a metropolitan area population of 159,000. Because of its location and excellent transportation facilities, the city serves as a trade center of the entire southwestern section of Virginia. The economy of the area rests upon the prosperous manufacturing industries of Roanoke, which have total payrolls of some \$71 million; the tobacco fields of southern Virginia, and the coal mines of Appalachia, whose outlook today is brighter than in many years due to new exploration and techniques of development. A trend toward more economic diversification makes this section of the country's future growth prospects promising.

Glasgow, population 1,091, is located 44 miles northeast of Roanoke. The city is heavily dependent on the James Lees & Sons division of Burlington Industries, which has a plant there employing 2,300 and a payroll in excess of \$8 million. The section of the country of which Glasgow is a part roughly encompasses most of Rockbridge County and contains a population of 17,777. There are diversified industries in this area,

although about two-thirds of the area is woodland. This region also contains many historic and scenic attractions, such as Natural Bridge, and consequently, tourism is an important and growing factor in the economy. While per capita income has not kept pace with the State as a whole, the area can expect to benefit in the future from an economy balanced by manufacturing, agriculture, and service industries.

The charter bank, with \$206.1 million in IPC deposits, is the fourth largest bank in Virginia and the largest bank headquartered in the southwestern section of the State. Approximately half of its deposits originate in the Roanoke area. Three other banks and a branch of a statewide institution are also located in Roanoke. These three banks are the Colonial American National Bank, deposits \$53 million; Mountain Trust Bank, deposits \$40 million; and the recently organized Security National Bank of Roanoke, deposits \$4 million. The Bank of Virginia, Richmond, deposits \$194 million, an affiliate of Virginia Commonwealth Corp., operates a branch in Roanoke. Other affiliates of Virginia Commonwealth Corp. operating in the southwestern section of Virginia include the Bank of Salem (adjacent to Roanoke); Washington Trust & Savings Bank, Bristol, which is in direct competition with the charter bank's branches in Bristol; and the Peoples National Bank of Pulaski, which is about 22 miles from the charter bank's branches in Wytheville. The charter bank is also in direct competition with

branches of several other large banking organizations which are headquartered outside of southwestern Virginia.

The merging bank, with \$1.6 million in IPC deposits, is the only bank in Glasgow. There are, however, 12 banking offices competing in the merging bank's area. These include affiliates of the Financial General Corp., as well as offices of the Virginia National Bank and the First & Merchants National Bank, both headquartered in Richmond. The charter bank also has three offices in the area, although the nearest is 9 miles away in Buena Vista, and the next nearest is 20 miles away in Lexington.

The effect of the merger upon competition will be minimal. The distance between the office of the charter bank nearest the merging bank precludes any aggressive competition. It is estimated that there are 351 loan and deposit accounts held by the First National Exchange Bank in the Glasgow bank's area, and 103 loan and deposit accounts in the Glasgow bank originating in the First National Exchange Bank's area. The dollar amounts in both instances are slight percentages of total loans and deposits.

The merging bank has found banking needs in its area increasingly difficult to meet. The building of a stronger economy has necessitated capital and services beyond its capacities. Its lending limit of some \$23,900 is too low for the substantial business and industrial loans it is called upon to make. The executive vice president and ranking executive officer of the

bank serves only in an advisory position, as he is, in fact, in charge of the office of another bank in Lexington.

The entry of the charter bank in Glasgow will bring into the town greater resources, more aggressive management, and greater technical assistance which are necessary for the convenience and needs of Glasgow's banking public.

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

SEPTEMBER 13, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Since October of 1960, First National Exchange Bank, the largest bank in southwest Virginia, has merged 13 banks with 20 banking offices. From these banks First National Exchange Bank acquired approximately 43 percent of its present \$260 million deposits and 20 of its present 27 banking offices. This proposed merger and a pending proposed merger of Bank of Glasgow, Inc., Glasgow, Va., will together add \$8,627,010, in deposits to the First National Exchange total and will be the fourth and fifth banks it has merged in 1965.

The proposed merger is a continuation of a trend toward concentration of banking in Virginia which is proceeding at an accelerated pace. To this extent the effect of this proposed merger upon competition will be adverse.

\* \* \*

STANWOOD STATE SAVINGS BANK, STANWOOD, MICH., AND FIRST NATIONAL BANK OF BIG RAPIDS, BIG RAPIDS, MICH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Stanwood State Savings Bank, Stanwood, Mich., with	\$1,692,618	1	
and First National Bank of Big Rapids, Big Rapids, Mich. (14881), which had	10,807,725	2	
merged Sept. 30, 1965, under charter and title of the latter bank (14881).			
The merged bank at date of merger had	12,500,343		3

COMPTROLLER'S DECISION

On July 20, 1965, First National Bank of Big Rapids, Big Rapids, Mich., and the Stanwood State Savings Bank, Stanwood, Mich., applied to the Comptroller of the Currency for permission to merge under the charter and title of the former.

Big Rapids, with a population exceeding 11,000, is the largest city in Mecosta County, and it is an im-

portant trading center for central Michigan. The city's largest single industry is Ferris State College which employs over 600 faculty and administrative personnel to teach 6,500 students. In addition, Big Rapids' economic environment includes such diverse activity as shoe manufacturing, farming and food processing, tools and hardware, and tourism.

The Village of Stanwood, located 8 miles south of Big Rapids, is a rural community with a population of



250. While its largest single industry is a 30-bed osteopathic hospital, the area's economic environment is best characterized as providing commercial service for the surrounding agricultural industries.

The charter bank, with total deposits equalling \$8.9 million, holds 27 percent of bank deposits within a service area including and exceeding Mecosta County. The merging bank, with deposits of \$1.5 million, holds 4 percent of these deposits. The resulting bank, with 31 percent of deposits, will become the largest of eight banks within the service area. This increase in relative size, however, will not bring about competitive imbalance. Currently, the largest bank, with 28 percent of area deposits, is the Citizens State Bank of Big Rapids which because of its relative size and aggressiveness will continue to provide keen competition.

The charter and merging banks, while in close geographic proximity, do not essentially compete with each other. The charter bank has a primarily industrial clientele while the merging bank serves a more agricultural community. In fact, more than half of the loans of the merging bank are for agricultural purposes. Consummation of the merger, therefore, will not significantly diminish competition within the service area.

The management problems at the merging bank compel consummation of the merger in the public interest. At the present time, the president and

cashier, the bank's principal executive officer, must leave Michigan because of his health. The assistant cashier, 62 years old, has already manifested an intention to retire. Possibilities of attracting top-quality, high-level management are remote. Consummation of the merger, however, will allow the capable staff of the charter bank to maintain a dependable banking office in Stanwood.

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

SEPTEMBER 24, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Stanwood State (assets of \$1,640,000 as of June 30, 1965), and First National (assets of \$10,032,000 as of June 30, 1965), appear to fall into the category of small banks, one serving essentially a rural community of 250 (Stanwood, Mich.), and the other a small industrial center of 11,000 (Big Rapids). There appears to be relatively little competition between the two, and with eight other banks within a range of 8 to 31 miles of Stanwood and Big Rapids left to compete with the resulting bank, there would appear to remain ample alternative banking facilities to satisfy the needs of both communities.

No anticompetitive effects, therefore, are discernible from the proposed merger.

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#### THE FIRST NATIONAL BANK OF BLACKSTONE, BLACKSTONE, VA., AND THE FIDELITY NATIONAL BANK, LYNCHBURG, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Blackstone, Blackstone, Va. (9224) with.....	\$4, 979, 506	1	.....
and the Fidelity National Bank, Lynchburg, Va. (1522), which had.....	85, 475, 616	16	.....
merged Sept. 30, 1965, under charter and title of the latter bank (1522). The merged bank at date of merger had.....	90, 455, 123	.....	17

#### COMPTROLLER'S DECISION

On August 4, 1965, an application for approval of the proposed merger was filed with the Comptroller of the Currency.

The charter bank is located in Lynchburg, Va., the center of a trade area consisting of the city and significant portions of 4 counties with a combined city-county population of about 150,000. The city is becoming increasingly industrialized; the counties are essentially rural and agricultural.

At the present time, the charter bank has total resources of \$84.8 million. Its primary competition in Lynchburg is furnished by a branch of the First & Merchants National Bank (the State's largest bank) and the \$48.8 million First National Trust & Savings Bank, a member of the United Virginia Bank Shares, with resources in excess of \$500 million.

The First National Bank of Blackstone is located in a town of 4,000, 80 miles southeast of Lynchburg. Its resources of approximately \$5 million are the smallest

of all the banks located in Nottaway County. Its competition consists of Citizens Bank & Trust Co. with resources of \$5.7 million and the Bank of Crewe, located 10 miles northwest of Blackstone with assets of \$8.9 million.

The capital funds of both the applicant and merging banks appear to be adequate in relation to their deposits and volume of business transacted. Both banks have had profitable operations for at least the last 5-year period and it would appear that the resulting bank's earnings should be favorable.

The charter bank is considered capable and aggressive and has a staff of competent junior officers. The president of the merging bank is considered capable and experienced. However, it appears that the merging bank lacks depth of management and management continuity is questionable.

The merging bank is located in Blackstone's retail shopping district and has no branches or drive-in facilities. Because of its limited resources and lending limits its ability to service the bank needs of its community is severely limited. The proposed merger would make available to the commercial concerns, merchants and individuals in this service area, a larger lending limit, additional trust services, construction loans and greater installment, and consumer-type credit.

Because of the substantial distance separating the two banks, no discernible competition between them exists. Moreover, in view of the fact that the resulting bank would still be substantially smaller than its primary competition in the Lynchburg area alone, no

appreciable concentration will result from the proposed merger.

As the proposed merger would result in the elimination of a potential management problem in the merging bank; in substantially increased service to the Blackstone area; in no adverse competitive effects or tendency to monopoly; and, as it otherwise meets each of the remaining statutory criteria favorably, we conclude that it is in the public interest and the application is, therefore, approved.

SEPTEMBER 22, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Fidelity National Bank with total assets in excess of \$84 million, operates 10 banking offices in Lynchburg and 6 additional banking offices in 5 towns located from 3 to 34 miles distant from Lynchburg. In the past 5 years four banks with nine banking offices have been merged. These four banks had total deposits of approximately \$23 million at the time merged. Fidelity National now proposes to merge First National Bank of Blackstone, with assets of \$5 million and one of the two banks of about equal size in the town of Blackstone which is located about 80 miles distant from Lynchburg. The remaining independent bank in Blackstone, Citizens Bank & Trust Co., will hereafter operate at a sharp competitive disadvantage as will six other small banks in nearby towns that presently compete with First National Bank of Blackstone. While this merger, standing alone, will not have serious anticompetitive effects it will cause the elimination of one more independent bank and to that degree will increase concentration of banking in Virginia.

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#### WILSHIRE NATIONAL BANK, LOS ANGELES, CALIF., AND HERITAGE NATIONAL BANK, LOS ANGELES, CALIF.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Wilshire National Bank, Los Angeles, Calif. (14997), with.....	\$11, 152, 770	2	.....
and Heritage National Bank, Los Angeles, Calif. (15463), which had.....	7, 878, 465	1	.....
merged Oct. 15, 1965, under charter of the latter bank (15463), and under title of "Heritage-Wilshire National Bank." The merged bank at date of merger had.....	19, 156, 745	.....	3

#### COMPTROLLER'S DECISION

On August 10, 1965, the Wilshire National Bank, Los Angeles, Calif., and the Heritage National Bank, Los Angeles, Calif., applied to the Office of the Comptroller of the Currency for permission to merge under

the charter of the latter and with the title of Heritage-Wilshire National Bank.

The charter bank, organized in 1964 and opened for business in January 1965, is located in Westwood Village, a suburb of the city of Los Angeles, adjacent to the University of California. It is a residential area

without industry of consequence. At the present time, the bank has IPC deposits of \$5,282,000. It operates no branches and has no application pending for one. As opposed to Wilshire, Heritage has evidenced excellent deposit growth, but has found little demand for lendable funds. Heritage's management is young, experienced, and competent.

The merging bank which opened for business in 1962 is located in west Los Angeles. It now operates one branch in Santa Monica and has received approval for the establishment of a branch to be located in the Pacific Palisades area of Los Angeles. Although Wilshire has IPC deposits of \$10,609,000, it has apparently reached a plateau on deposits, with no growth potential noted in the immediate future. In addition, the bank has lost its two leading executive officers by resignation, leaving the bank without an effective management team.

The area presently served by the participating banks embraces approximately 40 square miles in Beverly Hills and Santa Monica, and part of metropolitan Los Angeles, Calif. The banks are situated about 12 miles from downtown Los Angeles. The area in which the banks are located is primarily residential with a Veterans' Administration complex, the University of California, and an extensive variety of retail trade establishments. The nearest offices of the subject banks are about 1.5 miles apart. The areas served by the two banks are adjacent—but considered noncompetitive. The two banks do not carry reciprocal accounts nor have they participated in the granting of any loans.

There are only two common customers. Moreover, within the service area of the resulting bank, there are 9 branches of Bank of America, 3 of Crocker-Citizens, and 22 branches or head offices of other California banks. Only one such bank is smaller in total deposits than Heritage. The resulting bank would still be small in relation to the other banks in the area. Obviously, the competitive effect of this merger is *de minimis*.

The strengthening of the management of Wilshire; the improved competitive position of the merged bank; the lack of adverse competitive effect; and the satisfactory meeting of the remaining statutory criteria indicate that this merger would be in the public interest.

OCTOBER 14, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Both participating banks are relatively small and are located in an area of Los Angeles served by 10 other banks having a total of 35 offices. Among the other banks in the area are nine branches of the gigantic Bank of America and three branches of Crocker-Citizens National Bank. The resulting bank would have about 1.07 percent of the loans and 0.06 percent of the deposits of all commercial banks having offices in this area.

The size of the resulting bank in relation to other banks in the area would indicate that, except for the elimination of direct competition involved, the proposed merger will have little or no effect on competi-

\* \* \*

THE FIRST NATIONAL BANK OF ALEXANDRIA, ALEXANDRIA, PA., AND FIRST-GRANGE NATIONAL BANK OF HUNTINGDON, HUNTINGDON, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Alexandria, Alexandria, Pa. (11263), with.....	\$1, 477, 374	1	.....
and First-Grange National Bank of Huntingdon, Huntingdon, Pa. (31), which had.....	21, 081, 780	2	.....
merged Oct. 30, 1965, under charter and title of the latter bank (31). The merged bank at date of merger had.....	22, 556, 154	.....	3

COMPTROLLER'S DECISION

The merging bank is located in Alexandria, Pa., a rural community with a present population of 381. It is managed by its president who is now 77 years of age, and two full-time female employees. This bank has IPC deposits of \$1,262,000 and a lending limit of

\$21,000. Its closest competitor, a branch of the second largest bank in Huntingdon County, is located 3 miles away. The merging bank is located 8 miles from the charter bank.

The charter bank, with IPC deposits of \$17.9 million, is located in Huntingdon (population 7,200), the in-

dustrial center of Huntingdon County. The bank is aggressive and has considerable management depth.

In November 1965, a major manufacturer will have completed a relocation of its plant from Huntingdon to Alexandria. The new plant will employ some 250 people compared to the town's total population of 381. The charter bank has been the principal bank of deposit for this manufacturer and many of the 250 employees are long-time depositors. The Alexandria bank, because of outmoded physical facilities, inadequate resources, and lack of management depth, is considered incapable of handling the influx of business which will be occasioned by the opening of the new plant. As a branch of First-Grange National's major competitor is located only 3 miles from Alexandria, the proposed merger is the most logical method by which the charter bank can retain the business it now has and by which the Alexandria bank can continue to serve the needs of a substantially altered community.

Because of the mountainous nature of the entire region in which these two banks are situated and the resulting geographical delineation of service areas it is not anticipated that there will be any adverse effect upon any competitors of the charter bank. There is, at the present time, no significant competition between the two applicant banks because of the distance separating them.

As this merger is essential to serve the needs of the

community of Alexandria, as it will eliminate no competition nor have any adverse effect upon existing competition in the area, and as it otherwise satisfies all of the statutory criteria, we find it to be in the public interest. The merger is approved.

OCTOBER 29, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The First-Grange National Bank of Huntingdon, Huntingdon, Pa., conducts commercial banking through two offices located in Huntingdon, Pa. As of June 30, 1965, it had total IPC deposits of \$16,844,000 and total net loans and discounts of \$12,269,000.

The First National Bank of Alexandria, Alexandria, Pa., has one office located in Alexandria, Pa., about 8 miles from Huntingdon, Pa. As of June 30, 1965, it had total IPC deposits of \$1,160,000, and net loans and discounts of \$825,000.

If the proposed merger is approved, a competitor of the First-Grange National Bank will be eliminated and the number of banking alternatives remaining available to banking customers in the Alexandria, Pa., area will be reduced to two. Concentration in the area, which is already excessive, will be increased. To this extent the proposed merger will have an adverse effect on competition but in view of the small size of the merging bank this effect could not be considered significant.

\* \* \*

COMMONWEALTH BANK, LOS ANGELES, CALIF., AND CITY NATIONAL BANK, BEVERLY HILLS, CALIF.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Commonwealth Bank, Los Angeles, Calif., with	\$23, 256, 867	1	
and City National Bank, Beverly Hills, Calif. (14695), which had	271, 166, 157	14	
merged Nov. 2, 1965, under charter and title of the latter bank (14695). The			
merged bank at date of merger had	293, 905, 452		15

COMPTROLLER'S DECISION

On September 7, 1965, an application was filed with the Office of the Comptroller of the Currency for approval of a merger of the Commonwealth Bank, Los Angeles, Calif., into City National Bank, Beverly Hills, Calif.

City National Bank opened in December 1953 and is headquartered in Beverly Hills, Calif. It operates 13 branch offices, 12 within the Los Angeles metropolitan area, and 1 in Palm Springs, Calif. All but three of these branches were established *de novo* by

City National. The growth of this bank has been rapid. As of June 30, 1965, its deposits amounted to \$226 million.

The Commonwealth Bank, Los Angeles, was chartered on January 2, 1963. It has no branches. As of June 30, 1965, its deposits were \$20 million.

Within a 3-mile radius of City National are located 57 banking offices and 22 savings and loan offices. This area, which includes the merging bank, contains branches of the larger area banks which are capable of offering a substantially greater range of services than

Commonwealth. The proposed merger would introduce another substantial competitor into the merging bank's immediate area; it would substantially increase the lending limit available to Commonwealth's customers. In addition, City National's trust services would be made available to Commonwealth, which does not have trust powers. Another factor favoring this proposed merger will be an increase in management depth at Commonwealth, which has lost several high echelon officers recently through resignation.

Despite the proximity of the two banks, there appears to be no overlapping of savings or loan accounts. This lack of direct competition between the two may be attributed to the separation of areas by freeways, nature of the neighborhoods, and the substantially higher income of the Beverly Hills area.

The resulting bank will remain a comparatively insignificant factor in Los Angeles banking with only 2 percent of the commercial bank deposits in Los Angeles County.

The proposed merger will enable Commonwealth to better serve the needs of its customers and to compete more effectively in its immediate area and it will add needed management depth to the merging bank. No direct competition will be eliminated between the two banks, and obviously no tendency to monopoly would be created.

The proposed merger, therefore, satisfies all of the statutory criteria and is approved.

NOVEMBER 1, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger would allow City National, with \$227 million in deposits and 14 offices in Los Angeles County, to absorb Commonwealth, a unit bank in west central Los Angeles County, with \$21 million in deposits, and would thereby increase City National's share of total commercial bank deposits in Los Angeles County from 1.8 to 2.0 percent. City National is the largest of the smaller banks in Los Angeles County while Commonwealth, a unit bank, is larger than some 44 other banks in the county. This merger would be the third this year and the fourth since 1960 for City National; it would be larger than the other three mergers combined and would increase City National's total deposit accounts by 10 percent. It is a further and stronger indication that City National may be developing a strong propensity to expand by merger rather than by *de novo* branching in implementing its stated policy of penetrating the entire county of Los Angeles and the adjacent counties.

In view of the relatively small size of the acquired bank when compared with the total Los Angeles banking market, the effect of this merger on competition in that area, while adverse, will probably not be seriously adverse. However, the increasing tempo of City National's merger activity as well as the increasing size of the banks it is absorbing makes it imperative that future acquisitions by it be cause for concern.

#### CITIZENS FIRST NATIONAL BANK OF FRANKFORT, FRANKFORT, N.Y., AND THE ONEIDA NATIONAL BANK & TRUST CO. OF CENTRAL NEW YORK, UTICA, N.Y.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens First National Bank of Frankfort, Frankfort, N.Y. (10351), with . . . . .	\$9, 634, 643	1	.....
and the Oneida National Bank & Trust Co. of Central New York, Utica, N.Y. (1392), which had . . . . .	187, 710, 850	16	.....
merged Nov. 5, 1965, under charter and title of the latter bank (1392). The merged bank at date of merger had . . . . .	197, 345, 492	.....	17

#### COMPTROLLER'S DECISION

On September 7, 1965, the Oneida National Bank & Trust Co. of Central New York, Utica, N.Y., and the Citizens First National Bank of Frankfort, Frankfort, N.Y., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and title of the former.

Utica, population 100,000, is a highly industrialized city located in the center of New York State. The charter bank, Oneida National, with IPC deposits of \$145 million maintains its main office and 3 of its 15 branches in this city. Also located in the community is the Marine Midland Trust Co. of the Mohawk Valley with IPC deposits of \$133 million; the \$186

million Savings Bank of Utica; and the Bank of Utica with IPC deposits of \$18.5 million.

Frankfort, N.Y., a small village of about 4,000, is located about 9 miles east of Utica in a predominantly agricultural area. The nature of the farming industry is rapidly changing as smaller farms are being combined into large, mechanized operations which require substantial capital investment expenditures. Citizens National, the merging bank, is the only bank in Frankfort.

The record shows minimal competition between the charter and merging banks. Although the closest branch of the charter bank is located 2 miles from Frankfort, there is little duplication of deposits between the two banks. Less than 10 percent of the loans at the closest branch originated in the Frankfort environs.

The Frankfort bank is also about 2 miles from the nearest branch of Marine Midland, and 6 miles from another. It is in competition with a branch of the \$500 million State Bank of Albany, some 10 miles south, which has been actively soliciting bank audits in the area.

The merging bank has excellent management, but competitive pressures have required it to raise its interest rate on time deposits. The limited area served by the bank has also limited the availability of loanable funds which would enable it to defray the increased interest costs. The proposed merger will provide the Frankfort bank with a source of such funds which will enable it to meet the increased capital needs of its community.

The merger would also provide the Frankfort bank with a substantially larger loan limit; and it will make trust, investment and estate planning services available to the customers of the merging bank.

Although the proposed merger will provide Frankfort with a bank more capable of competing with others in the area, the transaction will add only an insignificant 1 percent of county deposits to those of the charter bank and will not eliminate any existing competition between the two.

We find that needs of the community of Frankfort can best be served by the merger. As all other statutory tests are favorable and as there will be no adverse effect upon competition, this merger is in the public interest. It is, therefore, approved.

NOVEMBER 5, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The Oneida National Bank & Trust Co. of Central New York, Utica, N.Y. (hereinafter "Oneida Bank"), proposes to merge the Citizens First National Bank

of Frankfort, Frankfort, N.Y. (hereinafter "Citizens Bank"). Oneida Bank is a large multibranch institution with total loans of over \$93 million and total deposits of over \$142.7 million. These figures constitute 41.4 percent and 43.4 percent, respectively, of the service area total. Another multibranch institution, the Marine Midland Trust Co. of the Mohawk Valley (a subsidiary of Marine Midland Corp.) accounts for 44.2 percent and 40.4 percent, respectively, of the area's total loans and deposits.

Citizens Bank is a small unit bank operating within Oneida Bank's two-county service area. It has loans of \$6 million (2.7 percent of the area total) and deposits of \$8 million (2.4 percent of the area total).

The merger will eliminate the competition which now exists between the participants. The application states that the amount of competition between the two is minimal and that the Oneida Bank does not actively solicit loan or deposit business in the Frankfort area. The accuracy of that statement is questionable, in view of the location of the participants. The Ilion branch of Oneida Bank is only 2 miles east of Frankfort and the Mohawk branch is only 3 miles east. Marine Midland also has three branches within 3 miles of Frankfort. Moreover, many Frankfort residents commute to Utica for employment and shopping and it would be reasonable to conclude that the two chain banks compete with Citizens Bank for the commuter business. Thus, there appears to be a significant amount of competition between the participants and the merger, if consummated, would eliminate this competition.

The merger would also contribute to the very serious degree of concentration which now exists in the two-county area. The Oneida Bank's deposits and loans would increase by 2.4 and 2.7 percent to 45.8 and 44.1 percent, respectively, of the area total. If the merger is consummated, Oneida Bank and Marine Midland will account for 88.3 percent and 86.2 percent, respectively, of the area's loans and deposits. Although the increased concentration attributable to this one merger might not seem significant, the Supreme Court has made it clear that "if concentration is already great, the importance of preventing even slight increases in concentration and so preserving the possibility of eventual deconcentration is correspondingly great."

The proposed merger will eliminate a banking alternative from the service area. Residents of Frankfort presently can bank at either Citizens Bank or one of the branches of the two majors. The merger

will eliminate the opportunity to choose between a small independent or one of two large branch systems.

The proposed merger will perhaps have its greatest impact on the four remaining independent banks. As the banking power becomes increasingly concentrated, the independents will find it increasingly difficult to compete effectively. Combined loans and deposits of the four will be only 11.7 and 13.8 percent, respectively, of the area totals. Each will have less than 5 percent of total loans and 6 percent of total deposits, and as their ability to compete diminishes, the probability of

a merger with one of the two majors increases. In short, unless the trend toward concentration in the service area is halted, the independent banks will be unable to survive and the Oneida-Herkimer area will be totally dominated by two banks. Thus, it is important to preserve the remaining independent competitors.

We, therefore, feel that the proposed merger would have both cumulative and potential anticompetitive effects.

\* \* \*

# BANK OF PHOEBUS, HAMPTON, VA., AND VIRGINIA NATIONAL BANK, NORFOLK, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank of Phoebus, Hampton, Va., with . . . . .	\$8, 353, 174	2	.....
and Virginia National Bank, Norfolk, Va. (9885), which had . . . . .	505, 266, 005	61	.....
merged Nov. 5 1965, under charter and title of the latter bank (9885). The merged bank at the date of merger had . . . . .	*530, 101, 174	.....	63

\*Includes Merchants' National Bank of Hampton, Va., which merged at the same time.

## COMPTROLLER'S DECISION

On September 23, 1965, the Bank of Phoebus, Hampton, Va., and the Virginia National Bank, Norfolk, Va., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter. There was also filed on the same date an application for permission to merge the Merchants' National Bank of Hampton, Hampton, Va., into the Virginia National Bank.

Norfolk, with a population of about 305,000, is located on Hampton Roads and Chesapeake Bay, 100 miles southeast of Richmond. This area is highly industrialized and the many military establishments provide a major source of employment.

The charter bank, with IPC deposits of \$418 million, is the second largest bank in Virginia and presently operates 54 banking offices in 28 cities or towns in 4 general geographical areas in Virginia.

Hampton, with a population of 104,000, is approximately 15 miles from Norfolk. The merging bank, with IPC deposits of \$7 million, is the smallest of eight banks in the Hampton-Newport News area. The bank faces a serious management succession problem upon the imminent retirement of the president. Competition in this area is provided by five branches of the largest bank in the State, First & Merchants National Bank, by the Old Point National Bank, and by two

holding companies, the United Virginia Bankshares through its member bank, Citizens & Marine Bank, and the Virginia Commonwealth Corp. through its member banks, the Bank of Warwick and the Bank of Virginia in Newport News.

No competition between the two merging banks will be eliminated by the merger, since the charter bank does not have a branch in the Hampton-Newport News portion of the Tidewater complex and Norfolk and Hampton are approximately 15 miles apart and are separated by the harbor of Hampton Roads. This merger will not alter the competitive position of the Virginia National Bank throughout its service area. The applicant will remain the second largest bank in the State. The merging bank because of its size has been unable to adequately serve the Hampton-Newport News area. The resulting merger will solve the management problem of the merging bank, provide a bank with a larger lending limit, additional trust services, and a more extensive range of installment and consumer credit, thus encouraging more vigorous banking competition in the area.

As noted there is pending another application to merge the charter bank with the Merchants' National Bank of Hampton, Hampton, Va. This application is treated in a separate opinion. The Bank of Phoebus and the Merchants' National Bank have separate serv-

ice areas separated by the Hampton River and because of the size and location of the two merging banks vis-a-vis the charter bank no competition between them will be eliminated. The resulting merger would introduce into the Hampton-Newport News area a bank better able to meet the needs of this growing community.

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

NOVEMBER 5, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

Virginia National Bank, the second largest bank in Virginia, proposes to merge Bank of Phoebus, a bank with two banking offices in Hampton and assets of \$8,061,000. Filed concurrently with this application is the application by Virginia National to merge Merchants' National Bank of Hampton, Hampton, Va., a bank with six banking offices and assets of \$15,760,000. The town of Newport News adjoins Hampton; Hampton banks secure business from Newport News and Newport News banks secure business from Hampton.

\* \* \*

THE MERCHANTS' NATIONAL BANK OF HAMPTON, HAMPTON, VA., AND VIRGINIA NATIONAL BANK, NORFOLK, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Merchants' National Bank of Hampton, Hampton, Va. (6778), with . . . . .	\$16, 922, 002	6	.....
and Virginia National Bank, Norfolk, Va. (9885), which had . . . . .	505, 266, 005	55	.....
merged Nov. 5, 1965, under charter and title of the latter bank (9885).			
The merged bank at the date of merger had . . . . .	*530, 101, 174	.....	61

\*Includes Bank of Phoebus, Hampton, Va, which merged at the same time.

COMPTROLLER'S DECISION

On September 23, 1965, the Merchants' National Bank of Hampton, Hampton, Va., and the Virginia National Bank, Norfolk, Va., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter. There was also filed on that date an application for permission to merge the Bank of Phoebus, Hampton, Va., into the Virginia National Bank.

Norfolk, with a population of about 305,000, is located on Hampton Roads and Chesapeake Bay, 100 miles southeast of Richmond. This area is highly industrialized and the many military establishments provide a major source of employment.

The charter bank, with IPC deposits of \$418 million, is the second largest bank in Virginia and presently op-

Should Virginia National be permitted to merge the above two banks, there will remain in Hampton but one relatively small bank, and as a result of a series of mergers since April of 1963, there will remain in Newport News but one comparatively small independent bank. Banking in Newport News and Hampton will be dominated by the two largest banks in Virginia and by two very large bank holding companies.

Since April of 1963, Virginia National has merged 10 banks which operate 33 banking offices in 28 cities and towns in Virginia, and their combined deposits at the time merged represent over 43 percent of Virginia National's deposits. The proposed merger extends Virginia National's aggressive policy of growth and expansion by merger, and with the concurrent application of Virginia National to merge Merchants' National Bank of Hampton, still further increases the size and power of Virginia National and adds to the existing concentration of banking in Virginia. Moreover, the proposals reduce from four to two the number of small independent banks in the Hampton-Newport News area. The effect of this trend on competition will be adverse.

erates 54 banking offices in 28 cities or towns in Virginia located within 4 broadly defined geographical areas of Virginia.

Hampton, with a population of 104,000, is approximately 15 miles from Norfolk. The service area of the merging bank comprises both the city of Hampton and Newport News, and has an estimated population of 241,000. This area, which has experienced a strong population increase, is one of the most rapidly growing areas in the State of Virginia. Military establishments provide a major source of employment.

The merging bank, with IPC deposits of \$14 million is the fifth largest of eight banks in the Hampton-Newport News area. It presently operates five branches. Competition in this area is provided by five branches of the largest bank in the State, First &



Merchants' National Bank, two holding companies, United Virginia Bankshares through its member bank, Citizens & Marine Bank, and Virginia Commonwealth Corp. through its member banks, the Bank of Warwick and the Bank of Virginia in Newport News, and the Old Point National Bank.

No competition between the two merging banks will be eliminated by the merger since the charter bank does not have a branch in the Hampton-Newport News portion of the Tidewater complex. Norfolk and Hampton are approximately 15 miles apart and are separated by the Harbor of Hampton Roads. This merger will not alter the competitive position of the Virginia National Bank throughout its service area. The applicant will remain the second largest bank in the State.

The proposed merger will provide the rapidly growing Hampton-Newport News area with the banking services required in a community of this size. The resulting bank will provide larger resources, additional trust services, ability to service the financial needs of the area's political subdivisions through its bond department, and a larger volume and variety of installment and consumer-type credit.

There is no competition between the two banks involved in this merger. The additional resources which would be available to the charter bank are insignificant in comparison with its present asset position and could have no effect upon the competitive situation in any area in which the charter bank is now located.

As noted there is pending another application to merge the charter bank with the Bank of Phoebus, Hampton, Va. The Bank of Phoebus and the Merchants' National Bank have separate service areas separated by the Hampton River. Because of the size and location of the merging banks vis-a-vis the charter bank, no competition between them will be eliminated and the resulting merger would introduce into the Hampton-Newport News area a bank better able to meet the needs of this growing community. A sepa-

rate opinion is being rendered as to the Phoebus merger.

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

NOVEMBER 5, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

Virginia National Bank, the second largest bank in Virginia, proposes to merge Merchants' National Bank, a bank with six banking offices in Hampton and assets of \$15,760,000. Filed concurrently with this application is the application by Virginia National to merge Bank of Phoebus, Hampton, a bank with two banking offices and assets of \$8,061,000. The town of Newport News adjoins Hampton. Hampton banks secure business from Newport News and Newport News banks secure business from Hampton. Should Virginia National be permitted to merge the above-two banks, there will remain in Hampton but one relatively small bank, and, as a result of a series of mergers since April of 1963, there will remain in Newport News but one comparatively small independent bank. Banking in Newport News and Hampton will be dominated by the two largest banks in Virginia and by two very large bank holding companies.

Since April of 1963, Virginia National has merged 10 banks which operate 33 banking offices in 28 cities and towns in Virginia, and their combined deposits at the time merged represent over 43 percent of Virginia National's deposits. The proposed merger extends Virginia National's aggressive policy of growth and expansion by merger, and with the concurrent application of Virginia National to merge Bank of Phoebus, still further increases the size and power of Virginia National and adds to the existing concentration of banking in Virginia. Moreover, the proposals reduce from four to two the number of small independent banks in the Hampton-Newport News area. The effect of this trend on competition will be adverse.

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#### PATRICK COUNTY BANK, STUART, VA., AND THE FIRST NATIONAL BANK OF MARTINSVILLE AND HENRY COUNTY, MARTINSVILLE, VA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Patrick County Bank, Stuart, Va., with	\$5, 673, 904	1	.....
and the First National Bank of Martinsville and Henry County, Martinsville, Va. (7206), which had	38, 869, 072	5	.....
merged Nov. 6, 1963, under charter and title of the latter bank (7206). The merged bank at date of merger had	44, 204, 402	.....	6

#### COMPTROLLER'S DECISION

On September 24, 1965, Patrick County Bank, Stuart, Va., and the First National Bank of Martinsville and Henry County, Martinsville, Va., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Martinsville, population 18,800, is the county seat of Henry County. This city is one of the major furniture manufacturing centers of the country and also contains a large DuPont nylon plant employing approximately 4,500 persons. The low unemployment rate of 1.7 percent is indicative of the strength of the Martinsville economy.

Stuart, population 974, is in Patrick County, which is nearly three-fourths in forest land. There is some farming in the area, but the main source of revenue is from textile mills in Stuart and a fabric plant in nearby Woolwine. While Stuart has not enjoyed a large increase in population, its growth between 1960 and 1963 indicates the beginning of a trend.

The charter bank, with IPC deposits of \$30 million, has six offices in Martinsville and nearby towns. It competes in Martinsville with the \$23 million Piedmont Trust Bank and the Martinsville branch of the \$470 million Virginia National Bank. In addition, several banks in the Henry County area, the statewide Virginia banks, and a few banks in North Carolina attract customers in the charter bank's trade region.

The merging bank, with IPC deposits of \$4.4 million, is one of two banks in Stuart. With a single office, Patrick County Bank competes with the \$5 million First National Bank of Stuart, which has one branch in Stuart. There are eight other banks, some with several branches, within a 30-mile radius of the merging bank.

The charter bank is located 29 miles from the head office of the Patrick County Bank. Although there appears to be a slight overlap of the service areas of the two banks, the amount of business they derive from each other's area is insignificant. In view of the substantial competition from banks in the charter bank's area, this merger, involving two small banks, would not have any anticompetitive effect.

The proposed merger will result in the introduction of substantially increased banking services into Stuart.

The resulting bank will offer a wider range of loans not now available there, will permit a larger lending limit to serve better the industries in and around Stuart, and will make trust services available in Stuart for the first time. The addition of the resources of the merging bank to those of the charter bank will also make increased automation of the resulting bank more feasible than it has been for either bank alone.

The management of the merging bank has been able, but its scope of action has been severely limited by small resources. The combination of the leaders of the applicant banks should result in the establishment of a very effective management team for the resulting bank.

Having considered the merger application in the light of the statutory criteria, this office has determined that it is in the public interest and the application is, therefore, approved.

NOVEMBER 4, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The First National Bank of Martinsville and Henry County, Martinsville, Va., with total assets of \$36,838,000, and five branch offices, proposes to merge with Patrick County Bank of Stuart, Va., which has total assets of \$5,379,000, and to operate the acquired bank as a branch office. The merging banks are located 29 miles apart in a mixed agricultural and manufacturing area with manufacturing increasing. Neither of the participating banks has been involved in a merger or acquisition during the past 10 years.

A degree of competition between the merging banks will be eliminated. The resulting bank will continue to rank second in the Martinsville area, where banking resources are not highly concentrated.

The merger would remove one of two small, independent banks in the primary service area of Stuart, and would require that the remaining bank, which operates one branch, compete with a branch office of the second ranked bank in the overall service area.

To this extent the proposed merger may have an adverse effect on competition; but, in view of the character of the area and the comparatively small size of the merging banks, we do not deem the effect significant.

\* \* \*

## CENTURY BANK OF CHICAGO, CHICAGO, ILL., AND THE NATIONAL CITY BANK IN CHICAGO, CHICAGO, ILL.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Century Bank of Chicago, Chicago, Ill., with.....	\$2, 762, 797	1	.....
was purchased Nov. 19, 1965, by the National City Bank in Chicago, Chicago, Ill. (14562), which had.....	29, 604, 449	1	.....
After the purchase was effected, the receiving bank had.....	29, 703, 609	.....	1

## COMPTROLLER'S DECISION

Century Bank of Chicago was opened on July 20, 1964, to fill a banking void left in the area of Pulaski and Madison Streets, Chicago, by the merger of the National Bank of Commerce with the Central National Bank. The opening was made possible by the support of stockholders of National City Bank in Chicago upon assurances of area support of the new institution. After 15 months of existence, it has become apparent that the area in which it is located is economically incapable of supporting a bank.

Of \$1.5 million in savings deposits obtained by Century, only \$407,000 are area deposits; less than half of commercial deposits are from the bank's area; and in 13 months of existence, Century Bank had been able to consummate loans totaling only \$20,000 to area merchants. An offering of stock to area residents and merchants resulted in a distribution of less than 2 percent.

Century Bank has been dependent upon National City, or associates thereof, for its continued existence. National City has caused substantial deposits to be made in Century, and has shared a number of loans with the new bank on a participation basis. In addition, management of Century has been provided by National City.

There is no competition between the two banks. The proposed purchase of assets and assumption of

liabilities of Century Bank of Chicago by National City Bank in Chicago is a recognition that Century is not being supported by its area and that there is no reasonable prospect of such support materializing. Century Bank is not a competitive factor in Chicago banking.

Accordingly, this purchase of assets and assumption of liabilities of Century Bank of Chicago by National City Bank in Chicago is clearly within the statutory criteria as being in the public interest. The transaction is approved.

NOVEMBER 2, 1965.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

Century was organized during 1964 by officers of National City to provide a bank in the Pulaski-Madison area of Chicago after National Bank of Commerce's merger with Central National.

The majority of Century's stock is owned by shareholders of National City, and some of the same persons serve as officials and directors of both banks. Century has received limited support from the Pulaski-Madison area and appears to be heavily dependent for its success upon business given it by persons associated with National City.

The proposed acquisition of assets and assumption of liabilities of Century by National City would not appear to have an adverse effect upon competition.

\* \* \*

## THE SHARON CENTER BANKING CO., SHARON CENTER, OHIO, AND THE OLD PHOENIX NATIONAL BANK OF MEDINA, MEDINA, OHIO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Sharon Center Banking Co., Sharon Center, Ohio, with.....	\$3, 631, 856	1	.....
and the Old Phoenix National Bank of Medina, Medina, Ohio (4842), which had.....	47, 855, 430	4	.....
merged Nov. 27, 1965, under charter and title of the latter bank (4842). The merged bank at the date of merger had.....	51, 487, 285	.....	5

# COMPTROLLER'S DECISION

On August 25, 1965, the Old Phoenix National Bank of Medina, Medina, Ohio, and the Sharon Center Banking Co., Sharon Center, Ohio, applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the former.

Medina, with an estimated population of 9,800, is a residential, commercial, and industrial city located 18 miles west of Akron and 18 miles south of Cleveland. There are some 45 manufacturing plants in the Medina area. Agriculture also contributes substantially to the local economy.

Sharon Center, the headquarters of the merging bank, is a community of approximately 300. Located 11 miles southwest of Medina, Sharon Center is primarily oriented toward agriculture. With the completion of a new highway that should shorten driving time to the village from Cleveland to 35 minutes, the Sharon Center area is becoming a prime site for suburban residential development. The prospects are, consequently, encouraging for the economic growth of Sharon Center.

Continuously operating since its founding in 1857, the charter bank has \$38.9 million in IPC deposits. It competes in Medina County with six other banks and faces strong competition from banks in Akron.

The merging bank, with \$2.1 million in IPC deposits, is the sole bank in Sharon Center. It also faces competition from nearby branches of Akron banks.

The convenience and needs of the Sharon Center community will be served by this merger. While there has been no industrial development, there is substantial residential building activity in and around the community. The merging bank's lending limit is too small to finance either the larger retail establishments or most of the single family dwellings being constructed or planned. The larger capital of the

resulting bank will solve this problem. In addition, the resulting bank can offer automation, which the merging bank lacks, and a trust department for new suburban residents. The merger is, therefore, essential if the needs of the community are to be met.

The effect of this merger upon competition will not be detrimental because of the distance between the merging banks, and the active competition of nearby banking offices, particularly the Akron banks and their branches. The merger will improve the competitive structure in Medina County by creating a stronger bank capable of offering more vigorous competition to the banks and savings and loan associations in Akron which attract business from the county.

This merger is essential to serve the Sharon Center community; it will have no detrimental effect on competition nor will it tend to monopoly, and it otherwise satisfies the statutory criteria. Accordingly, we approve this merger as being in the public interest.

NOVEMBER 22, 1965.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

The Old Phoenix National Bank of Medina, Medina, Ohio, a medium-sized commercial bank, with its head office and three branches in Medina County, proposes to acquire by merger the Sharon Center Banking Co., and Sharon Center, 7 miles southeast of Medina and 11 miles west of Akron, Ohio. Although the Sharon Bank's service area is included in the larger service area of the Phoenix Bank, and there apparently is some competition between the banks, it does not appear that this competition is substantial enough for the merger to affect adversely commercial banking in the combined service areas. The two banks, on the other hand, are subjected to strong competitive pressure from Akron, Ohio, an area with a high degree of concentration in commercial banking and financial resources vastly greater than those of the merging banks.

\* \* \*

## THE BANK OF LEXINGTON, LEXINGTON, S.C., AND THE FIRST COMMERCIAL NATIONAL BANK OF SOUTH CAROLINA, COLUMBIA, S.C.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Bank of Lexington, Lexington, S.C., with	\$4, 265, 937	1	.....
and the First Commercial National Bank of South Carolina, Columbia, S.C. (13720), which had	163, 419, 783	37	.....
merged Dec. 10, 1965, under the charter of the latter bank (13720), and with title of "The First National Bank of South Carolina." The merged bank at the date of merger had	167, 247, 483	.....	38

#### COMPTROLLER'S DECISION

On September 27, 1965, the Bank of Lexington, Lexington, S.C., and the First Commercial National Bank of South Carolina, Columbia, S.C., applied to the Office of the Comptroller of the Currency for permission to merge under the charter of the latter and with the title, "The First National Bank of South Carolina."

Columbia is the capital of South Carolina and the center of the largest metropolitan area in the State. With a population slightly in excess of 260,000, this area depends on a diverse economic base. Several national manufacturing corporations have production facilities in Columbia. The geographical position of the city has made it the largest retail shopping area in South Carolina. In addition, the State government is a major employer.

Lexington, a community of about 1,100 inhabitants, is located 13 miles west of Columbia. Textile manufacturing is chief among its industries. Because of its proximity to Columbia, Lexington is largely dependent upon the capital and the surrounding area for employment and retail trade.

The charter bank, with \$112 million in IPC deposits, competes throughout the State with the \$210 million Citizens & Southern National Bank of South Carolina and the \$374 million South Carolina National Bank.

The merging bank, with \$3 million in IPC deposits, operates a single office and is the only bank in Lexington. The nearest offices of the applicant banks are 10 miles apart and there are no mutual accounts, either loans or deposits.

The State of South Carolina, with a population of 2.5 million, has undergone a rapid change from a predominantly agricultural economy to a diversification of industry and commerce. Over \$2.25 billion have been expended by new and expanding industrial concerns in the past 15 years. This industrial expansion has necessitated the development of a banking structure capable of concentrating sufficient capital to accommodate and assist in the development of the economy.

As there is no other bank in Lexington, the proposed merger could have no effect upon competition in that community other than providing the benefits which would naturally flow from the increased services which could be provided by the larger bank. There is no competition being eliminated between the charter bank and the merging bank.

As the merger will provide succession of management, more available credit limits to local industry, and the introduction of new banking services to the community in which the merging bank is located, and as no competition is being eliminated, this merger is determined to be in the public interest. It is, therefore, approved.

DECEMBER 6, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

This is an application by the third largest commercial bank in South Carolina to merge a small, independent bank located in the suburbs of the headquarters city of the charter bank. The latter has an announced policy of expanding by merger and owes the larger part of its recent growth to the acquisition of nine banks during the past decade.

The 4 largest banks in South Carolina, of which group the charter bank is one, have acquired about 28 banks during the past 10 years. This acquisitive 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 within the control of a few dominant statewide institutions. Implicit in the proposed merger is the fact that there is no future for independent banks in South Carolina. Approval of this merger would render it difficult for other small independents to survive. The history of bank mergers in South Carolina indicates that the proposed merger may induce still further acquisitions and thus aggravate the tendency toward monopoly in commercial banking within that State.

Any furtherance of this trend will have an adverse effect upon competition in commercial banking in South Carolina.

\* \* \*

UNITED STATES NATIONAL BANK IN JOHNSTOWN, JOHNSTOWN, PA., AND CAMBRIA COUNTY NATIONAL BANK, CARROLLTOWN, CARROLLTOWN, PA.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
United States National Bank in Johnstown, Johnstown, Pa. (13781), with . . . . .	\$83, 875, 794	8	.....
and Cambria County National Bank, Carrolltown, Carrolltown, Pa. (5855), which had . . . . .	16, 939, 534	3	.....
consolidated Dec. 11, 1965, under charter and title of the former bank (13781). The consolidated bank at the date of consolidation had . . . . .	98, 840, 257	.....	11

COMPTROLLER'S DECISION

On October 4, 1965, an application was filed with the Office of the Comptroller of the Currency for approval of the consolidation of Cambria County National Bank, Carrolltown, Pa., and United States National Bank in Johnstown, Johnstown, Pa., under the charter and with the title of the latter.

Johnstown, head office of the charter bank, has an urban population of 54,000 and a metropolitan area population of 113,000. The city is the industrial center of both Cambria and Somerset Counties where the charter bank operates offices. The economy of Johnstown is based upon heavy industry which, until recently, has been characterized by high unemployment. However, the present unemployment rate stands at 3.4 percent, and the future appears optimistic. Approximately 85 percent of the work force is engaged in steel-making, steel fabricating, coal mining, and the manufacturing of refractories. Future growth prospects of the area are dependent upon stability in the aforementioned industries and economic diversification.

Carrolltown, located 26 miles north of Johnstown, has a population of 1,500 and is an old, established rural community which receives its major economic support from many prosperous farms in the area and employment in industries located in the greater Johnstown area. The town has a small business district which has changed little over the years. Future growth prospects appear minimal.

The economic center of the Cambria County National Bank's service area is Ebensburg, located 19 miles north of Johnstown. This town, wherein is located a branch office of the Cambria County National Bank, is the county seat of Cambria County and has a population of 5,000. The economic base is provided by the county governmental structure, a State hospital, a State school for retarded children, and a new \$30 million coal cleaning and processing plant employing 200 persons.

The charter bank, with \$68 million in IPC deposits, is the largest bank in Cambria and Somerset Counties. It operates a head office and two branches in Johnstown with five additional offices in Somerset County and the southern half of Cambria County. Competition is provided in these markets by 17 banks operating 32 offices in Cambria and adjacent counties. The Cambria County National Bank, with \$11.1 million in IPC deposits, operates three branches in the northern half of Cambria County. Competition is provided by 9 banks operating 12 offices in Cambria and adjacent counties.

The consolidating banks do not compete with each other as their service areas join but do not overlap. Not only does the topography and character of the market areas act as natural barriers, but their nearest offices are separated by a distance of 9 miles.

As a result of the proposed consolidation, an increased rate on savings deposits, trust facilities, automatic data processing, and a sorely needed increase in lending capacity will be introduced into the area now served by the merging bank.

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

DECEMBER 6, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The United States National Bank of Johnstown conducts commercial banking through eight offices located in the Johnstown, Pa. area. As of June 30, 1965, it had total IPC deposits of \$68,007,200 and total net loans and discounts of \$37,232,800.

Cambria County National Bank operates three offices located in Cambria County, one being at the county seat of Ebensburg, which is located about 6 miles from a branch of the United States National Bank located in Nanty Glo, Pa. These two branches compete to some degree with each other. As of June

30, 1965, Cambria County National Bank had total IPC deposits of \$11,118,300 and total net loans and discounts of \$7,831,700.

The proposed merger will increase banking concentration in the Johnstown area and increase the size of the largest bank in this area by about 15 percent. This merger, if approved, will eliminate a growing

bank which in the future could offer substantial competition to United States National. Although this merger, in and of itself, would not appear to have a significant adverse effect on competition, the elimination of potential competition and the furtherance of the trend toward greater banking concentration is considered adverse.

\* \* \*

THE CITIZENS NATIONAL BANK IN WEST MILTON, WEST MILTON, OHIO, AND THE FIRST TROY NATIONAL BANK & TRUST CO., TROY, OHIO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Citizens National Bank in West Milton, West Milton, Ohio (14264), with . . .	\$4, 725, 818	1	.....
and the First Troy National Bank & Trust Co., Troy, Ohio (3825), which had, .	33, 959, 044	3	.....
merged Dec. 15, 1965, under charter of the latter bank (3825) and under title			
of "The First National Bank & Trust Co." The merged bank at the date			
of merger had . . . . .	38, 684, 862	.....	4

COMPTROLLER'S DECISION

On October 22, 1965, the First Troy National Bank & Trust Co., Troy, Ohio, and the Citizens National Bank, West Milton, Ohio, applied to the Office of the Comptroller of the Currency for permission to merge under the charter of the former and with the title, "The First National Bank & Trust Co."

Troy, population 15,000, the county seat of Miami County, is located 20 miles north of Dayton. The economic activity of the surrounding trade area, which has a population of 20,000, is both industrial and agricultural with the latter consisting primarily of production of livestock and grain. New house construction in the area is important while retail sales in the community are estimated at \$25 million annually.

West Milton, a residential community of 2,500 inhabitants, is located 16 miles north of Dayton and 10 miles southwest of Troy. Farming dominates the economy of the surrounding trade area, which has a population of 9,000, while industrial activity is limited to the operation of several small plants employing less than 100 people.

The charter bank operates its main office and one branch office in Troy, while a second branch office is located in the adjacent town of Tipp City. Strongest competition for the \$32 million charter bank is afforded by the Miami Citizens National Bank & Trust Co. which is the second largest bank in the area. This bank, which is located in Piqua, Ohio, has branch offices in both Troy and Tipp City, Ohio. Included

among the other banks in the area are the Piqua National Bank, Piqua, Ohio; the Bradford National Bank, Bradford, Ohio; and the Citizens National Bank, Covington, Ohio.

The merging bank, with IPC deposits of \$3.3 million, has a single banking office and is the sixth largest operating in the area composed of Miami County and the fringe area of Montgomery County. Its principal competitor is the Farmers State Bank of Englewood, Ohio, located 5.5 miles south; additional competition is offered by the Citizens National Bank of Covington, Ohio, through its Pleasant Hills branch, located 6 miles north. Competition is also afforded by the larger financial institutions located in Dayton.

Consummation of the proposed merger will increase the lending capacity of the merging banks and thereby enable the resulting bank to handle the needs of all but the two largest industries in Troy. In addition, a variety of commercial services will be offered to the West Milton area for the first time. Among these will be trust services, now offered only by Dayton banks. Other benefits of the merger will be stronger management in the West Milton area and greater efficiency.

Competition between the two banks is negligible. The banks have only one customer in common while each does very little business in the principal trade area of the other. The merger will heighten competitive activity in the West Milton area by strengthening the competitive position of the merging bank particularly in relation to the larger Dayton banks.

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

DECEMBER 8, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The First Troy National Bank & Trust Co., of Troy, Ohio, with total assets of \$32,896,000 and two branch offices, proposes to merge with the Citizens National Bank of West Milton, Ohio, which has total assets of \$4,192,000, and to operate the merged bank as a branch office.

Applicant bank is first and merging bank is last in rank among five banks operating in the combined service area of the participating banks. The main offices of the merging banks are located 10 miles apart in a mixed manufacturing and agricultural area. Neither of the participating banks has been involved in a merger or consolidation during the past 5 years.

The proposed merger will eliminate some degree of competition between two of five competing banks in the combined service area and reduce the banking alternatives from five to four. Applicant bank's dominant position in Miami County will be considerably enhanced and the effect on competition will be adverse.

\* \* \*

#### DOUGLAS COUNTY STATE BANK, ROSEBURG, OREG., AND FIRST NATIONAL BANK OF OREGON, PORTLAND, OREG.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Douglas County State Bank, Roseburg, Oreg., with	\$34,454,060	3	
and First National Bank of Oregon, Portland, Oreg. (1953), which had	1,362,451,111	104	
merged Dec. 22, 1965, under charter and title of the latter bank (1953).			
The merged bank at the date of merger had	1,393,401,225		107

#### COMPTROLLER'S DECISION

On October 8, 1965, the First National Bank of Oregon, Portland, Oreg., and the Douglas County State Bank, Roseburg, Oreg., applied to the Comptroller of the Currency for permission to merge under the charter and with the title of "First National Bank of Oregon."

The First National Bank of Oregon, the acquiring bank, opened for business in 1866 and is headquartered in Portland, Oreg. It operates 103 branch offices, 64 percent of which are located in the northwestern corner of the State around the Portland area. As of June 30, 1965, First National showed total assets of \$1,251,351,000, IPC deposits of \$946,518,000, total deposits of \$1,114,041,000, and loans and discounts totaling \$725,299,000.

Portland, the principal city in Oregon, has a population of 380,000, and, together with a metropolitan area composed of 3 counties, has an urban area containing 600,000 persons on the Oregon side of the Columbia River. This represents almost one-third of the population of the State. Industry and commerce are diversified in the Portland area, which is served by transcontinental railroads and a major port for ocean-going vessels.

Douglas County State Bank, chartered in 1945,

presently has a main office in Roseburg, Oreg., and two branch offices nearby in Douglas County. As of June 30, 1965, it had total assets of \$31,490,000, IPC deposits of \$23,759,000, total deposits of \$28,317,000, and loans and discounts totaling \$19,577,000.

Roseburg, Oreg., is the regional trading center for the upper Umpqua River Valley, which comprises most of Douglas County and lies in the southwestern part of the State. Most of the county is mountainous, forested land with the result that the primary source of income in the Roseburg area is from lumber and plywood manufacturing, including logging.

Within the upper Umpqua River Valley in Douglas County, the trade area of the merging bank, there are 10 banking offices operated by 4 banks. In Roseburg, there are four banking offices operated by three banks; one each by the United States National Bank and the merging bank, and two by the First National Bank of Roseburg. The acquiring bank has no offices in Douglas County, and its nearest offices are in Cottage Grove (Lane County), Grants Pass (Josephine County), and Coquille (Coos County), respectively 54, 74, and 74 miles from Roseburg.

The acquiring bank is not a competitive factor in Douglas County by virtue of the mileage between its offices and Roseburg and the fact that the vast, im-



penetrable, mountainous, forest lands surrounding Roseburg preclude such. Consummation of the merger will not, therefore, lessen competition in the Douglas County market. Nor will entry of First National Bank of Oregon into the Douglas County market by merger with Douglas County State Bank eliminate any "potential" competition, inasmuch as the acquiring bank could not otherwise effectively enter the Douglas County market due to the home office protection provided by State law. Furthermore, the merger itself will raise no barriers to entry by other potential competitors.

Consummation of the merger will not increase banking concentration within the Douglas County market. Following the merger there will be the same number of banking alternatives available in the market as before, and the existing market shares of each will not be increased by reason of the merger. It is concluded, therefore, that the effect of the merger upon competition in the Douglas County market will not be adverse.

Although the relevant market here is clearly not statewide, the proportion of total deposits statewide held by First National Bank of Oregon has decreased from 42 percent in 1954 to 39 percent in 1964, and the proportion of total banking offices statewide held by First National Bank of Oregon has declined from 37 percent in 1954 to 33 percent in 1964. Consummation of the merger will add to this share only 0.9 percent of total statewide deposits and 0.9 percent of the total statewide banking offices. During the same 10-year period the share of total statewide deposits held by banks other than the two largest banks in the State has increased from 17 to 22 percent, and of the total number of bank offices from 31 to 34 percent. It appears, therefore, that during the last 10 years there has been a statewide decrease in concentration.

Consummation of the merger will provide the merging bank with needed depth and continuity of management. Moreover, by virtue of the acquiring bank's ability to provide skilled and diversified management and accounting services and its ability to enter the money market and secure operating capital at prices lower than those which the smaller merging bank would have to pay, the merger should produce economies of operation.

A survey of the lumbering industry in Douglas County discloses a trend toward fewer sawmills and bigger integrated facilities. Since 1951, the number of active sawmills in Douglas County has decreased from 160 to 38 in 1964. The changing characteristics of the lumbering industry indicate that banks, such as the acquiring bank, with larger lending limits than

those of the merging bank and with specialized knowledge will be best able to meet the financial needs of the larger, integrated manufacturers, and will best be able to adjust to the fluctuating economic conditions in that industry. In addition, the resulting bank will be better able to serve the convenience and needs of the Douglas County market by bringing services there, particularly specialized lending services, agricultural representative services, trust department services, and international banking services, which the merging bank does not now offer.

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

DECEMBER 22, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

The First National Bank of Oregon (National), Portland, Oreg., proposes to merge with the Douglas County Bank (Douglas), Roseburg, Oreg. It intends to operate Douglas' main office and its branch offices in Oakland and Sutherlin, Oreg., as branches of National.

National is the largest of two statewide banking chains, which together control about 78 percent of all commercial banking in the State of Oregon. Both statewide chains have obtained their present position, in part, through mergers with and acquisitions of other banks. National now proposes to add three additional banking facilities to its chain of banking offices, thus continuing the trend toward concentration of all banks in Oregon in the hands of the two dominant banks.

Douglas competes in a limited manner with a branch office of National and competes directly with branch offices of United States National Bank of Oregon, the other large banking chain in the State of Oregon. The acquisition may further endanger the ability of other smaller, independent banks in the Roseburg area and throughout the State to compete effectively with the two largest statewide banking chains. Douglas with deposits of \$28 million is the seventh largest bank in the State of Oregon and the largest bank outside of the Portland metropolitan area. Of the 53 banks in Oregon, 46 of them are smaller than Douglas and each has less than 1 percent of total deposits in that State.

Thus, it is believed that the proposed acquisition will have a seriously adverse effect on competition and will further the trend toward concentration of all commercial banking in the State of Oregon in the hands of the two largest banking chains.

\* \* \*

**BANK OF LOS ANGELES, LOS ANGELES, CALIF., AND UNITED STATES NATIONAL BANK, SAN DIEGO, CALIF.**

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank of Los Angeles, Los Angeles, Calif., with.....	\$18, 572, 532	3	.....
and United States National Bank, San Diego, Calif. (10391), which had.....	309, 001, 530	42	.....
merged Dec. 29, 1965, under charter and title of the latter bank (10391).			
The merged bank at the date of merger had.....	327, 574, 062	.....	45

**COMPTROLLER'S DECISION**

On November 22, 1965, United States National Bank, San Diego, Calif., and Bank of Los Angeles, Los Angeles, Calif., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

San Diego, with a population of approximately 654,000, is a port city and is California's third largest city. The economy of this area is highly diversified in agriculture, manufacturing, foreign and domestic finance, and service industries. The employment rate is rising and the area is growing in population by an estimated 400,000 each year.

Los Angeles, with a population of 2,700,000 has experienced a huge population growth during the past 25 years. The downtown financial district of Los Angeles, where the merging bank is located, is the financial and commercial headquarters for southern California. While the charter bank has 10 branches in the Los Angeles Metropolitan area, it does not have any offices in this downtown financial district.

The charter bank, with \$208 million in IPC deposits, is the 10th largest bank in California. In addition to the main office, the bank at present operates 39 branches in 5 southern California counties. It competes with four of the five largest banks in the State, as well as with several smaller banks.

The merging bank, with \$11.3 million in IPC deposits, has one branch in operation and plans to open a second branch on December 27. Twenty-three banks operate 149 offices within a 5-mile radius of the Los Angeles financial section, including branches of 4 of the largest banks in the State. In addition, there are 28 savings and loan associations located in the same area.

The proposed merger will have little effect on competition either in San Diego or in the four-county area served by the charter bank. In the intensely competitive financial district of Los Angeles, the resulting bank will be a stronger factor than the merging bank. There will be no elimination of competition as the

nearest office of the United States National Bank to the head office of the Bank of Los Angeles is 8½ miles. The effect on competition will be *de minimis* in the San Diego area and positive in downtown Los Angeles.

The management of the charter bank is considered very capable. With its considerable depth and high caliber of management, the charter bank can supply officers for the downtown Los Angeles branch which the merging bank, because of its size, cannot attract.

The resulting bank will offer a greatly increased lending limit to the customers of the merging bank. In addition, trust services, which are not now offered by the merging bank, will be available at the resulting bank in Los Angeles.

The Bank of Los Angeles has not become the solid force in the downtown Los Angeles banking community which was expected of it at its opening in February 1963. The merger will greatly strengthen this downtown banking office, and will offer even better banking services to an area which, because of the progressive branching laws of California, enjoys banking services of the highest quality.

Having considered the merger application in the light of the relevant statutory criteria, it is determined that the merger will be in the public interest and it is, therefore, approved.

DECEMBER 29, 1965.

**SUMMARY OF REPORT BY ATTORNEY GENERAL**

This application is a proposal by the charter bank, a San Diego-based institution with 40 offices located principally in the vicinity of San Diego or Los Angeles and deposits of \$267 million, to acquire by merger a two-office bank serving the Pasadena area near Los Angeles.

Although the charter bank operates several offices in Los Angeles, the application reports no depositors or borrowers common to the two banks with a single exception, and describes the business derived by each bank in the service area of the other as negligible. It states that the service areas of the merging banks are

contiguous rather than overlapping. These facts indicate that the banks are not in actual competition.

The proposed merger would not alter the rank of the charter bank in its home office area, nor is it likely to have a significant impact generally on competitors of the charter bank in the Los Angeles area. Since the

merging bank's service area includes offices of California's largest banks, the proposed merger should not substantially alter their competitive position.

For these reasons, it is our view that the proposed merger would have no significant adverse effect on competition.

\* \* \*

THE FIRST NATIONAL BANK OF WHIPPANY, WHIPPANY, N.J., AND THE FIRST NATIONAL IRON BANK OF MORRISTOWN, MORRISTOWN, N.J.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Whippany, Whippany, N.J., Charter No. 13173, with..	\$26, 715, 757	3	.....
and the First National Iron Bank of Morristown, Morristown, N.J. (1113),	78, 086, 256	9	.....
which had .....			
merged Dec. 30, 1965, under the charter of the latter bank (1113), and with			
title of "The First National Iron Bank of New Jersey." The merged bank	104, 820, 014	.....	12
at the date of the merger had .....			

COMPTROLLER'S DECISION

On July 13, 1965, the First National Bank of Whippany, Whippany, N.J., applied to the Office of the Comptroller of the Currency for permission to merge into the First National Iron Bank of Morristown, Morristown, N.J., under the charter of the latter and with the title "The First National Iron Bank of New Jersey."

Morristown, population 20,000, is the county seat of Morris County, a prosperous residential and commercial area in northern New Jersey, approximately 30 miles from New York City. The population of the county has increased from 164,000 in 1950 to an estimated 328,000 in 1965. Industrial growth has been equally impressive due to the location in the county of many nationally and internationally known companies.

Whippany is a section of Hanover Township, which has a population of 10,200. Although it is largely residential, the township, which is also in Morris County, has a number of small industries as well as some major companies, such as the Bell Telephone Laboratories and International Paper Co. The economy is balanced and future prospects appear promising.

Morris County is served by 11 commercial banks with 46 offices, and 1 savings bank with 2 offices. The two largest of these banks are Morris County Savings Bank, and the Trust Co. of Morris County, both of which considerably exceed the size of the

charter or merging banks and will still be larger than the resulting bank.

The effect of the merger on the competitive structure in Morris County will be minimal. It will permit more vigorous competition with the two larger banks in the county, which neither of the applicant banks could offer alone. At the same time, it should not disadvantage the several smaller banks which are operating quite successfully. The active competition within the county is augmented by solicitation of accounts there from banks in nearby Essex County in particular. In addition, the New York City banks are strong competitors for individual and corporate accounts in the county, as many citizens commute to New York to work and many of the companies have head offices in New York. The strengthening of the applicant banks through merger will thus offer greater competition in Morris County.

The convenience and needs of the community will be served by the merger. The increase in lending limit resulting from the merger will permit the resulting bank to serve the larger industries which have been moving into Morris County and which neither bank has been able to serve alone.

The merging bank does not have trust powers. After the merger, its customers will have the advantages of the long-established trust department of the Iron Bank.

The banking public will also derive benefits from the economies arising from centralized operations, such

as data processing, bookkeeping, business development, and advertising. The management of the charter bank has demonstrated progressive leadership as illustrated in the growth of deposits from \$45 million in 1960 to \$59.1 million in 1964. The merging bank has also benefited from sound leadership, but there is not the depth of management there which gives confidence for the future. This merger is a salutary solution to the Whippany Bank's management succession problem because it will enable utilization of the charter bank's executive resources.

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

DECEMBER 17, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

First National Iron Bank ("Iron Bank") is presently the second largest commercial bank in Morris County with assets of approximately \$65 million and nine offices. First National Bank of Whippany ("First National") is the fifth largest commercial bank in competition with Iron Bank, and the sixth largest of all such banks in the county, with assets of approximately \$22 million and three existing offices and another approved, but not yet open.

There is presently a degree of competition existing between the merging bank, which should increase when First National opens its approved branch in Hanover, which is only 2.4 road miles from Iron Bank's head office in Morristown. (Iron Bank has two other offices in Morristown.) The proposed merger would, of course, eliminate this competition.

In addition to Iron Bank, First National also competes with two offices of the Trust Co. of Morris County ("Trust Co.") and an office of the Boonton National

Bank. Trust Co. is the county's largest commercial bank, with assets of approximately \$91 million and ten offices, two of which, including its head office, are in Morristown. Boonton National Bank has three offices and assets of approximately \$20 million. The latter's office which presently competes with First National's head office appears close enough to Iron Bank's office in Mountain Lakes to be in some competition with it. As a result of this merger, this office of Boonton National will be in competition with two offices of a bank much larger than either of its present competitors. This may affect Boonton National adversely should, for instance, the office in Whippany have funds available for loan purposes from other offices of Iron Bank. Since, however, only one of its three offices will be involved, Boonton National may not be seriously affected.

A more serious effect may be felt by Madison National Bank, which is a unit bank with assets of only \$4 million. Madison National already competes with two offices of the Trust Co. and will probably be in competition with First National's unopened branch in Hanover. This merger would place Madison National in competition with two, instead of one, comparative giants.

The resulting bank will be approximately the same size as the Trust Co. Together these banks would have about 65 percent of the assets of commercial banks competing with Iron Bank and 50 percent of the assets of all commercial banks in the county. This degree of concentration and dominance may limit the growth of the county's smaller banks.

We conclude that approval of this merger may have an adverse effect on existing and potential competition and will increase concentration, which is already far advanced, in the Morris County area.

\* \* \*

#### METAMORA STATE SAVINGS BANK, METAMORA, MICH., AND THE FIRST NATIONAL BANK OF LAPEER, LAPEER, MICH.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Metamora State Savings Bank, Metamora, Mich., with.....	\$5, 308, 982	2	.....
and the First National Bank of Lapeer, Lapeer, Mich. (1731), which had.....	21, 913, 315	4	.....
merged Dec. 31, 1965, under charter and title of the latter bank (1731). The merged bank at the date of merger had.....	27, 344, 851	.....	6

# COMPTROLLER'S DECISION

On October 22, 1965, the First National Bank of Lapeer, Lapeer, Mich., and Metamora State Savings Bank, Metamora, Mich., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and title of the former.

Lapeer is located in eastern Michigan approximately 60 miles north of Detroit and 20 miles east of Flint. It has a population of 6,000 and serves an area of about 42,000 persons. The economy of Lapeer is divided between agriculture and industry, including the manufacture of mobile homes, airplane equipment, iron castings, and products for the automobile industry. The expansion of General Motor's plants in Flint has also significantly contributed to the community's economy.

Metamora, situated 9 miles south of Lapeer, has a population of 450 and serves an area of 6,000 persons. The town and its immediate vicinity have no industry and are economically dependent upon the area's high quality agriculture, especially dairy farming.

The charter bank, with IPC deposits of \$17 million, operates two drive-in facilities in Lapeer and one branch office in Dryden, 4 miles northeast of the merging bank. Within the 9-mile service area of the charter bank are 10 other banking institutions. Since 33 percent of the work force in Lapeer County is employed in Pontiac, Flint, and Saginaw, the acquiring bank competes with large banks in those cities and especially with the credit unions available to the automotive industry's employees in those cities.

The merging bank, with IPC deposits of \$5 million, has one branch office in Hadley, 6 miles northwest of Metamora. Since 1957 a majority of the stock of the merging bank has been held by a majority of the stockholders of the acquiring bank.

The charter bank has an aggressive and capable management and has demonstrated a good growth record during the last decade. The Metamora bank faces a serious management succession problem, and the community has need for broader banking services, including the lease financing of agricultural equipment and machinery.

The merger will provide the Lapeer-Metamora area with the facilities of a substantial bank and will increase competition with larger Pontiac, Flint, and Saginaw based banks.

Although there is an overlap in the service areas of the merging banks, the number of common depositors is not significant and the competition is minimal because of the agricultural orientation of the merging bank. Moreover, because of the present affiliation of the two banks, their formal merger will result in a minimum of change in the competitive banking structure of Lapeer County.

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

DECEMBER 13, 1965.

## SUMMARY OF REPORT BY ATTORNEY GENERAL

This is the first merger by either bank. Both are comparatively small country banks located in Lapeer County, Mich. Although it would technically increase banking concentration ratios beyond allowable limits in what we consider to be the relevant market area by combining National's 29.6 percent share with Metamora's 6.69 percent, the fact that majority stock control of both has rested in the same hands for about 9 years, renders the merger little more than a formality with no significant competitive impact.

\* \* \*

FIRST NATIONAL BANK OF BOONE, BOONE, N.C., AND FIRST NATIONAL BANK OF EASTERN NORTH CAROLINA, JACKSONVILLE, N.C.

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Boone, Boone, N.C. (15116), with . . . . .	\$2,005,600	1	.....
and First National Bank of Eastern North Carolina, Jacksonville, N.C. (14676), which had . . . . .	38,255,360	16	.....
merged Dec. 31, 1965, under charter and title of the latter bank (14676). The merged bank at the date of merger had . . . . .	40,083,338	.....	17

#### COMPTROLLER'S DECISION

On November 29, 1965, the First National Bank of Boone, Boone, N.C., and the First National Bank of Eastern North Carolina, Jacksonville, N.C., applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

The charter bank, with IPC deposits of \$25 million, is located in Jacksonville, the county seat of Onslow County and with a population of about 14,000. Jacksonville, situated in the eastern section of the State, some 18 miles from the Atlantic Ocean, has experienced considerable growth in recent years. It is a trade center for the agricultural products of the area. The First National Bank of Eastern North Carolina, through its 17 offices, operates principally in the eastern section of the State in an area referred to as the "Coastal Plains Area." The bank, since opening in 1952, has experienced rapid growth. Banking competition in this area is offered by offices of other large banks. In addition, there are savings and loan associations, insurance companies, credit unions, sales finance and personal loan companies, and direct lending agencies of the Government.

The merging bank, with IPC deposits of \$1.5 million, is located in Boone, the seat of Watauga County, with a population of about 4,000. Boone, situated in the Blue Ridge Mountains in the western part of the State, is a retail trading center for an agricultural area, a tourist attraction, and the site of the Appalachian State Teachers College which has a student enrollment of over 4,000. Future prospects for the area are good by reason of increasing emphasis on winter sports and industrial development. The First National Bank of Boone is a small single-unit bank, presently faced with a serious management problem. The bank faces competition from branch offices of the large Northwestern Bank, one savings and loan association, and other financial institutions.

The proposed merger will not result in the elimination of competition between the applicant banks. The

nearest office of the charter bank is 250 miles east of the merging bank and there is no evidence of existing competition between them. While the addition of \$2 million in assets to the charter bank will have practically no competitive effect in the Jacksonville area, consummation of the proposed merger will solve a serious management problem at the merging bank, and will provide a bank better able to meet the needs and serve the interests of Boone by providing a broader based institution capable of meeting the general credit demands of this community.

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

DECEMBER 29, 1965.

#### SUMMARY OF REPORT BY ATTORNEY GENERAL

First National Bank of Boone, which was organized on July 2, 1963, is a single office bank with total assets of \$1,950,872, total deposits of \$1,633,362, net loans and discounts of \$1,152,000, and capital accounts of \$277,971.

First National Bank of Eastern North Carolina, which was organized on October 4, 1952, has followed an aggressive policy of branching which had brought it into competition with the largest banks in the State. As of October 30, 1965, it had 18 offices with total assets of \$35,517,837, total deposits of \$30,715,484, net loans and discounts of \$19,766,000, and total capital accounts of \$3,752,552.

The head offices of the merging banks are approximately 225 miles apart and the closest branch office of the acquiring bank is over 100 miles from the acquired bank. There is little, if any, competition between the merging banks which would be eliminated by the merger. Neither does it appear that there will be any adverse competitive effect on other banks located in the service area of either of the merging banks in the event of merger.

The competitive effect of the proposed merger would not be adverse.

\* \* \*

THE PEOPLES SAVINGS BANK OF GREENVILLE, OHIO, GREENVILLE, OHIO, AND THE SECOND NATIONAL BANK OF GREENVILLE, GREENVILLE, OHIO

Name of bank and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Peoples Savings Bank of Greenville, Ohio, Greenville, Ohio, with . . . . .	\$4, 530, 020	1	.....
and the Second National Bank of Greenville, Greenville, Ohio (2992), which had . . . . .	16, 556, 849	2	.....
merged Dec. 31, 1965, under charter of the latter bank (2992) and under title of "The Second National Bank of Greenville, Greenville, Ohio." The merged bank at the date of merger had . . . . .	21, 086, 870	.....	3

COMPTROLLER'S DECISION

On October 15, 1965, the People's Savings Bank of Greenville, Greenville, Ohio, and the Second National Bank of Greenville, Greenville, Ohio, applied to the Office of the Comptroller of the Currency for permission to merge under the charter and with the title of the latter.

Greenville, population 13,750, is located in the western central part of Ohio, being the only city and principal commercial center of Darke County, population 47,000. The trade area of Greenville encompasses the entire county. Agriculture, the primary economic base of the area, contributed more than \$26 million income to the area in 1964. In addition, there is substantial industrial activity provided by plants of Fram Corp., Corning Glass Works, the Hobart Manufacturing Co., Neff Athletic Lettering Co., General Athletic Products Co., and American Aggregate Corp., among others.

The \$16 million charter bank operates its main office and one branch in Greenville. It has experienced steady growth in deposits and other resources largely as a result of increased economic activity in Darke County. The \$4.5 million merging bank maintains its main office in Greenville; its growth has been slow due to conservative policies and management. Actual competition between the two banks has been slight because of the limited resources of the merging bank. Additional competition is provided by the nine other banks and three building and loan associations vying for business in the county.

Convenience and needs of the community will be served by the merger because of additional services

which the resulting bank can provide. The larger lending capacity of the resulting bank arising from the merger will put the banks in a better position to serve the expanding financial requirements of the industrial and agricultural complex of the rapidly growing county. Management depth and an increased ability to recruit and train competent personnel, which has been a problem for the merging bank in the past, will also be provided as a result of the merger.

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

DECEMBER 16, 1965.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The Second National Bank of Greenville, Greenville, Ohio, with total assets of \$16,299,000, and one branch office, proposes to merge the Peoples Savings Bank of Greenville, which has total assets of \$4,445,000, and to operate the merged bank as a branch office.

Applicant bank is first and merging bank is third in rank among four banks in the city of Greenville. The merging banks are located a block apart in a town serving an area predominantly agricultural. Neither of the participating banks has been involved in a merger or acquisition during the past 5 years.

The proposed merger will eliminate all competition between two of four competing banks in Greenville and reduce the banking alternatives from four to three. Applicant bank's dominant position in Greenville and Darke County will be materially enhanced and the effect on competition will be adverse.

\* \* \*

## APPENDIX B

# Statistical Tables



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## Statistical Tables

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TABLE B-1  
Comptrollers of the Currency, 1863 to the present

No.	Name	Date of appointment	Date of resignation	State
1	McCulloch, Hugh . . . . .	May 9, 1863	Mar. 8, 1865	Indiana
2	Clarke, Freeman . . . . .	Mar. 21, 1865	July 24, 1866	New York
3	Hulburd, 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	Dawcs, 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	New York
13	Williams, John Skelton . . . . .	Feb. 2, 1914	Mar. 2, 1921	Virginia
14	Crissinger, D. R. . . . .	Mar. 17, 1921	Apr. 30, 1923	Ohio
15	Dawcs, 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	Nov. 15, 1966	Illinois
22	Camp, William B. . . . .	Nov. 16, 1966	.....	Texas

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 <sup>1</sup>	Nebraska
2	Faulstich, Albert J . . . . .	July 2, 1962	July 18, 1965	Louisiana
3	Chase, Anthony G . . . . .	July 21, 1965	.....	Washington
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 <sup>2</sup>	Dist. of Columbia
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	Nov. 15, 1966	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	Egertson, R. Coleman . . . . .	July 13, 1964	June 30, 1966 <sup>3</sup>	Iowa
40	Blanchard, Richard J . . . . .	Sept. 1, 1964	.....	Massachusetts
41	Park, Radcliffe . . . . .	Sept. 1, 1964	.....	Wisconsin
42	Faulstich, Albert J . . . . .	July 19, 1965	.....	Louisiana
43	Motter, David C . . . . .	July 1, 1966	.....	Ohio

<sup>1</sup> Appointed Regional Comptroller of the Currency with headquarters in San Francisco, Calif.

<sup>2</sup> Died Mar. 2, 1923.

<sup>3</sup> Appointed Regional Comptroller of the Currency with headquarters in Philadelphia, Penn.

TABLE B-3

*Changes in the structure of the National Banking System, by States, 1863-1965*

	Organized and opened for busi- ness 1863- 1965	Consolidated and merged under 12 U.S.C. 215		Insol- ventcies	Liqui- dated	12 U.S.C. 214		In operation Dec. 31, 1965
		Consoli- dated	Merged			Converted to State banks	Merged or consolidated with State banks	
United States . . . . .	15, 570	683	243	2, 817	6, 705	64	243	4, 815
Alabama . . . . .	199	4	2	45	62	0	0	86
Alaska . . . . .	8	0	0	0	2	0	1	5
Arizona . . . . .	32	1	0	6	21	0	0	4
Arkansas . . . . .	160	1	0	39	55	0	0	65
California . . . . .	601	19	21	66	384	2	14	95
Colorado . . . . .	262	5	0	56	84	0	0	117
Connecticut . . . . .	135	11	6	7	69	0	13	29
Delaware . . . . .	32	0	0	1	18	0	8	5
District of Columbia . . . . .	36	8	0	7	13	0	0	8
Florida . . . . .	280	2	0	42	41	0	0	195
Georgia . . . . .	199	8	0	42	87	5	0	57
Hawaii . . . . .	7	1	0	0	4	0	0	2
Idaho . . . . .	112	0	1	35	65	0	2	9
Illinois . . . . .	965	19	3	227	296	2	1	417
Indiana . . . . .	444	14	1	98	205	0	4	122
Iowa . . . . .	561	4	0	205	243	7	1	101
Kansas . . . . .	454	6	0	76	198	4	0	170
Kentucky . . . . .	250	11	2	37	110	7	2	81
Louisiana . . . . .	120	4	0	16	53	0	0	47
Maine . . . . .	127	8	5	13	79	0	1	21
Maryland . . . . .	156	3	10	17	69	0	7	50
Massachusetts . . . . .	382	38	6	28	207	0	10	93
Michigan . . . . .	348	11	3	77	157	0	3	97
Minnesota . . . . .	510	8	0	116	192	1	0	193
Mississippi . . . . .	93	5	1	16	34	0	0	37
Missouri . . . . .	319	12	1	58	148	3	1	96
Montana . . . . .	205	3	0	76	76	0	0	50
Nebraska . . . . .	411	2	0	83	199	1	0	126
Nevada . . . . .	17	1	0	4	8	0	1	3
New Hampshire . . . . .	83	3	1	5	23	0	0	51
New Jersey . . . . .	435	49	13	59	150	1	16	147
New Mexico . . . . .	97	1	0	25	37	0	0	34
New York . . . . .	1, 012	123	49	130	440	4	68	198
North Carolina . . . . .	157	8	9	44	58	0	8	30
North Dakota . . . . .	263	3	0	100	118	0	0	42
Ohio . . . . .	715	32	8	112	333	1	5	224
Oklahoma . . . . .	775	12	0	85	454	2	0	222
Oregon . . . . .	151	2	2	31	102	0	2	12
Pennsylvania . . . . .	1, 286	98	55	211	488	2	59	373
Rhode Island . . . . .	67	3	0	2	58	0	0	4
South Carolina . . . . .	132	8	7	43	49	0	0	25
South Dakota . . . . .	222	13	0	93	81	2	0	33
Tennessee . . . . .	218	8	0	36	94	2	2	76
Texas . . . . .	1, 321	45	0	142	572	16	1	545
Utah . . . . .	45	4	0	6	19	1	2	13
Vermont . . . . .	85	3	2	17	29	1	6	27
Virginia . . . . .	276	21	30	28	74	0	5	118
Washington . . . . .	242	18	5	51	137	0	0	31
West Virginia . . . . .	196	11	0	38	68	0	0	79
Wisconsin . . . . .	288	9	0	54	115	0	0	110
Wyoming . . . . .	77	0	0	12	26	0	0	39
Virgin Islands . . . . .	1	0	0	0	0	0	0	1
Puerto Rico . . . . .	1	0	0	0	1	0	0	0

TABLE B-4

*Applications for new National bank charters, approved and rejected, by States, calendar 1965*

	<i>Approved 1965</i>	<i>Rejected 1965</i>		<i>Approved 1965</i>	<i>Rejected 1965</i>
<i>Alabama</i>			<i>Illinois</i>		
Foley, Ala. ....		Apr. 1	South Shores National Bank of Decatur, Decatur, Ill. ....	Jan. 8	Mar. 13
Jasper, Ala. ....		May 13	Urbana, Ill. ....		May 10
<i>Arkansas</i>			Chicago, Ill. ....		May 13
Clinton, Ark. ....		Feb. 24	Mt. Vernon, Ill. ....		May 21
Citizens National Bank of Jacksonville, Jacksonville, Ark. ....	Dec. 10		Hoffman Estates, Ill. ....		June 23
Little Rock, Ark. ....		Dec. 10	Addison, Ill. ....		June 23
Fidelity National Bank of West Memphis, West Memphis, Ark. ....	Dec. 10		Northbrook, Ill. ....		June 23
			Charleston, Ill. ....		Dec. 20
<i>California</i>			<i>Iowa</i>		
Menlo Park, Calif. ....		Jan. 5	Dubuque, Iowa. ....		Apr. 28
Santa Barbara, Calif. ....		Jan. 5	Cedar Rapids, Iowa. ....		Dec. 23
Los Angeles, Calif. ....		Jan. 7	<i>Kansas</i>		
Los Angeles, Calif. ....		Jan. 7	Lawrence, Kans. ....		Apr. 27
Watsonville, Calif. ....		Jan. 19	Wichita, Kans. ....		May 28
Lafayette, Calif. ....		Feb. 12	<i>Louisiana</i>		
Lancaster, Calif. ....		Feb. 12	Minden, La. ....		Apr. 15
Santa Cruz, Calif. ....		Feb. 12	Port Allen, La. ....		May 21
Camarillo, Calif. ....		Feb. 17	Parish National Bank of Bogalusa, Boga- lusa, La. ....	Nov. 1	
Santa Barbara, Calif. ....		Feb. 17	Abbeville, La. ....		Nov. 3
Baldwin Park, Calif. ....		Feb. 18	<i>Maryland</i>		
Modesto, Calif. ....		Feb. 18	Ellicott City, Md. ....		Feb. 24
Merced, Calif. ....		Feb. 24	<i>Massachusetts</i>		
Palm Desert, Calif. ....		Feb. 24	Congress National Bank of Boston, Boston, Mass. ....	Jan. 13	
Alhambra, Calif. ....		Feb. 25	Lakeville, Mass. ....		Feb. 18
Seal Beach, Calif. ....		Feb. 25	Lynn, Mass. ....		Feb. 18
Marysville, Calif. ....		Mar. 2	Belmont, Mass. ....		Nov. 2
Anaheim, Calif. ....		Mar. 18	<i>Michigan</i>		
Los Angeles, Calif. ....		June 8	Warren, Mich. ....		Apr. 28
<i>Colorado</i>			Warren, Mich. ....		Apr. 28
Denver, Colo. ....		Feb. 12	Oakland National Bank, Southfield, Mich. ....	May 10	
Lyons, Colo. ....		Apr. 1	<i>Mississippi</i>		
<i>Connecticut</i>			Ocean Springs, Miss. ....		Apr. 28
Berlin, Conn. ....		Jan. 4	Marks, Miss. ....		May 13
Branford, Conn. ....		Jan. 5	Southern National Bank of Hattiesburg, Hattiesburg, Miss. ....	May 28	
Branford, Conn. ....		Jan. 5	New Albany, Miss. ....		June 8
Hartford Conn. ....		Jan. 14	Gulport, Miss. ....		July 7
Groton, Conn. ....		Feb. 18	First National Bank of Waynesboro, Waynesboro, Miss. ....	Nov. 2	
Norwich, Conn. ....		Apr. 1	<i>Missouri</i>		
<i>Florida</i>			First National Bank of Richmond, Rich- mond, Mo. ....	Jan. 5	
Miami, Fla. ....		Jan. 4	Festus, Mo. ....		Jan. 28
Casselberry, Fla. ....		Jan. 5	Joplin, Mo. ....		Apr. 1
Moore Haven, Fla. ....		Jan. 5	Kansas City, Mo. ....		Apr. 1
Miami Beach, Fla. ....		Jan. 7	Peoples National Bank of Joplin, Joplin, Mo. ....	Apr. 30	
Orlando, Fla. ....		Jan. 14	Richmond Heights, Mo. ....		May 28
Fort Myers Beach, Fla. ....		Feb. 12	<i>Montana</i>		
Titusville, Fla. ....		Feb. 12	East Helena, Mont. ....		Apr. 1
Auburndale, Fla. ....		Apr. 15	Ennis, Mont. ....		Apr. 1
Daytona Beach, Fla. ....		Apr. 16	Billings Heights, Mont. ....		Apr. 30
Miami, Fla. ....		Apr. 21			
Fort Lauderdale, Fla. ....		May 13			
Orlando, Fla. ....		May 21			
Jacksonville, Fla. ....		June 8			
Islamorada, Fla. ....		Aug. 20			
Ocala, Fla. ....		Dec. 13			
Springfield, Fla. ....		Dec. 13			
<i>Georgia</i>					
Lafayette, Ga. ....		Apr. 1			
Atlanta, Ga. ....		July 27			
Security National Bank, near Smyrna, Ga. ....	Dec. 20				
<i>Hawaii</i>					
Honolulu, H waii. ....		Feb. 26			

TABLE B-4—Continued

*Applications for new National bank charters, approved and rejected, by States, calendar 1965*

<i>Nebraska</i>	<i>Approved 1965</i>	<i>Rejected 1965</i>	<i>Tennessee</i>	<i>Approved 1965</i>	<i>Rejected 1965</i>
Western National Bank of Scottsbluff, Scottsbluff, Nebr. ....	Apr. 20	.....	Johnson City, Tenn. ....	.....	Jan. 4
<i>Nevada</i>			Sweetwater, Tenn. ....	.....	Apr. 1
Las Vegas, Nevada. ....	.....	Apr. 1	Jefferson City, Tenn. ....	.....	May 28
<i>New Hampshire</i>			First National Bank of Livingston, Living- ston, Tenn. ....	May 28	.....
Peoples National Bank of Littleton, Littleton, N.H. ....	Sept. 24	.....	Woodbury, Tenn. ....	.....	May 28
<i>New Jersey</i>			First National Bank of Selmer, Selmer, Tenn. ....	Sept. 8	.....
Union, N.J. ....	.....	Apr. 1	<i>Texas</i>		
Teaneck, N.J. ....	.....	Apr. 27	Bank of Galveston, National Association, Galveston, Tex. ....	Feb. 16	.....
Denville, N.J. ....	.....	July 21	Capital National Bank, Houston, Tex. ....	Feb. 19	.....
Ramsey, N.J. ....	.....	Nov. 2	The Lumbermen's National Bank of Houston, Houston, Tex. ....	Feb. 19	.....
<i>New Mexico</i>			Houston, Tex. ....	.....	Feb. 19
Bernalillo County, N. Mex. ....	.....	Apr. 16	Tomball, Tex. ....	.....	Feb. 26
Las Cruces, N. Mex. ....	.....	Apr. 28	Whitehouse, Tex. ....	.....	Apr. 20
<i>New York</i>			First National Bank of Whitehouse, White- house, Tex. ....	May 18	.....
Staten Island, N.Y. ....	.....	Feb. 12	Fort Hood National Bank, Fort Hood, Tex. ....	Oct. 18	.....
Wappingers Falls, N.Y. ....	.....	Apr. 15	<i>Utah</i>		
Hicksville, N.Y. ....	.....	May 28	American Fork, Utah. ....	.....	Apr. 1
Community National Bank & Trust Co. of Richmond, Staten Island, N.Y. ....	June 10	.....	<i>Virginia</i>		
<i>North Carolina</i>			Williamsburg National Bank, Williams- burg, Va. ....	May 13	.....
Havelock, N.C. ....	.....	Dec. 7	<i>Washington</i>		
<i>Ohio</i>			Alderwood Manor, Wash. ....	.....	Apr. 15
Community National Bank of Warrens- ville Heights, Warrensville Heights, Ohio	Jan. 5	.....	Longview, Wash. ....	.....	June 23
Avon Lake, Ohio. ....	.....	Feb. 24	Port Angeles, Wash. ....	.....	June 23
North Olmsted, Ohio. ....	.....	May 21	Seattle, Wash. ....	.....	July 1
Cleveland, Ohio. ....	.....	July 21	Fircrest, Wash. ....	.....	Aug. 18
Cleveland, Ohio. ....	.....	July 21	<i>West Virginia</i>		
<i>Oklahoma</i>			Cross Lanes, W. Va. ....	.....	May 13
Oklahoma City, Okla. ....	.....	Feb. 18	The Valley National Bank of Huntington, Huntington, W. Va. ....	Oct. 11	.....
Oklahoma City, Okla. ....	.....	Apr. 1	<i>Wisconsin</i>		
Miami, Okla. ....	.....	June 23	Neenah West National Bank, Neenah, Wis. ....	Aug. 20	.....
<i>Oregon</i>			Security National Bank of Racine, Racine, Wis. ....	Sept. 24	.....
Crater National Bank of Medford, Med- ford, Oreg. ....	Sept. 17	.....	Plover, Wis. ....	.....	Nov. 5
<i>South Carolina</i>			<i>Wyoming</i>		
Timmons ville, S.C. ....	.....	Apr. 2	Jackson, Wyo. ....	.....	Jan. 29
Georgetown, S.C. ....	.....	June 8	Cheyenne, Wyo. ....	.....	Apr. 1
			Cheyenne, Wyo. ....	.....	Apr. 1
			<i>Puerto Rico</i>		
			Hato Rey, Puerto Rico. ....	.....	Jan. 29

TABLE B-5

*Newly organized National banks, by States, calendar 1965*

<i>Charter No.</i>	<i>Title and location of bank</i>	<i>Total capital accounts</i>
Total, United States: 78 banks . . . . .		\$74, 266, 251
ALABAMA		
15535	First National Bank of Aliceville . . . . .	400, 00
15473	City National Bank of Birmingham . . . . .	2, 000, 00
15481	City National Bank of Gadsden . . . . .	1, 000, 00
15485	Muscle Shoals National Bank, Muscle Shoals . . . . .	500, 00
15536	Citizens National Bank of Opp . . . . .	500, 00
15466	City National Bank of Russellville . . . . .	400, 00
Total: 6 banks . . . . .		4, 800, 00
ARKANSAS		
15482	Pine Bluff National Bank, Pine Bluff . . . . .	500, 00
CALIFORNIA		
15484	Bellflower National Bank, Bellflower . . . . .	1, 250, 00
15525	Casitas National Bank, Carpinteria . . . . .	800, 00
15506	Pan American National Bank of East Los Angeles . . . . .	1, 000, 00
15557	Imperial Valley National Bank, El Centro . . . . .	1, 000, 00
15515	University National Bank, Fullerton . . . . .	1, 200, 00
15478	Mechanics National Bank, Huntington Park . . . . .	1, 500, 00
15495	Lodi National Bank, Lodi . . . . .	1, 200, 00
15547	Santa Clarita National Bank, Newhall . . . . .	1, 000, 00
15532	Commercial and Farmers National Bank, Oxnard . . . . .	1, 500, 00
15489	Riverside National Bank, Riverside . . . . .	1, 000, 00
15488	Southland National Bank, Yucaipa . . . . .	1, 500, 00
Total: 11 banks . . . . .		12, 950, 00
COLORADO		
15480	Republic National Bank of Englewood . . . . .	600, 00
15472	First National Bank of Estes Park . . . . .	256, 25
15486	Midtown National Bank, Pueblo . . . . .	510, 00
Total: 3 banks . . . . .		1, 366, 25
CONNECTICUT		
15496	The Hamden National Bank, Hamden . . . . .	1, 500, 00
15542	The Constitution National Bank, Hartford . . . . .	1, 500, 00
15549	Citizens National Bank of Southington . . . . .	500, 00
Total: 3 banks . . . . .		3, 500, 00
FLORIDA		
15554	University National Bank of Boca Raton . . . . .	500, 00
15475	City National Bank of Cocoa . . . . .	500, 00
15555	Republic National Bank of Miami . . . . .	625, 00
15465	The Second National Bank of North Miami . . . . .	600, 00
15469	First National Bank of Princeton-Naranja . . . . .	300, 00
15474	InterAmerican National Bank at Sunny Isles . . . . .	700, 00
15533	National Bank of West Melbourne . . . . .	300, 00
Total: 7 banks . . . . .		3, 525, 00
GEORGIA		
15531	The First National Bank of Tucker . . . . .	500, 00
ILLINOIS		
15553	South Shores National Bank of Decatur . . . . .	400, 00
15502	The First National Bank of Lake Bluff . . . . .	250, 00
15520	Mid-West National Bank of Lake Forest . . . . .	500, 00
15511	Pekin National Bank, Pekin . . . . .	550, 00
15545	North Towne National Bank of Rockford . . . . .	400, 00
Total: 5 banks . . . . .		2, 100, 00

TABLE B-5—Continued  
*Newly organized National banks, by States, calendar 1965*

<i>Charter No.</i>	<i>Title and location of bank</i>	<i>Total capital accounts</i>
	INDIANA	
15467	First National Bank of Hartford City . . . . .	\$400,000
	KANSAS	
15503	City National Bank of Pittsburg . . . . .	625,000
	MARYLAND	
15497	The Old Line National Bank, Rockville . . . . .	3,000,000
	MASSACHUSETTS	
15509	Congress National Bank of Boston . . . . .	280,000
15483	Harbor National Bank of Boston . . . . .	2,000,000
	Total: 2 banks . . . . .	2,280,000
	MICHIGAN	
15527	Oakland National Bank, Southfield . . . . .	1,000,000
	MISSISSIPPI	
15559	First National Bank of Greenwood . . . . .	550,000
15539	Southern National Bank of Hattiesburg . . . . .	1,000,000
	Total: 2 banks . . . . .	1,550,000
	MISSOURI	
15471	First National Bank of Malden . . . . .	300,000
15522	First National Bank of Richmond . . . . .	555,000
15521	Gateway National Bank of St. Louis . . . . .	500,000
15494	West Side National Bank, Warson Woods . . . . .	500,000
	Total: 4 banks . . . . .	1,855,000
	NEBRASKA	
15551	Western National Bank of Scottsbluff . . . . .	300,000
	NEW JERSEY	
15498	Englewood National Bank & Trust Co., Englewood . . . . .	2,000,000
15534	First National Bank of Moorestown . . . . .	625,000
15505	Security National Bank, Newark . . . . .	3,000,000
	Total: 3 banks . . . . .	5,625,000
	NEW MEXICO	
15499	Fidelity National Bank, Albuquerque . . . . .	500,000
	NEW YORK	
15558	Community National Bank & Trust Co. of Richmond . . . . .	3,000,000
15556	First National Bank of Rochester . . . . .	2,500,000
	Total: 2 banks . . . . .	5,500,000
	OHIO	
15512	National Bank of Defiance . . . . .	500,000
15543	Minerva National Bank, Minerva . . . . .	300,000
15470	Progress National Bank of Toledo . . . . .	1,000,000
15561	Community National Bank of Warrensville Heights . . . . .	1,000,000
	Total: 4 banks . . . . .	2,800,000
	OREGON	
15491	Great Western National Bank, Portland . . . . .	3,000,000
	TENNESSEE	
15550	First National Bank of Livingston . . . . .	400,000



TABLE B-5—Continued  
*Newly organized National banks, by States, calendar 1965*

<i>Charter No.</i>	<i>Title and location of bank</i>	<i>Total capital accounts</i>
<b>TEXAS</b>		
15513	National Bank of Commerce of Brownsville.....	\$500, 00
15529	Northpark National Bank of Dallas.....	1, 000, 00
15501	Texas National Bank of Dallas.....	765, 00
15528	Capital National Bank, Houston.....	4, 500, 00
15468	Bayshore National Bank of LaPorte.....	500, 00
15523	Richardson Heights National Bank, Richardson.....	600, 00
15514	Northeast National Bank, San Antonio.....	500, 00
15544	First National Bank of Whitehouse.....	400, 00
	Total: 8 banks.....	8, 765, 00
<b>UTAH</b>		
15490	Citizens National Bank, Ogden.....	625, 00
<b>VIRGINIA</b>		
15530	Metropolitan National Bank, Richmond.....	2, 000, 00
15562	Williamsburg National Bank, Williamsburg.....	750, 00
	Total: 2 banks.....	2, 750, 00
<b>WASHINGTON</b>		
15493	Kennewick National Bank, Kennewick.....	350, 00
15517	Highland National Bank of Renton.....	400, 00
15538	Bank of Vancouver, National Association, Vancouver.....	500, 00
	Total: 3 banks.....	1, 250, 00
<b>WISCONSIN</b>		
15510	Midland National Bank, Milwaukee.....	2, 500, 00
<b>WYOMING</b>		
15500	First National Bank at Douglas.....	300, 00

TABLE B-6

State chartered banks converted to National banks, calendar 1965

Charter No.	Title and location of bank	State	Effective date of charter 1965	Outstanding capital stock	Surplus, undivided profits, and reserves	Total assets
	Total: 25 banks.....			*\$532, 032, 437	\$652, 890, 931	\$12, 866, 872, 518
15477	Central Bank, National Association, Tacoma.	Wash.....	Jan. 29	225, 000	339, 015	6, 605, 118
15476	First National Bank of Oak Lawn.....	Ill.....	Jan. 30	300, 000	271, 722	5, 903, 673
15479	First Citizens National Bank, Tupelo.....	Miss.....	Feb. 6	280, 000	636, 457	12, 998, 299
15487	Home National Bank of Derby.....	Conn.....	Feb. 26	50, 000	349, 005	1, 177, 989
15492	Southwest Virginia National Bank, Poca-hontas.	Va.....	Mar. 9	150, 000	237, 090	4, 479, 859
15504	First National Bank of Crossett.....	Ark.....	Apr. 24	400, 000	565, 862	11, 990, 821
15507	Union Trust National Bank of St. Peters-burg.	Fla.....	Apr. 29	2, 290, 550	2, 797, 480	131, 902, 074
15508	Commercial National Bank of L'Anse.....	Mich.....	Apr. 30	150, 000	483, 803	6, 099, 153
10408	First National Bank, Ames.....	Iowa.....	Apr. 30	400, 000	1, 184, 419	16, 026, 747
15516	Citizens National Bank, Florence.....	Miss.....	May 13	101, 250	127, 348	1, 897, 510
15518	Broadway National Bank & Trust Co. of Pitman.	N.J.....	May 28	150, 000	301, 396	6, 097, 878
15519	First National Bank, New Albany.....	Miss.....	June 5	125, 000	473, 612	7, 314, 130
15524	First National Bank of Eldora.....	Iowa.....	June 22	100, 000	125, 266	1, 417, 932
15526	The Adelphi National Bank, Adelphi.....	Ohio.....	June 30	70, 000	131, 728	1, 875, 003
15537	Valley National Bank of Sioux Falls.....	S. Dak.....	Aug. 9	200, 000	501, 734	12, 029, 130
15540	Daly National Bank of Anaconda.....	Mont.....	Aug. 31	300, 000	516, 776	11, 376, 374
15541	The National Bank of Georgia, Atlanta.....	Ga.....	Sept. 1	1, 700, 000	3, 967, 663	79, 919, 653
15546	First National Bank & Trust Co., Vidalia.....	Ga.....	Sept. 14	100, 000	477, 151	6, 396, 097
2370	The Chase Manhattan Bank (National Association), N.Y.	N.Y.....	Sept. 23	†511, 891, 637	622, 197, 905	12, 229, 809, 375
15548	Deposit Guaranty National Bank, Jackson.	Miss.....	Oct. 8	†12, 000, 000	15, 255, 660	279, 126, 332
15552	Citizens National Bank of Belzoni.....	Miss.....	Nov. 1	144, 000	619, 805	7, 678, 238
15560	County National Bank, Blackville.....	S.C.....	Nov. 22	300, 000	240, 000	3, 225, 190
15563	The Indian Head National Bank of Man-chester.	N.H.....	Dec. 15	225, 000	78, 149	1, 062, 462
15564	Billings State Bank, National Association, Billings.	Mont.....	Dec. 16	300, 000	470, 812	13, 372, 375
15565	First National Bank in Wheatland.....	Wyo.....	Dec. 31	80, 000	541, 073	7, 091, 106

\*Includes \$255,000,000 of debentures.

†Includes \$5,000,000 of debentures.

‡Includes \$250,000,000 of debentures.

TABLE B-7

National banks reported in voluntary liquidation, calendar 1965

Title and location of bank	Date of liquidation	Total capital accounts of liquidated bank
Total: 4 banks.....		\$27, 276, 743
Orange Empire National Bank, Anaheim, Calif. (15361), absorbed by United States National Bank, San Diego, Calif.	Apr. 12	1, 831, 435
Central Bank National Association, Tacoma, Wash. (15477), absorbed by Peoples National Bank of Washington, Seattle, Wash.	July 28	544, 948
Water Street National Bank (formerly Grace National Bank of New York), New York, N.Y. (12553), absorbed by the Marine Midland Grace Trust Co. of New York, New York, N.Y.	Aug. 18	24, 615, 769
The Union City National Bank, Union City, Mich. (1826), absorbed by The Southern Michigan National Bank of Coldwater, Coldwater, Mich.	Aug. 31	284, 591

TABLE B-8

*National banks merged or consolidated with State banks, calendar 1965*

<i>Title and location of bank</i>	<i>Effective date, 1965</i>	<i>Total capital accounts of National banks</i>
Total: 18 banks .....	.....	\$18,834,07
The Girard Battles National Bank, Girard, Pa.* (14191), merged with and into Security-Peoples Trust Co., Erie, Penn. ....	Mar. 1	671, 41
The First National Bank of Galetton, Galetton, Pa. (7280), merged with and into Tioga County Savings & Trust Co., Wellsboro, Pa., and under the title "Commonwealth Bank and Trust Company." ....	Mar. 23	354, 18
The First National Bank of Lawrenceville, Lawrenceville, Pa. (9702), merged with and into Tioga County Savings & Trust Co., Wellsboro, Pa., and under the title "Commonwealth Bank and Trust Company." ....	Mar. 23	241, 38
Farmers & Traders National Bank of Westfield, Westfield, Pa. (9531), merged with and into Tioga County Savings & Trust Co., Wellsboro, Pa., and under the title "Commonwealth Bank and Trust Co." .....	Mar. 23	352, 09
The First National Bank of Marlboro, Marlboro, N.Y. (8834), merged with and into Kingston Trust Co., Kingston, N.Y. ....	Mar. 31	373, 25
The National Bank of Windham, Windham, N.Y.† (13962), merged with and into First Trust Co. of Albany, Albany, N.Y. ....	Apr. 30	398, 35
Guardian National Bank of Fairfax County, Springfield, Va. (15293), merged with and into the Bank of Prince William, Woodbridge, Va. ....	May 15	648, 55
The First National Bank in Owenton, Owenton, Ky. (14026), merged with and into Farmers Bank, Owenton, Ky., Inc., Owenton, Ky. and under the title "First Farmers Bank and Trust Co." .....	June 29	120, 41
The Johnson County National Bank of Franklin, Franklin, Ind. (14075), merged with and into Farmers Trust Co., Franklin, Ind. ....	June 30	438, 13
The First National Bank of Centerville, Centerville, Iowa (337), merged with and into Iowa Trust & Savings Bank, Centerville, Iowa. ....	June 30	363, 98
The First National Bank of North Baltimore, North Baltimore, Ohio (4347), merged with and into the Bank of Wood County Co., Bowling Green, Ohio. ....	June 30	646, 92
The First National Bank of Brownstown, Brownstown, Ind. (9143), consolidated with Brownstown Loan & Trust Co., Brownstown, Ind., and under the title "The Peoples Bank" .....	Sept. 30	366, 56
First National Bank of Webster, Webster, Mass.* (13411), consolidated with the Guaranty Bank & Trust Co., Worcester, Mass. ....	Sept. 30	1, 816, 15
Republic National Bank of San Diego, San Diego, Calif. (15366), merged with and into Union Bank, Los Angeles, Calif. ....	Nov. 12	2, 993, 69
Lafayette National Bank of Brooklyn in New York, Brooklyn, N.Y.† (12892), merged with and into Kings County Trust Co., Brooklyn, N.Y. and under the title "Kings County Lafayette Trust Co." .....	Nov. 30	8, 001, 45
The First National Bank of Fortville, Fortville, Ind. (9299), merged with and into Greenfield Banking Co., Greenfield, Ind. ....	Dec. 14	477, 27
The First National Bank of Coaldale, Pa. (9739), merged with and into American Bank & Trust Co. of Pa., Reading, Pa. ....	Dec. 31	330, 81
The Union National Bank of Rockwood, Rockwood, Pa. (14067), merged with and into Keystone Bank, Freeport, Pa. ....	Dec. 31	239, 42

\*With 2 outside branches.

†With 1 outside branch.

‡With 6 inside branches.

TABLE B-9

*National banks converted into State banks, calendar 1965*

<i>Title and location of bank</i>	<i>Effective date, 1965</i>	<i>Total capital accounts of National banks</i>
Total: 8 banks.....		\$9,984,087
The First National Bank of Binger, Okla. (12133), converted into Binger Community Bank.....	Feb. 6	164,997
Mercantile-Commerce National Bank in St. Louis, Mo. (4178), converted into Mercantile-Commerce Trust Co.....	Mar. 10	5,038,099
DeKalb National Bank of Brookhaven, Ga. (14620), converted into Trust Co. of Georgia Bank of DeKalb.....	Apr. 14	752,416
First National Bank in Bellevue, Iowa (14158), converted into Bellevue State Bank.....	May 29	424,339
First National Bank of Bovina, Tex. (14755), converted into First State Bank of Bovina.....	July 6	235,948
Memorial National Bank of Houston, Tex. (15231), converted into Memorial Bank, Houston.....	July 14	528,910
The First National Bank & Trust Co. of Lake Norden, S. Dak. (13221), converted into First State Bank.....	Sept. 30	168,547
National Bank of Hyde Park in Chicago, Ill. (14386), converted into Hyde Park Bank & Trust Co., Chicago.....	Dec. 31	2,670,831

TABLE B-10

*Purchases of State banks by National banks, calendar 1965*

<i>Title and location of bank</i>	<i>Effective date, 1965</i>	<i>Total capital accounts of National banks</i>
Total: 9 banks.....		\$5,238,180
Seattle-First National Bank, Seattle, Wash. (11280), purchased the Citizens State Bank, Arlington, Wash.....	Jan. 22	660,480
The First National Bank of Itasca, Itasca, Tex. (4461), purchased the First State Bank of Covington, Covington, Tex.....	Apr. 5	130,693
Stock Yards National Bank of South Omaha, Omaha, Nebr. (9908), purchased the South Omaha Bank, Omaha, Nebr.....	Apr. 7	699,187
Miners National Bank of Wilkes-Barre, Wilkes-Barre, Pa. (13852), purchased Forty Fort State Bank, Forty Fort, Pa.....	Apr. 30	930,816
The First National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich. (191), purchased Martin State Bank, Martin, Mich.....	May 22	274,373
The American National Bank & Trust Co. of Kalamazoo, Kalamazoo, Mich. (13820), purchased the Home State Bank of Lawrence, Lawrence, Mich.....	June 1	263,849
The Fairfield National Bank of Lancaster, Lancaster, Ohio (7517), purchased the Bank of Basil Co., Baltimore, Ohio.....	June 5	103,709
Western Pennsylvania National Bank, Pittsburgh, Pa. (2222), purchased the Avalon Bank, Avalon, Pa.....	July 16	1,162,529
National City Bank in Chicago, Chicago, Ill. (14562), purchased the Century Bank of Chicago, Chicago, Ill.....	Nov. 19	1,012,544

TABLE B-11

*Consolidations of National banks, or National and State banks, calendar 1965*

<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: 5 consolidations (after consummation) . . . . .	\$18, 487, 460	\$44, 328, 400	\$9, 596, 580	\$896, 389, 372
The First National Bank of Milton, Milton, N.Y. (11649), with . . . . .	62, 400	62, 400	15, 789	1, 998, 282
and the First National Bank of Highland, Highland, N.Y. (5336), which had . . . . .	250, 000	250, 000	141, 103	12, 195, 482
consolidated Feb. 11, 1965, under charter and title of the latter bank (5336). The consolidated bank at the date of consolidation had . . . . .	274, 960	412, 400	194, 332	14, 193, 764
The National Shawmut Bank of Boston, Boston, Mass. (5155), with . . . . .	10, 000, 000	35, 000, 000	5, 841, 897	606, 275, 320
and Congress National Bank of Boston, Boston, Mass. (15509), which had . . . . .	200, 000	40, 000	38, 440	315, 394
consolidated May 6, 1965, under charter of the latter bank (15509) and under title "The National Shawmut Bank of Boston." The consolidated bank at date of consolidation had . . . . .	10, 000, 000	35, 000, 000	6, 120, 392	606, 381, 496
The Bath National Bank, Bath, Maine* (494), with . . . . .	168, 000	245, 000	155, 003	6, 176, 258
and Canal National Bank, Portland, Maine (941), which had . . . . .	4, 200, 000	1, 200, 000	691, 088	62, 780, 659
consolidated May 14, 1965, under charter and title of the latter bank (941). The consolidated bank at the date of consolidation had . . . . .	4, 700, 000	1, 300, 000	659, 090	68, 865, 785
The First National Bank of Highland Park, Highland Park, † N.J. (12598), with . . . . .	690, 000	700, 000	487, 191	22, 646, 413
and First Bank & Trust Co., National Association, Fords, N.J. (15255), which had . . . . .	1, 425, 000	2, 325, 000	450, 717	85, 454, 570
consolidated June 25, 1965, under charter and title of the latter bank (15255). The consolidated bank at the date of consolidation had . . . . .	2, 134, 500	3, 094, 000	857, 908	108, 108, 070
Cambria County National Bank, Carrolltown, Carrolltown, † Pa. (5855), with . . . . .	375, 000	525, 000	210, 372	16, 939, 534
and United States National Bank in Johnstown, Johnstown, Pa. (13781), which had . . . . .	1, 078, 000	3, 922, 000	1, 554, 485	83, 875, 784
consolidated Dec. 11, 1965, under charter and title of the latter bank (13781). The consolidated bank at the date of consolidation had . . . . .	1, 378, 000	4, 522, 000	1, 764, 858	98, 840, 257

\*With 1 outside branch.

†With 2 outside branches.

TABLE B-12

*Mergers of National banks, or National and State banks, calendar 1965*

<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: 59 mergers (after consummation).....	\$336, 736, 221	\$601, 723, 598	\$183, 938, 568	\$16, 201, 819, 818
The First National Exchange Bank of Clayton, Clayton, N.Y. (5108), with.....	100, 000	200, 000	212, 607	4, 502, 422
and the National Bank of Northern New York, Watertown, N.Y. (2657), which had.....	1, 571, 840	1, 571, 840	1, 194, 855	54, 740, 086
merged Jan. 15, 1965, under charter and title of the latter bank (2657). The merged bank at the date of merger had.....	1, 751, 840	1, 751, 840	1, 347, 462	59, 242, 508
The Fort McIntosh National Bank of Beaver, Beaver, Pa. (8185), with.....	100, 000	200, 000	189, 141	4, 537, 524
and Western Pennsylvania National Bank, McKeesport, Pa. (2222), which had.....	9, 132, 910	16, 967, 090	3, 949, 307	566, 018, 962
merged Jan. 15, 1965, under charter and title of the latter bank (2222). The merged bank at the date of merger had.....	9, 304, 910	17, 167, 090	4, 066, 448	570, 556, 486
The First National Bank & Trust Co. of Ramsey, Ramsey, N.J. <sup>1</sup> (9367), with.....	250, 000	500, 000	538, 479	13, 770, 090
and Citizens First National Bank of Ridgewood, Ridgewood, N.J. (11759), which had.....	1, 284, 000	1, 782, 000	1, 795, 632	79, 141, 622
merged Jan. 29, 1965, under charter and title of the latter bank (11759). The merged bank at the date of merger had.....	1, 809, 000	2, 300, 000	2, 041, 110	92, 911, 712
The Bank of Glade Spring, Glade Spring, Va., with.....	125, 000	125, 000	70, 836	3, 191, 703
and Virginia National Bank, Norfolk, Va. (9885), which had.....	8, 198, 825	21, 801, 175	5, 250, 976	426, 563, 436
merged Jan. 29, 1965, under charter and title of the latter bank (9885). The merged bank at the date of merger had.....	8, 273, 825	21, 976, 175	5, 321, 813	429, 176, 324
First State Bank of Hoagland, Hoagland, Ind., with.....	50, 000	75, 000	68, 058	2, 545, 055
and Lincoln National Bank & Trust Co. of Fort Wayne, Fort Wayne, Ind. (7725), which had.....	5, 000, 000	8, 000, 000	2, 363, 826	177, 638, 717
merged Jan. 30, 1965, under the charter and title of the latter bank (7725). The merged bank at the date of merger had.....	5, 060, 000	8, 000, 000	2, 496, 884	179, 823, 846
The Hop Bottom National Bank, Hop Bottom, Pa. (9647), with.....	50, 000	150, 000	100, 548	3, 408, 695
and the First National Bank of Hallstead, Hallstead, Pa. (7702), which had.....	100, 000	200, 000	252, 405	4, 413, 539
merged Feb. 19, 1965, under charter of the latter bank (7702) and under title of "Peoples National Bank of Susquehanna County." The merged bank at the date of merger had.....	150, 000	450, 000	252, 952	7, 822, 235
The Farmers' National Bank of McAlisterville, McAlisterville, Pa. (9526), with.....	50, 000	250, 000	75, 773	3, 592, 190
The First National Bank of Port Royal, Port Royal, Pa. (11369), with.....	60, 000	140, 000	51, 671	2, 532, 447
The Port Royal National Bank, Port Royal, Pa. (11373), with.....	60, 000	170, 000	109, 865	3, 114, 601
and the Juniata Valley National Bank, Mifflintown, Pa. (5147), which had.....	200, 000	600, 000	451, 173	7, 708, 541
merged Feb. 20, 1965, under charter and title of the latter bank (5147). The merged bank at the date of merger had.....	377, 000	1, 153, 000	688, 484	16, 947, 780
First National Bank of South Gate, South Gate, Calif. (14899), with.....	500, 000	200, 000	67, 880	7, 640, 489
and City National Bank, Beverly Hills, Calif. (14695), which had.....	7, 243, 930	11, 873, 005	2, 318, 721	256, 001, 666
merged Feb. 26, 1965, under charter and title of the latter bank (14695). The merged bank at the date of merger had.....	7, 496, 430	12, 320, 505	2, 379, 026	263, 642, 155
The Birmingham National Bank, Derby, Conn. (1098), with.....	300, 000	700, 000	439, 076	12, 532, 454
and Home National Bank of Derby, Derby, Conn. (15487), with.....	50, 000	275, 000	74, 005	1, 177, 988
and the Second National Bank of New Haven, New Haven, Conn. (227), which had.....	3, 372, 162	4, 685, 875	1, 120, 842	125, 137, 718
merged Feb. 26, 1965, under charter and title of the latter bank (227). The merged bank at the date of merger had.....	3, 972, 162	5, 660, 875	1, 400, 672	138, 844, 607

See footnotes at end of table.

TABLE B-12—Continued

*Mergers of National banks, or National and State banks, calendar 1965*

<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>
<b>The Hollister National Bank, Hollister, Calif. (13510), with</b>	\$100,000	\$760,000	\$114,408	\$10,749,735
<b>and the Bank of California, National Association, San Francisco, Calif. (9655), which had</b>	17,890,800	37,109,200	4,982,981	1,244,107,569
<b>merged Mar. 12, 1965, under charter and title of the latter bank (9655). The merged bank at the date of merger had</b>	18,220,800	37,779,200	4,949,306	1,254,650,217
<b>The Peoples National Bank of Lexington, Lexington, Va.<sup>2</sup> (7173), with</b>	150,000	500,000	141,642	9,328,045
<b>and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had</b>	6,804,510	12,125,010	1,989,793	251,575,691
<b>merged Mar. 17, 1965, under charter and title of the latter bank (2737). The merged bank at the date of merger had</b>	7,086,810	12,625,010	1,999,136	260,542,307
<b>Tryon Bank &amp; Trust Co., Tryon, N.C.<sup>1</sup> with</b>	150,000	250,000	163,533	8,978,708
<b>and North Carolina National Bank, Charlotte, N.C. (13761) which had</b>	11,428,180	36,103,070	6,679,220	708,867,916
<b>merged Mar. 22, 1965, under the charter and title of the latter bank (13761). The merged bank at the date of merger had</b>	11,543,180	36,388,070	6,842,754	717,068,467
<b>The Live Stock National Bank of Chicago, Chicago, Ill. (13674), with</b>	802,960	3,197,040	0	56,033,278
<b>and Central National Bank in Chicago, Chicago, Ill. (14362), which had</b>	6,250,000	6,250,000	1,673,046	260,559,165
<b>merged Mar. 26, 1965, under the charter and title of the latter bank (14362). The merged bank at the date of merger had</b>	7,800,000	8,700,000	1,673,046	311,592,444
<b>The Central Bank of Howard County, Clarksville, Md.<sup>1</sup> with</b>	100,000	150,000	142,265	4,793,154
<b>and the Citizens National Bank of Laurel, Laurel, Md. (4364), which had</b>	450,000	800,000	345,578	23,665,673
<b>merged Mar. 31, 1965, under the charter of the latter bank (4364) and under title "The Citizens National Bank." The merged bank at the date of merger had</b>	610,000	950,000	424,956	28,454,838
<b>Guaranty Bank, Torrance, Calif., with</b>	559,280	399,100	26,510	5,235,895
<b>and City National Bank, Beverly Hills, Calif. (14695), which had</b>	7,496,430	12,320,505	2,339,174	268,858,640
<b>merged Apr. 2, 1965, under charter and title of the latter bank (14695). The merged bank at the date of merger had</b>	7,804,035	12,971,280	2,365,686	274,094,535
<b>The Farmers Bank &amp; Trust Co., Rockingham, N.C.<sup>1</sup> with</b>	100,000	1,000,000	160,047	5,989,829
<b>and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had</b>	1,175,000	2,028,690	218,662	44,192,662
<b>merged Apr. 3, 1965, under charter and title of the latter bank (10610). The merged bank at the date of merger had</b>	1,550,000	2,753,690	378,709	50,182,487
<b>The Leonia Bank &amp; Trust Co., Leonia, N.J., with</b>	400,000	800,000	527,355	23,402,692
<b>and Citizens National Bank of Englewood, Englewood, N.J. (4365), which had</b>	2,730,000	3,500,000	1,490,734	125,148,032
<b>merged Apr. 9, 1965, under the charter of Citizens National Bank of Englewood (4365) and under title of "Citizens National Bank." The merged bank at the date of merger had</b>	3,730,000	4,270,000	1,448,090	148,550,724
<b>First National Bank of Gate City, Gate City, Va.<sup>2</sup> (13502), with</b>	200,000	400,000	460,241	12,575,628
<b>and Virginia National Bank, Norfolk, Va. (9885), which had</b>	8,273,825	21,976,175	5,618,530	423,112,581
<b>merged Apr. 9, 1965, under charter and title of the latter bank (9885). The merged bank at the date of merger had</b>	8,563,825	22,286,175	6,078,771	435,574,954
<b>The Peoples National Bank of Farmville, Farmville, Va. (9222), with</b>	105,000	395,000	249,457	10,144,803
<b>and Virginia National Bank, Norfolk Va. (9885), which had</b>	8,563,825	22,286,175	6,078,771	435,574,954
<b>merged Apr. 9, 1965, under the charter and title of the latter bank (9885). The merged bank at the date of merger had</b>	8,737,075	22,612,925	6,328,229	445,425,249

See footnotes at end of table.

TABLE B-12—Continued

*Mergers of National banks, or National and State banks, calendar 1965*

<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>
Central National Bank of Washingtonville, Washingtonville, N.Y. (13913), with . . . . .	\$75, 000	\$175, 000	\$113, 302	\$5, 700, 026
and County National Bank, Middletown, N.Y. (13956), which had . . . . .	1, 560, 600	2, 000, 000	842, 229	69, 703, 374
merged Apr. 23, 1965, under charter and title of the latter bank (13956). The merged bank at the date of merger had . . . . .	1, 710, 600	2, 175, 000	880, 532	75, 403, 400
Bank of Millvale, Millvale, Pa., with . . . . .	125, 000	1, 575, 000	357, 107	24, 690, 315
and Western Pennsylvania National Bank, Pittsburgh, Pa. (2222), which had . . . . .	9, 863, 200	17, 236, 800	4, 058, 664	579, 178, 980
merged Apr. 23, 1965, under charter and title of the latter bank (2222). The merged bank at the date of merger had . . . . .	10, 538, 200	18, 261, 800	4, 415, 772	603, 869, 295
Dunkirk Trust Co., Dunkirk, N.Y., with . . . . .	250, 000	1, 000, 000	705, 315	15, 216, 555
and Liberty National Bank & Trust Co., Buffalo, N.Y. (15080), which had . . . . .	5, 425, 860	10, 960, 630	4, 241, 930	341, 524, 887
merged April 27, 1965, under charter and title of the latter bank (15080). The merged bank at the date of merger had . . . . .	5, 825, 860	11, 960, 630	4, 748, 681	356, 833, 381
The Farmers Bank, Sunbury, Ohio, with . . . . .	70, 000	70, 000	137, 567	3, 013, 974
and the First National Bank of Delaware, Delaware, Ohio (243), which had . . . . .	250, 000	750, 000	216, 730	16, 693, 488
merged Apr. 30, 1965, under charter and title of the latter bank (243). The merged bank at the date of merger had . . . . .	250, 000	820, 000	424, 297	19, 684, 101
Central State Bank, Dalton, Pa., with . . . . .	50, 000	100, 000	119, 566	3, 343, 595
and the First National Bank of Carbondale, Carbondale, Pa. (664), which had . . . . .	496, 125	635, 000	239, 596	14, 591, 454
merged Apr. 30, 1965, under charter of the latter bank (664) and with title "First National Bank, Carbondale, Pa." The merged bank at the date of merger had . . . . .	611, 125	720, 000	323, 786	17, 949, 034
Shirlington Trust Co., Inc., Arlington, Va. <sup>3</sup> with . . . . .	538, 390	674, 682	221, 925	15, 313, 409
and First and Citizens National Bank of Alexandria, Alexandria, Va. (651), which had . . . . .	1, 485, 000	3, 515, 000	1, 678, 850	97, 278, 024
merged May 3, 1965, under charter of the latter bank (651) and under title "First and Citizens National Bank." The merged bank at the date of merger had . . . . .	1, 785, 000	4, 215, 000	2, 113, 848	112, 591, 434
Sandborn Banking Co., Sandborn, Ind., with . . . . .	25, 000	100, 000	80, 709	1, 803, 742
and the American National Bank of Vincennes, Vincennes, Ind. (3864), which had . . . . .	880, 000	880, 000	1, 158, 681	27, 662, 667
merged May 26, 1965, under charter and title of the latter bank (3864). The merged bank at the date of merger had . . . . .	942, 500	942, 500	1, 239, 390	29, 379, 167
The Rossford Savings Bank, Rossford, Ohio, with . . . . .	300, 000	800, 000	325, 928	19, 519, 809
and the National Bank of Toledo, Toledo, Ohio (14586), which had . . . . .	4, 174, 500	4, 325, 500	851, 149	139, 068, 265
merged June 7, 1965, under charter of the latter bank (14586) and under title of "First National Bank of Toledo." The merged bank at the date of merger had . . . . .	4, 834, 500	5, 125, 500	817, 078	158, 588, 075
The National Bank of Sandford, Sandford, N.C. <sup>4</sup> (13791) with . . . . .	250, 000	500, 000	183, 535	14, 768, 192
and Southern National Bank of North Carolina, Lumberton, N.C. (10610), which had . . . . .	1, 550, 000	2, 843, 690	873, 527	49, 204, 142
merged June 12, 1965, under charter and title of the latter bank (10610). The merged bank at the date of merger had . . . . .	1, 883, 335	3, 260, 355	1, 055, 024	63, 706, 449
The First National Bank of Petersburg, Petersburg, Pa. (10313), with . . . . .	50, 000	50, 000	14, 600	1, 250, 004
and Union National Bank & Trust Co. of Huntingdon, Huntingdon, Pa. (4965), which had . . . . .	295, 200	704, 800	314, 193	15, 025, 807
merged June 16, 1965, under charter and title of the latter bank (4965). The merged bank at the date of merger had . . . . .	334, 960	765, 040	328, 793	16, 275, 812

See footnotes at end of table.



TABLE B-12—Continued

*Mergers of National banks, or National and State banks, calendar 1965*

<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>
County National Bank of Long Island, Mineola, N.Y. <sup>1</sup> (14951), with.....	\$618,000	\$400,000	\$135,697	\$9,245,077
and Valley National Bank of Long Island, Valley Stream, N.Y. (11881), which had.....	2,273,800	5,500,000	1,497,267	123,025,378
merged June 21, 1965, under charter and title of the latter bank (11881). The merged bank at the date of merger had.....	2,505,550	5,900,000	2,019,215	132,270,456
The Citizens Trust Co., of Schenectady, Schenectady, N.Y. <sup>5</sup> with.....	1,200,000	1,300,000	1,177,222	46,911,147
and National Commercial Bank & Trust Co., Albany, N.Y. (1301), which had.....	7,998,337	19,653,795	4,752,573	482,467,477
merged June 25, 1965, under charter and title of the latter bank (1301). The merged bank at the date of merger had.....	9,460,837	19,653,795	6,138,714	529,166,890
First National Bank of Leland, Leland, Miss. (15215), with.....	100,000	100,000	48,190	1,800,662
and the Commercial National Bank of Greenville, Greenville, Miss (13403), which had.....	350,000	1,050,000	229,198	19,037,395
merged July 2, 1965, under charter and title of the latter bank (13403). The merged bank at the date of merger had.....	410,000	1,100,000	367,390	20,838,058
The First National Bank of Appalachia, Appalachia, Va. <sup>1</sup> (9379), with.....	444,000	556,000	312,203	14,073,320
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had.....	7,086,810	12,625,010	2,614,398	264,517,384
merged July 9, 1965, under charter and title of the latter bank (2737). The merged bank at the date of merger had.....	7,575,210	13,181,010	2,882,202	278,590,704
Security Trust Co., St. Louis, <sup>5</sup> Mo., with.....	3,645,000	3,645,000	4,701,051	128,052,634
and Mercantile Trust Co., National Association, St. Louis, Mo. (15452), which had.....	22,756,362	37,533,521	16,366,650	913,306,995
merged July 14, 1965, under charter and title of the latter bank (15452). The merged bank at the date of merger had.....	22,756,362	37,533,521	16,366,650	1,040,357,271
Bank of Giles County, Pearisburg, Va. <sup>1</sup> with.....	50,000	250,000	385,450	6,669,714
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had.....	7,575,210	13,181,010	2,852,499	280,917,540
merged July 16, 1965, under charter and title of the latter bank (2737). The merged bank at the date of merger had.....	7,825,210	13,431,010	3,046,493	287,251,230
The National Deposit Bank of Arnold, Arnold, Pa. <sup>1</sup> (11896), with.....	300,000	300,000	399,171	13,431,465
and Western Pennsylvania National Bank, Pittsburgh, Pa. (2222), which had.....	10,778,200	18,261,800	5,493,732	598,293,030
merged July 29, 1965, under charter and title of the latter bank (2222). The merged bank at the date of merger had.....	11,228,200	18,411,800	5,892,904	611,724,495
Pacific State Bank, Hawthorne, Calif., <sup>6</sup> with.....	960,246	1,540,000	670,753	32,891,204
and United States National Bank, San Diego, Calif. (10391), which had.....	6,242,070	9,301,070	1,227,267	275,071,670
merged July 30, 1965, under charter and title of the latter bank (10391). The merged bank at the date of merger had.....	7,698,930	9,301,070	2,941,406	307,962,875
The First National Bank & Trust Co. of Schuylkill Haven, Schuylkill Haven, Pa. (5216), with.....	150,000	750,000	240,574	10,806,455
and Pennsylvania National Bank & Trust Co., Pottsville, Pa. (1663), which had.....	1,100,000	1,500,000	734,698	57,352,360
merged July 30, 1965, under charter and title of the latter bank (1663). The merged bank at the date of merger had.....	2,157,500	1,800,000	539,535	68,158,378
First National Bank of Long Beach, Long Beach, Calif. <sup>3</sup> (14632), with.....	530,000	300,000	94,729	15,206,827
and the Bank of California, National Association, San Francisco, Calif. (9655), which had.....	18,220,800	37,779,200	6,570,511	1,285,689,925
merged July 31, 1965, under charter and title of the latter bank (9655). The merged bank at date of merger had.....	18,591,800	38,408,200	6,498,288	1,300,443,842

See footnotes at end of table.

TABLE B-12—Continued

*Mergers of National banks, or National and State banks, calendar 1965*

<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 Loudoun National Bank of Leesburg, Leesburg, Va. <sup>7</sup> (1738), with . . . . .	\$250,000	\$250,000	\$471,527	\$10,911,046
and First & Merchants National Bank, Richmond, Va. (1111), which had . . . . .	13,730,530	18,267,700	8,173,501	499,558,754
merged Aug. 31, 1965, under charter and title of the latter bank (1111). The merged bank at date of merger had . . . . .	14,030,530	18,519,470	8,479,230	510,033,118
St. Paul National Bank, St. Paul, Va., (8547), with . . . . .	100,000	400,000	131,969	6,989,413
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had . . . . .	7,825,210	13,431,010	3,304,855	289,403,747
merged Sept. 14, 1965, under charter and title of the latter bank (2737). The merged bank at date of merger had . . . . .	8,045,210	13,831,010	3,316,825	295,773,132
The Bank of Glasgow, Inc., Glasgow, Va., with . . . . .	75,000	125,000	63,013	2,162,866
and the First National Exchange Bank of Virginia, Roanoke, Va. (2737), which had . . . . .	8,045,210	13,831,010	3,316,825	295,773,132
merged Sept. 14, 1965, under charter and title of the latter bank (2737). The merged bank at date of merger had . . . . .	8,116,460	13,956,010	3,383,588	297,928,479
Stanwood State Savings Bank, Stanwood, Mich., with . . . . .	50,000	32,000	84,344	1,692,618
and First National Bank of Big Rapids, Big Rapids, Mich. (14881), which had . . . . .	219,790	220,000	348,181	10,807,725
merged Sept. 30, 1965, under charter and title of the latter bank (14881). The merged bank at date of merger had . . . . .	253,020	252,000	449,295	12,500,343
The First National Bank of Blackstone, Blackstone, Va. (9224), with . . . . .	120,000	250,000	251,156	4,979,506
and the Fidelity National Bank, Lynchburg, Va. (1522), which had . . . . .	2,126,250	3,225,000	797,124	85,475,616
merged Sept. 30, 1965, under charter and title of the latter bank (1522). The merged bank at date of merger had . . . . .	2,294,250	3,475,000	1,000,281	90,455,122
Wilshire National Bank, Los Angeles, Calif. <sup>1</sup> (14997), with . . . . .	765,000	500,000	261,611	11,152,770
and Heritage National Bank, Los Angeles, Calif. (15463), which had . . . . .	1,600,000	640,000	104,606	7,878,465
merged Oct. 15, 1965, under charter of the latter bank (15463) and under title of "Heritage-Wilshire National Bank." The merged bank at date of merger had . . . . .	1,911,620	795,810	104,606	19,156,744
The First National Bank of Alexandria, Alexandria, Pa. (11263), with . . . . .	50,000	100,000	73,396	1,477,374
and First-Grange National Bank of Huntingdon, Huntingdon, Pa. (31), which had . . . . .	330,500	1,000,000	313,675	21,081,780
merged Oct. 30, 1965, under charter and title of the latter bank (31). The merged bank at date of merger had . . . . .	370,500	1,110,000	384,071	22,556,154
Commonwealth Bank, Los Angeles, Calif., with . . . . .	1,413,320	730,110	208,983	23,256,867
and City National Bank, Beverly Hills, Calif. (14695), which had . . . . .	7,804,035	12,971,280	3,140,365	271,166,157
merged Nov. 2, 1965, under charter and title of the latter bank (14695). The merged bank at date of merger had . . . . .	8,000,000	12,742,852	3,349,348	293,905,452
Citizens First National Bank of Frankfort, Frankfort, N.Y. (10351), with . . . . .	175,000	325,000	364,233	9,634,643
and the Oneida National Bank & Trust Co. of Central New York, Utica, New York (1392), which had . . . . .	2,535,700	8,500,000	3,747,364	187,710,850
merged Nov. 5, 1965, under charter and title of the latter bank (1392). The merged bank at date of merger had . . . . .	2,675,700	9,325,000	3,646,597	197,345,492
The Merchants National Bank of Hampton, Va. (6778) with . . . . .	450,000	550,000	411,339	16,922,002
Bank of Phoebus, Hampton, Va. <sup>5</sup> with . . . . .	100,000	300,000	210,256	8,353,173
and Virginia National Bank, Norfolk, Va. (9885), which had . . . . .	8,737,075	22,612,925	7,873,706	505,266,004
merged Nov. 5, 1965, under charter and title of the latter bank (9885). The merged bank at the date of merger had . . . . .	9,209,575	23,540,425	8,495,302	530,101,174

See footnotes at end of table.

TABLE B-12—Continued

*Mergers of National banks, or National and State banks, calendar 1965*

<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>
Patrick County Bank, Stuart, Va., with.....	\$100,000	\$300,000	\$91,547	\$5,673,904
and the First National Bank of Martinsville and Henry County, Martinsville, Va. (7206), which had.....	1,000,000	2,000,000	458,975	38,869,072
merged Nov. 6, 1965, under charter and title of the latter bank (7206). The merged bank at date of merger had.....	1,150,000	2,300,000	500,522	44,204,402
The Sharon Center Banking Co., Sharon Center, Ohio, with.....	50,000	130,000	91,961	3,631,855
and the Old Phoenix National Bank of Medina, Medina, Ohio (4842), which had.....	952,875	952,875	1,317,140	47,855,429
merged Nov. 27, 1965, under charter and title of the latter bank (4842). The merged bank at the date of merger had.....	1,027,875	1,027,875	1,439,101	51,487,285
The Bank of Lexington, Lexington, S.C., with.....	100,000	200,000	41,564	4,265,939
and the First Commercial National Bank of South Carolina, Columbia, S.C. (13720), which had.....	3,331,160	6,765,870	2,780,135	163,419,782
merged Dec. 10, 1965, under the charter of the latter bank (13720), and with title of "The First National Bank of South Carolina." The merged bank at date of merger had.....	3,403,660	7,096,340	2,618,857	167,247,482
The Citizens National Bank in West Milton, West Milton, Ohio (14264), with.....	125,000	200,000	85,552	4,725,818
and the First Troy National Bank & Trust Co., Troy, Ohio (3825), which had.....	1,000,000	1,500,000	629,813	33,959,043
merged Dec. 15, 1965, under charter of the latter bank (3825), and under title of "The First National Bank & Trust Company." The merged bank at the date of merger had.....	1,150,000	1,700,000	690,365	38,684,861
Douglas County State Bank, Roseburg, Ore. <sup>3</sup> with.....	250,000	1,750,000	220,395	34,454,059
and First National Bank of Oregon, Portland, Ore. (1553), which had.....	27,135,000	32,865,000	26,606,157	1,362,451,111
merged Dec. 22, 1965, under charter and title of the latter bank (1553). The merged bank at the date of merger had.....	27,891,250	37,108,750	23,826,552	1,393,401,224
Bank of Los Angeles, Los Angeles, Calif. <sup>7</sup> with.....	2,054,960	1,027,480	8,640	18,572,531
and United States National Bank, San Diego, Calif. (10391), which had.....	7,698,930	9,301,070	2,154,286	309,001,530
merged Dec. 29, 1965, under charter and title of the latter bank (10391). The merged bank at the date of merger had.....	8,983,280	9,301,070	3,961,018	327,574,062
The First National Bank of Whippany, Whippany, N.J. <sup>2</sup> (13173), with.....	550,000	475,000	196,600	26,715,757
and the First National Iron Bank of Morristown, Morristown, N.J. (1113), which had.....	2,000,000	2,000,000	1,165,264	78,086,256
merged Dec. 30, 1965, under the charter of the latter bank (1113), and with title of "The First National Iron Bank of New Jersey." The merged bank at the date of merger had.....	2,880,000	2,120,000	1,386,864	104,802,013
Metamora State Savings Bank, Metamora, Mich. <sup>1</sup> with.....	220,000	70,000	86,326	5,308,981
and the First National Bank of Lapeer, Lapeer, Mich. (1731), which had.....	289,720	721,420	833,496	21,913,314
merged Dec. 31, 1965, under charter and title of the latter bank (1731). The merged bank at the date of merger had.....	361,220	939,920	902,212	27,344,851
The First National Bank of Boone, Boone, N.C. (15116), with.....	150,000	75,000	41,701	2,005,600
and First National Bank of Eastern North Carolina, Jacksonville, N.C. (14676), which had.....	1,850,000	1,500,000	376,754	38,255,360
merged Dec. 31, 1965, under charter and title of the latter bank (14676). The merged bank at date of merger had.....	1,950,000	1,800,000	9,576	40,083,337
The Peoples Savings Bank of Greenville, Ohio, Greenville, Ohio, with.....	100,000	200,000	129,825	4,530,020
and the Second National Bank of Greenville, Greenville, Ohio (2992) which had.....	220,500	1,500,000	286,001	16,556,849
merged Dec. 31, 1965, under charter of the latter bank (2992) and under title of "The Second National Bank of Greenville, Greenville, Ohio." The merged bank at date of merger had.....	265,500	1,700,000	470,826	21,086,869

<sup>1</sup> 1 outside branch.<sup>2</sup> 2 outside branches.<sup>3</sup> 2 inside branches.<sup>4</sup> 4 inside branches.<sup>5</sup> 1 inside branch.<sup>6</sup> 4 outside, 1 inside branch.<sup>7</sup> 1 inside, 1 outside branch.

TABLE B-13

Domestic branches entering the National banking system, by de novo opening, merger, or conversion, by States, calendar 1965

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
	Total.....	357	484	841
	ALABAMA			
14569	Birmingham Trust National Bank, Birmingham.....	2	1	3
15473	City National Bank of Birmingham.....	1	1	2
6380	First National Bank of Decatur.....	1		1
14414	State National Bank of Alabama, Decatur.....		3	3
15012	First National Bank of Fairhope.....		1	1
3981	The First National Bank of Florence.....	1		1
15427	Shoals National Bank of Florence.....	1		1
15316	The American National Bank of Huntsville.....	2		2
15267	Peoples National Bank of Huntsville.....	1		1
1814	The First National Bank of Montgomery.....		1	1
15402	Baldwin National Bank of Robertsdales.....		1	1
	ALASKA			
12072	The First National Bank of Anchorage.....		1	1
14651	National Bank of Alaska, Anchorage.....		1	1
	ARIZONA			
3728	First National Bank of Arizona, Phoenix.....		1	1
14324	The Valley National Bank of Arizona, Phoenix.....	3	3	6
	ARKANSAS			
7046	The First National Bank of El Dorado.....	1		1
7240	The Merchants National Bank of Fort Smith.....		1	1
1950	The First National Bank of Fort Smith.....	1		1
13637	First National Bank of Eastern Arkansas, Forrest City.....	1		1
13520	Phillips National Bank, Helena.....	1		1
2832	Arkansas First National Bank of Hot Springs.....	2		2
13155	First National Bank of Paragould.....		1	1
14209	The First National Bank at Paris.....		1	1
14056	National Bank of Commerce of Pine Bluff.....	1		1
	CALIFORNIA			
14670	Community National Bank of Kern County, Bakersfield.....		1	1
14695	City National Bank, Beverly Hills.....		3	3
15398	Inyo-Mono National Bank, Bishop.....		1	1
15239	Gateway National Bank, El Segundo.....		1	1
15369	Surety National Bank, Encino, Los Angeles.....	1		1
15329	Humboldt National Bank, Eureka.....		2	2
15463	Heritage-Wilshire National Bank, Los Angeles.....	1		1
15331	National Bank of Commerce at Los Angeles.....	1	1	2
2491	Security First National Bank, Los Angeles.....	4	13	17
15235	Newport National Bank, Newport Beach.....	1		1
6919	Central Valley National Bank, Oakland.....		1	1
6268	First National Bank & Trust Co., Ontario.....	1		1
14998	Security National Bank of Monterey County, Pacific Grove.....		1	1
15276	Palm Springs National Bank, Palm Springs.....	1		1
15174	Sierra National Bank, Petaluma.....		1	1
3050	First National Bank of San Diego.....	2		2
10391	United States National Bank, San Diego.....		12	12
13044	Bank of America National Trust & Savings Association, San Francisco.....	2	21	23
9655	The Bank of California, National Association, San Francisco.....		4	4
1741	Crocker-Citizens National Bank, San Francisco.....		18	18
2158	The First National Bank of San Jose.....	2		2
15241	San Luis Obispo National Bank, San Luis Obispo.....		2	2
15290	Northern California National Bank of San Mateo.....		1	1
15149	Tiburon National Bank, Tiburon.....		1	1
15357	San Joaquin Valley National Bank, Tulare.....		1	1
15216	Citrus National Bank, West Covina.....		1	1

TABLE B-13—Continued

*Domestic branches entering the National banking system, by de novo opening, merger, or conversion, by States, calendar 1965*

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
CONNECTICUT				
335	The Connecticut National Bank, Bridgeport . . . . .		2	2
4	The State National Bank of Connecticut, Bridgeport . . . . .		1	1
1139	The Deep River National Bank, Deep River . . . . .		1	1
1338	Hartford National Bank & Trust Co., Hartford . . . . .		3	3
720	The Home National Bank & Trust Co. of Meriden . . . . .		1	1
2	The First New Haven National Bank, New Haven . . . . .		2	2
227	The Second National Bank of New Haven . . . . .		1	1
1193	Litchfield County National Bank, New Milford . . . . .		1	1
12594	The Citizens National Bank of Putnam . . . . .		1	1
14972	Vernon National Bank, Vernon . . . . .	1		1
14588	Northern Connecticut National Bank, Windsor Locks . . . . .		1	1
DELAWARE				
15060	The First National Bank of Wilmington . . . . .		1	1
DISTRICT OF COLUMBIA				
15013	District of Columbia National Bank, Washington . . . . .	1		1
15208	Madison National Bank, Washington . . . . .	1		1
GEORGIA				
14907	The National Bank of Albany . . . . .	1		1
1639	The National Bank of Athens . . . . .	1		1
1559	The First National Bank of Atlanta . . . . .	3		3
9617	The Fulton National Bank of Atlanta . . . . .	2	1	2
15541	The National Bank of Georgia, Atlanta . . . . .	9		9
2338	The First National Bank of Columbus . . . . .	1		1
4691	The Fourth National Bank of Columbus . . . . .	1		1
13068	The Citizens and Southern National Bank, Savannah . . . . .		2	2
HAWAII				
14911	Hawaii National Bank, Honolulu . . . . .		1	1
IDAHO				
14444	First Security Bank of Idaho, National Association, Boise . . . . .		3	3
8822	The First National Bank of Malad City . . . . .		1	1
INDIANA				
1888	First National Bank of Bloomington . . . . .	1		1
8337	The Fairland National Bank, Fairland . . . . .		1	1
7725	Lincoln National Bank & Trust Co. of Fort Wayne . . . . .		1	1
15455	Bank of Indiana, National Association, Gary . . . . .		1	1
14292	The National Bank of Greenwood . . . . .	1		1
869	Merchants National Bank & Trust Co. of Indianapolis . . . . .	1		1
9756	The American National Bank of Noblesville . . . . .		1	2
1988	The Second National Bank of Richmond . . . . .	1		1
7946	The Shelby National Bank of Shelbyville . . . . .	1		1
3864	The American National Bank of Vincennes . . . . .		1	1
IOWA				
14395	National Bank of Burlington . . . . .	1		1
14799	City National Bank of Cedar Rapids . . . . .	1		1
4784	The First National Bank of Denison . . . . .	1		1
14832	South Des Moines National Bank, Des Moines . . . . .	1		1
15524	First National Bank of Eldora . . . . .		1	1
13991	First National Bank in Fairfield . . . . .	1		1
2763	First National Bank, Fort Dodge, Iowa . . . . .	1		1
15218	Spencer National Bank, Spencer . . . . .	1		1
13702	The National Bank of Waterloo . . . . .	1		1

TABLE B-13—Continued

Domestic branches entering the National banking system, by de novo opening, merger, or conversion, by States, calendar 1965

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
KENTUCKY				
3944	The Second National Bank of Ashland . . . . .	1	1	2
906	First Security National Bank & Trust Co. of Lexington . . . . .	1		1
2901	The Second National Bank & Trust Co. of Lexington . . . . .	1		1
7086	The National Bank, Middlesboro . . . . .	1		1
4765	The Newport National Bank, Newport . . . . .		1	1
1831	The First National Bank of Nicholasville . . . . .		1	1
14138	The Owensboro National Bank, Owensboro . . . . .	2		2
LOUISIANA				
9834	Louisiana National Bank of Baton Rouge . . . . .	1		1
13732	First National Bank of Jefferson Parish, Gretna . . . . .		1	1
14503	Citizens National Bank & Trust Co. of Houma . . . . .		1	1
14685	First National Bank of West Monroe . . . . .	1		1
MAINE				
4459	The First National Bank of Farmington . . . . .		1	1
5861	The Peoples National Bank of Farmington . . . . .		1	1
2260	First-Manufacturers National Bank of Lewiston and Auburn, Lewiston . . . . .		2	2
941	Canal National Bank, Portland . . . . .		3	3
MARYLAND				
13745	Maryland National Bank, Baltimore . . . . .		2	2
15102	National City Bank of Baltimore . . . . .		1	1
13680	First National Bank of Harford County, Bel Air . . . . .	1		1
15365	University National Bank, College Park . . . . .		1	1
1267	Farmers and Mechanics National Bank, Frederick . . . . .		1	1
13853	The Peoples National Bank of Hancock . . . . .	1		1
3010	First National Bank & Trust Co., Havre de Grace . . . . .	1		1
15051	The Central National Bank of Maryland, Hillandale . . . . .		1	1
4364	The Citizens National Bank, Laurel . . . . .		2	2
13776	The Garrett National Bank in Oakland . . . . .		1	1
14937	American National Bank of Maryland, Silver Spring . . . . .		1	1
15154	Peoples National Bank of Maryland, Suitland . . . . .		1	1
5471	The First National Bank of Southern Maryland of Upper Marlboro . . . . .		1	1
14985	Metropolitan National Bank of Maryland, Wheaton . . . . .		1	1
MASSACHUSETTS				
393	The First National Bank of Amherst . . . . .		1	1
15399	Commonwealth National Bank, Boston . . . . .	1		1
200	The First National Bank of Boston . . . . .	1		1
475	New England Merchants National Bank of Boston . . . . .	2		2
14087	The Lincoln National Bank of Chelsea . . . . .		1	1
590	The Fall River National Bank, Fall River . . . . .	1		1
1320	The Falmouth National Bank, Falmouth . . . . .		1	1
528	The Framingham National Bank, Framingham . . . . .	1		1
884	The First National Bank of Gardner . . . . .	1		1
1014	Bay State Merchants National Bank of Lawrence . . . . .	1		2
13241	Needham National Bank, Needham . . . . .		1	1
1018	Northampton National Bank, Northampton . . . . .	1		1
736	First National Bank of Cape Cod, Orleans . . . . .		1	1
2324	The Palmer National Bank, Palmer . . . . .		1	1
15005	Hampshire National Bank of South Hadley . . . . .		1	1
1274	The Martha's Vineyard National Bank of Tisbury, Vineyard Haven . . . . .		1	1
7297	The Wellesley National Bank, Wellesley . . . . .		1	1
1135	The Mechanics National Bank of Worcester . . . . .	1		1
14850	Worcester County National Bank, Worcester . . . . .		1	1

TABLE B-13—Continued

Domestic branches entering the National banking system, by *de novo* opening, merger, or conversion, by States, calendar 1965

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
MICHIGAN				
14185	Security National Bank of Battle Creek . . . . .		1	1
14641	Peoples National Bank & Trust Co. of Bay City . . . . .	1		2
14881	First National Bank of Big Rapids . . . . .		1	1
1924	The Southern Michigan National Bank of Coldwater . . . . .		1	1
14925	City National Bank of Detroit . . . . .	2	2	4
13738	Manufactures National Bank of Detroit . . . . .	2	1	3
14948	Michigan Bank, National Association, Detroit . . . . .	2		3
13671	National Bank of Detroit . . . . .		6	6
14144	First National Bank in Howell . . . . .	1		1
13741	The National Bank of Jackson . . . . .		2	2
13820	The American National & Trust Co. of Kalamazoo . . . . .		2	2
191	The First National Bank & Trust Co. of Kalamazoo . . . . .		1	1
14032	Michigan National Bank, Lansing . . . . .	1	1	2
4840	The National Lumberman's Bank of Muskegon . . . . .	1		1
4398	Hackley Union National Bank & Trust Co. of Muskegon . . . . .	1	1	1
3717	The First National Bank of Negaunee . . . . .	1	1	2
13739	Community National Bank of Pontiac . . . . .		2	2
1918	Second National Bank of Saginaw . . . . .	1		1
15403	Valley National Bank of Saginaw . . . . .	1		1
14729	St. Clair Shores National Bank, St. Clair Shores . . . . .		1	1
15420	Central National Bank of St. Johns . . . . .		1	1
15167	National Bank of Southfield . . . . .	3		3
15008	Troy National Bank, Troy . . . . .	1		1
MISSISSIPPI				
10361	The National Bank of Commerce of Columbus . . . . .	1		1
15516	Citizens National Bank, Florence . . . . .		1	1
3765	The First National Bank of Greenville . . . . .	1		1
15386	First National Bank of Iuka . . . . .		1	1
10523	First National Bank of Jackson . . . . .	1	1	2
15548	Deposit Guaranty National Bank, Jackson . . . . .	10	2	12
13551	First National Bank in Meridian . . . . .	1		1
15479	First Citizens National Bank, Tupelo . . . . .	1	2	3
MISSOURI				
15176	Belt National Bank of St. Joseph . . . . .	1		1
15432	Mercantile Trust Co. National Bank, St. Louis . . . . .	1		1
5209	The Union National Bank of Springfield . . . . .	1		1
5036	The First National Bank of West Plains . . . . .	1		1
NEBRASKA				
14018	The Overland National Bank of Grand Island . . . . .	1		1
NEVADA				
7038	First National Bank of Nevada, Reno . . . . .	1		1
14406	Security National Bank of Nevada, Reno . . . . .	1		1
NEW HAMPSHIRE				
2447	The Mechanics National Bank of Concord . . . . .	1		1
808	The National Bank of Lebanon . . . . .		1	1
1520	The Merchants National Bank of Manchester . . . . .	1		1
888	The First National Bank of Newport . . . . .		1	1
19	The First National Bank of Portsmouth . . . . .	1		1
NEW JERSEY				
13363	First Merchants National Bank, Asbury Park . . . . .		1	1
9498	The Farmers & Merchants National Bank of Bridgeton . . . . .	1		1
1222	Mechanics National Bank of Burlington County, Burlington . . . . .		1	1
1209	First Camden National Bank & Trust Co., Camden . . . . .	1		1
2076	The National Union Bank of Dover . . . . .		1	1

TABLE B-13—Continued

Domestic branches entering the National banking system, by de novo opening, merger, or conversion, by States, calendar 1965

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
NEW JERSEY—continued				
288	The First National Bank of Middlesex County, East Brunswick . . . . .		1	1
15419	Eatontown National Bank, Eatontown . . . . .	1		1
1436	The National State Bank, Elizabeth . . . . .		1	1
4365	Citizens National Bank, Englewood . . . . .	1	1	2
15255	First Bank & Trust Co., National Association, Fords . . . . .		1	1
15035	Franklin Lakes National Bank, Franklin Lakes . . . . .	1		1
1259	The Hackettstown National Bank, Hackettstown . . . . .	1		1
8267	The Peoples National Bank of Hackettstown . . . . .		1	1
12022	Peoples National Bank of Camden County, Laurel Springs . . . . .		2	2
3878	Amboy-Madison National Bank, Madison Township . . . . .	1		1
13125	The First National Bank of Marlton . . . . .	1		1
6440	The Farmers & Merchants National Bank of Matawan . . . . .		1	1
10376	Keansburg-Middletown National Bank, Middletown . . . . .		1	1
1113	The First National Iron Bank of New Jersey, Morristown . . . . .	1		1
3697	The Peoples National Bank of New Brunswick . . . . .	1		1
329	First National Bank of Passaic County, Paterson . . . . .	1		1
15518	Broadway National Bank & Trust Co. of Pitman . . . . .	1		1
11759	Citizens First National Bank of Ridgewood . . . . .		2	2
3866	The First National Bank of Somerset County, N.J., Somerville . . . . .		1	1
11847	The First National Bank of South Plainfield . . . . .	1		1
2509	The First National Bank of Toms River, N.J., Toms River . . . . .	1		1
14667	The First National Bank of Tuckerton . . . . .		1	1
NEW MEXICO				
12485	Albuquerque National Bank, Albuquerque . . . . .	1		1
8767	The Clovis National Bank, Clovis . . . . .	1		1
14628	First National Bank of Hobbs . . . . .	1		1
6187	The First National Bank of Portales . . . . .	1		1
8348	The Portales National Bank, Portales . . . . .	1		1
1750	The First National Bank of Santa Fe . . . . .	1		1
14543	Santa Fe National Bank . . . . .	1		1
NEW YORK				
1301	National Commercial Bank & Trust Co., Albany . . . . .	1	8	9
1345	The National Bank of Auburn . . . . .	1		1
35	The Fishkill National Bank, Beacon . . . . .		2	2
202	First-City National Bank of Binghamton, N.J., Binghamton . . . . .		1	1
15080	Liberty National Bank & Trust Co., Buffalo . . . . .		2	2
5816	The National Exchange Bank of Castleton on Hudson . . . . .		1	1
11854	Peninsula National Bank, Cedarhurst . . . . .		2	2
1349	The Chester National Bank, Chester . . . . .		2	2
1398	The National Bank of Coxsackie . . . . .		1	1
13126	The First National Bank of Glen Head . . . . .		1	1
5336	The First National Bank of Highland . . . . .		2	2
6587	Security National Bank of Long Island, Huntington . . . . .		2	2
222	First National Bank & Trust Co. of Ithaca . . . . .	1		1
13956	County National Bank, Middletown . . . . .		1	1
12997	Franklin National Bank, Mincola . . . . .		5	5
13314	Nanuet National Bank, Nanuet . . . . .		1	1
1106	Highland National Bank of Newburgh . . . . .	1		1
2370	The Chase Manhattan Bank (National Association), New York . . . . .	126	11	137
1461	First National City Bank, New York . . . . .	11	6	17
15029	Royal National Bank of New York . . . . .		1	1
9716	The North Creek National Bank, North Creek . . . . .		1	1
12788	The Peoples National Bank of Long Island, Patchogue . . . . .		1	1
1312	Farmers-Matteawan National Bank, Poughkeepsie . . . . .	1		2
465	Marine Midland National Bank of Southeastern New York, Poughkeepsie . . . . .		1	1
1226	The Mohawk National Bank of Schenectady . . . . .		1	1
14680	First National Bank of Scotia . . . . .		1	1
5390	The First National Bank of Spring Valley . . . . .		2	2
1342	The Merchants National Bank & Trust Co. of Syracuse . . . . .		1	1
721	Marine National Bank of Troy . . . . .		1	1
1392	The Oneida National Bank & Trust Co. of Central New York, Utica . . . . .		1	1



TABLE B-13—Continued

Domestic branches entering the National banking system, by de novo opening, merger, or conversion, by States, calendar 1965

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.....		3	3
2657	The National Bank of Northern New York, Watertown.....	1	1	2
15025	National Bank of Westchester, White Plains.....	1	1	2
11059	The First National Bank of Woodridge.....		1	1
1399	The National Bank of Orange and Ulster Counties, Goshen.....		1	1
NORTH CAROLINA				
9164	First Union National Bank of North Carolina, Charlotte.....		1	1
13761	North Carolina National Bank, Charlotte.....	1	7	8
6744	First National Bank of Lincolnton.....		1	1
10610	Southern National Bank of North Carolina, Lumberton.....		3	3
OHIO				
14188	The Arcanum National Bank, Arcanum.....		1	1
15227	First National Bank of Archbold.....	1		1
5075	The Northeastern Ohio National Bank, Ashtabula.....	1	1	2
7744	The Athens National Bank, Athens.....	1		1
76	First National Bank of Canton.....	1		1
13883	The First National Bank at Carrollton.....		1	1
15423	The Capital National Bank, Cleveland.....	1	1	2
4318	Central National Bank of Cleveland.....	1	2	3
786	The National City Bank of Cleveland.....	1	5	6
14761	Society National Bank of Cleveland.....	1	2	3
7745	The Huntington National Bank of Columbus.....	1	1	2
5065	The Ohio National Bank of Columbus.....	1	1	2
2604	The Winters National Bank & Trust Co. of Dayton.....	2	1	3
243	The First National Bank of Delaware.....		1	1
13850	The First National Bank at East Palestine.....		1	1
13997	The Liberty National Bank of Fremont.....	1		1
56	The First National Bank & Trust Co. of Hamilton.....		1	1
7517	The Fairfield National Bank of Lancaster.....		1	1
15340	Tower National Bank of Lima.....		1	1
4842	The Old Phoenix National Bank of Medina.....		1	1
14565	First National Bank of Middletown.....	1		1
7638	The First-Knox National Bank of Mount Vernon.....	1		1
858	The First National Bank of Newark.....		1	1
6594	The New Carlisle National Bank, New Carlisle.....		1	1
13742	The National Bank of Orrville.....	1		1
1006	The Piqua National Bank & Trust Co., Piqua.....		1	1
7781	The Security Central National Bank of Portsmouth.....		1	1
14050	Belmont County National Bank, St. Clairsville, St. Clairsville.....		1	1
5214	The First National Exchange Bank of Sidney.....	1		1
14586	First National Bank of Toledo.....		3	3
3825	The First National Bank & Trust Co., Troy.....		1	1
2479	The Second National Bank of Warren.....		1	1
1997	The Clinton County National Bank & Trust Co. of Wilmington.....	1		1
7670	The Citizens National Bank of Wooster.....	1		1
164	The First National Bank of Zanesville.....		1	1
OKLAHOMA				
12302	Cordell National Bank, Cordell.....	1		1
6893	The First National Bank of Cushing.....	1		1
OREGON				
1553	First National Bank of Oregon, Portland.....		6	6
4514	United States National Bank of Oregon, Portland.....	1	3	4
PENNSYLVANIA				
14170	First National Bank in Bangor.....		1	1
664	First National Bank, Carbondale.....		1	1
5855	Cambria County National Bank, Carrolltown.....		1	1
12582	The Chalfont National Bank, Chalfont.....	1		1

TABLE B-13—Continued

Domestic branches entering the National banking system, by *de novo* opening, merger, or conversion, by States, calendar 1965

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
PENNSYLVANIA—continued				
593	National Valley Bank & Trust Co., Chambersburg.....		1	1
12526	The Cheltenham National Bank, Cheltenham.....		1	1
573	The Doylestown National Bank & Trust Co., Doylestown.....		1	1
12	The First National Bank of Erie.....		1	1
870	Marine National Bank, Erie.....		1	1
8854	The Citizens National Bank of Evans City.....		1	1
5920	The First National Bank of Fredericktown.....		1	1
13826	The First National Bank of Freeport.....		1	1
7702	Peoples National Bank of Susquehanna County, Hallstead.....		1	1
14880	Peoples National Bank of Hanover.....	1		1
14156	Community National Bank of Somerset County, Hooversville.....		1	1
31	First-Grange National Bank of Huntingdon.....		1	1
4965	Union National Bank and Trust Co. of Huntingdon.....		1	1
12098	The Moxham National Bank of Johnstown.....		1	1
13781	United States National Bank in Johnstown.....		2	2
14133	Commercial National Bank of Westmoreland County, Latrobe.....		1	1
5773	The Farmers National Bank of Lititz.....		1	1
11244	The First National Bank of Mapleton.....		1	1
4625	The National Bank of McKeesport.....		1	1
5147	The Juniata Valley National Bank, Mifflintown.....		3	3
14542	Cumberland County National Bank & Trust Co., New Cumberland.....		1	1
324	The First National Bank & Trust Co. of Newtown.....		1	1
2581	The Peoples National Bank & Trust Co. of Norristown.....		2	2
539	The Philadelphia National Bank, Philadelphia.....	2	2	4
15422	Provident National Bank, Philadelphia.....		1	1
6301	Mellon National Bank & Trust Co., Pittsburgh.....		5	5
252	Pittsburgh National Bank, Pittsburgh.....	1	2	3
705	The Union National Bank of Pittsburgh.....		1	1
2222	Western Pennsylvania National Bank, Pittsburgh.....		7	7
1663	Pennsylvania National Bank & Trust Co., Pottsville.....		1	1
2333	Union National Bank & Trust Co. of Souderton.....		1	1
3632	The First-Stroudsburg National Bank, Stroudsburg.....		1	1
5034	Gallatin National Bank, Uniontown.....		2	2
4879	The Warren National Bank, Warren.....		1	1
5832	Citizens National Bank & Trust Co. of Waynesboro.....	1		1
552	National Bank of Chester County & Trust Co., West Chester.....		1	1
13852	Miners National Bank of Wilkes-Barre.....	1	1	2
RHODE ISLAND				
1302	Industrial National Bank of Rhode Island, Providence.....		1	1
SOUTH CAROLINA				
15560	County National Bank, Blackville.....		2	2
2044	The South Carolina National Bank of Charleston.....		5	5
14425	The Citizens & Southern National Bank of South Carolina, Charleston.....		3	3
13720	The First National Bank of South Carolina, Columbia.....	1	5	6
10680	The First National Bank of Holly Hill.....		1	1
15229	First State National Bank, Jackson.....		1	1
10660	The National Bank of South Carolina of Sumter.....		1	1
SOUTH DAKOTA				
10592	Northwestern National Bank of Sioux Falls.....	1		1
15537	Valley National Bank of Sioux Falls.....	1	1	2
TENNESSEE				
14611	American National Bank & Trust Co. of Chattanooga.....		1	1
7848	The Hamilton National Bank of Chattanooga.....	1		1
7397	The First National Bank of Franklin County at Decherd.....		1	1
6930	The First National Bank of Dickson.....	1		1
2168	The First National Bank of Jackson.....		1	1
13539	The Hamilton National Bank of Knoxville.....	1		1

TABLE B-13—Continued

Domestic branches entering the National banking system, by de novo opening, merger, or conversion, by States, calendar 1965

Charter No.	Title and location of bank	Branches opened for business		
		Local	Other than local	Total
TENNESSEE—continued				
12080	The First National Bank of Loudon . . . . .	1		1
336	The First National Bank of Memphis . . . . .	2		2
13681	National Bank of Commerce in Memphis . . . . .	3		3
13349	Union Planters National Bank of Memphis . . . . .	2		2
14736	National Bank of Murfreesboro . . . . .	1		1
3032	First American National Bank of Nashville . . . . .	1		1
14828	National Bank of Newport . . . . .	1		1
14822	The First National Bank of Rogersville . . . . .	1		1
15417	First National County Bank, Spring City . . . . .	1		1
12639	The First National Bank of Springfield . . . . .	1		1
3107	The First National Bank of Tullahoma . . . . .	1		1
UTAH				
2597	First Security Bank of Utah, National Association, Ogden . . . . .		1	1
4341	Zions First National Bank, Salt Lake City . . . . .	1		1
VERMONT				
2395	The County National Bank of Bennington . . . . .		1	1
13986	The Enosburg Falls National Bank, Enosburg Falls . . . . .		1	1
194	The First National Bank of North Bennington . . . . .		1	1
3484	The First National Bank of White River Junction . . . . .		1	1
VIRGINIA				
651	First & Citizens National Bank, Alexandria . . . . .		4	4
14893	Mount Vernon National Bank & Trust Co. of Fairfax County, Annandale . . . . .		1	1
15146	Commonwealth National Bank of Arlington . . . . .	1		2
14904	Security National Bank, Baileys Cross Roads . . . . .	1		1
15334	American National Bank, Fredericksburg . . . . .	1		1
3917	The Peoples National Bank of Leesburg . . . . .	1		1
10696	Rockbridge National Bank of Lexington . . . . .	1		1
4314	The First National Bank of Lexington . . . . .	1		1
1522	The Fidelity National Bank, Lynchburg . . . . .	1		2
5032	The National Bank of Manassas . . . . .		1	1
6748	The Peoples National Bank of Manassas . . . . .		1	1
7206	The First National Bank of Martinsville and Henry County, Martinsville . . . . .		1	1
9885	Virginia National Bank, Norfolk . . . . .	1	12	13
10194	Seaboard Citizens National Bank, Norfolk . . . . .		2	2
5438	The National Bank of Orange . . . . .	1		1
4071	The Pulaski National Bank, Pulaski . . . . .	1		1
15139	First Valley National Bank, Rich Creek . . . . .	1		1
15027	Richmond National Bank, Richmond . . . . .	1		1
1111	First & Merchants National Bank, Richmond . . . . .	1		1
10080	The Central National Bank of Richmond . . . . .	1		1
2737	The First National Exchange Bank of Virginia, Roanoke . . . . .		9	9
15200	The National Bank of Rosslyn . . . . .		1	1
15293	Guardian National Bank of Fairfax County, Springfield . . . . .		1	1
11901	The First National Bank of Stuart . . . . .	1		1
9642	The Peoples National Bank of Warrenton . . . . .	1		1
11554	The First National Bank of Yorktown . . . . .		1	1
WASHINGTON				
15324	Timbermens National Bank of Hoquiam . . . . .		1	1
6074	First National Bank in Port Angeles . . . . .	1		1
4375	The National Bank of Commerce of Seattle . . . . .		2	2
14394	Peoples National Bank of Washington, Seattle . . . . .	1	4	5
11280	Seattle-First National Bank, Seattle . . . . .	1	2	3
13331	First National Bank in Spokane . . . . .		1	1
15477	Central Bank National Association, Tacoma . . . . .	2		2
3417	National Bank of Washington, Tacoma . . . . .	3		3
12292	Puget Sound National Bank, Tacoma . . . . .	1	1	2

TABLE B-14

*Domestic branches of National banks closed, by States, calendar 1965*

Charter No.	Title and location of bank	Branches closed		
		Local	Other than local	Total
	Total .....	25	17	42
	CALIFORNIA			
10391	United States National Bank, San Diego .....		1	1
13044	Bank of America National Trust & Savings Association, San Francisco .....	1		1
1741	Crocker-Citizens National Bank, San Francisco .....		1	1
14980	San Francisco National Bank, San Francisco .....	2		2
13178	The First National Bank of Vista .....	1		1
	INDIANA			
13759	American Fletcher National Bank & Trust Co., Indianapolis .....	1		1
	IOWA			
2511	The Merchants National Bank of Cedar Rapids .....	1		1
2763	First National Bank, Fort Dodge, Iowa .....	1		1
13697	First National Bank, Iowa City, Iowa .....	1		1
3105	The First National Bank of Waverly .....	1		1
	KANSAS			
8399	The National Bank of Commerce of Wellington .....	1		1
	KENTUCKY			
14320	Liberty National Bank & Trust Co. of Louisville .....		1	1
	MARYLAND			
13776	The Garrett National Bank in Oakland .....		1	1
	MASSACHUSETTS			
475	New England Merchants National Bank of Boston .....	2		2
779	Plymouth-Home National Bank, Brockton .....		1	1
13411	First National Bank of Webster .....		2	2
	MICHIGAN			
14918	National Bank & Trust Co. of Traverse City .....	1		1
	NEW JERSEY			
3866	The First National Bank of Somerset County, Bound Brook .....		1	1
	NEW MEXICO			
13814	First National Bank in Albuquerque .....	1		1
	NEW YORK			
1461	First National City Bank, New York .....	2		2
12892	Lafayette National Bank of Brooklyn in New York, New York .....	6		6
12553	Water Street National Bank, New York .....	1		1
13962	The National Bank of Windham .....		1	1
	PENNSYLVANIA			
14191	The Girard Battles National Bank, Girard .....		2	2
252	Pittsburgh National Bank, Pittsburgh .....		1	1

TABLE B-14—Continued  
Domestic branches of National banks closed, by States, calendar 1965

Charter No.	Title and location of bank	Branches closed		
		Local	Other than local	Total
	SOUTH CAROLINA			
14425	The Citizens & Southern National Bank of South Carolina, Charleston . . . . .		2	2
2044	The South Carolina National Bank of Charleston . . . . .		1	1
13720	The First Commercial National Bank of South Carolina, Columbia . . . . .		1	1
	VIRGINIA			
15293	Guardian National Bank of Fairfax County, Springfield . . . . .		1	1
	WASHINGTON			
15477	Central Bank National Association, Tacoma . . . . .	2		2

**TABLE B-15**  
*Principal assets, liabilities, and capital accounts of National banks, by deposit size, year end 1964-65*  
 [Dollar amounts in millions]

	Number of banks	Total assets	Cash and cash items	Loans and discounts	Securities		Fixed assets	Deposits			Capital stock	Capital notes and debentures	Surplus, undivided profits, and reserves
					Total	U.S. Government obligations		Total	Demand	Time and savings			
<i>1964</i>													
Total .....	4, 773	\$190, 113	\$34, 066	\$95, 577	\$54, 367	\$33, 537	\$2, 789	\$169, 617	\$98, 660	\$70, 957	\$4, 315	\$475	\$10, 258
Banks with deposits of—													
Less than \$1.0 .....	114	112	26	44	35	32	5	78	57	20	15	0	18
1.0 to 1.9 .....	394	725	133	323	249	209	15	604	391	213	44	0	70
2.0 to 4.9 .....	1, 303	5, 048	830	2, 276	1, 832	1, 370	82	4, 466	2, 619	1, 847	163	—	372
5.0 to 9.9 .....	1, 181	9, 342	1, 433	4, 229	3, 478	2, 393	150	8, 437	4, 659	3, 778	216	—	585
10.0 to 24.9 .....	1, 029	17, 801	2, 671	8, 341	6, 322	4, 128	301	16, 100	8, 768	7, 332	405	4	1, 008
25.0 to 49.9 .....	339	13, 039	1, 929	6, 209	4, 506	2, 891	220	11, 778	6, 524	5, 254	273	31	669
50.0 to 99.9 .....	185	14, 210	2, 311	6, 696	4, 806	3, 136	227	12, 831	7, 307	5, 524	329	13	728
100.0 to 499.9 .....	176	41, 793	8, 223	20, 969	11, 358	7, 147	655	37, 600	23, 712	13, 888	944	114	2, 107
Over 500.0 .....	52	88, 042	16, 509	46, 491	21, 780	12, 231	1, 133	77, 723	44, 622	33, 101	1, 926	313	4, 701
<i>1965</i>													
Total .....	4, 815	219, 103	36, 880	118, 266	57, 310	31, 896	3, 158	193, 860	107, 881	85, 979	4, 966	1, 134	11, 334
Banks with deposits of—													
Less than \$1.0 .....	68	64	13	27	21	18	2	50	37	14	5	0	7
1.0 to 1.9 .....	301	542	99	246	186	150	9	461	289	172	25	0	51
2.0 to 4.9 .....	1, 296	5, 044	812	2, 382	1, 735	1, 247	90	4, 466	2, 532	1, 933	166	—	363
5.0 to 9.9 .....	1, 215	9, 663	1, 432	4, 528	3, 475	2, 284	159	8, 706	4, 686	4, 020	240	1	602
10.0 to 24.9 .....	1, 109	19, 047	2, 708	9, 238	6, 612	4, 009	323	17, 252	8, 995	8, 258	417	11	1, 060
25.0 to 49.9 .....	385	14, 621	2, 057	7, 195	4, 907	2, 905	248	13, 203	7, 046	6, 158	332	18	752
50.0 to 99.9 .....	192	14, 634	2, 211	7, 394	4, 617	2, 704	236	13, 194	7, 126	6, 068	336	21	720
100.0 to 499.9 .....	187	42, 528	7, 610	22, 413	11, 209	6, 372	670	38, 089	22, 669	15, 420	952	111	2, 120
Over 500.0 .....	62	112, 960	19, 938	64, 842	24, 547	12, 206	1, 421	98, 438	54, 501	43, 937	2, 492	972	5, 659

NOTE: Data may not add to totals because of rounding. Dashes indicate amounts under \$500,000.

TABLE B-16

*Dates of reports of condition of National banks, 1914-66*[For dates of previous calls, see *Annual 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
1965				26		30				13		31
1966				5		30			20			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  
Total and principal assets of National banks, by States, June 30, 1965  
[Dollar amounts in millions]

	Number of banks	Total assets	Cash assets*	U.S. Govern- ment obliga- tions, net	State and local securities, net	Other bonds, notes, net	Loans and discounts, net	Federal funds sold	Direct lease financing	Fixed assets
United States.....	4, 803	\$193, 599	\$31, 595	\$30, 323	\$20, 460	\$2, 439	\$102, 059	\$1, 059	\$188	\$2, 893
Alabama.....	84	2, 333	401	433	268	28	1, 130	21	0	38
Alaska.....	5	269	35	46	23	13	139	2	0	8
Arizona.....	4	1, 640	203	180	119	40	1, 016	20	—	39
Arkansas.....	65	1, 050	205	152	131	17	521	2	—	17
California.....	94	26, 632	3, 835	3, 214	2, 713	251	15, 613	26	89	449
Colorado.....	117	2, 178	394	340	163	6	1, 190	13	2	48
Connecticut.....	27	1, 773	257	194	239	10	1, 015	4	1	41
Delaware.....	5	25	3	6	—	1	12	1	0	1
District of Columbia.....	8	1, 356	244	329	65	3	677	4	0	21
Florida.....	192	5, 066	922	1, 084	444	112	2, 298	31	—	133
Georgia.....	54	2, 592	521	313	205	21	1, 437	20	3	50
Hawaii.....	2	396	56	65	38	—	220	0	0	12
Idaho.....	9	663	77	107	60	4	390	6	0	12
Illinois.....	415	18, 204	2, 807	3, 308	2, 003	378	9, 108	117	21	129
Indiana.....	125	4, 445	783	935	370	85	2, 130	55	1	54
Iowa.....	102	1, 470	306	284	129	26	693	7	—	19
Kansas.....	170	1, 820	318	379	211	31	850	1	—	22
Kentucky.....	81	1, 422	262	271	150	24	685	2	—	19
Louisiana.....	47	2, 628	466	522	269	19	1, 265	29	1	35
Maine.....	21	458	61	72	49	4	255	5	0	9
Maryland.....	50	1, 935	332	337	169	19	1, 000	42	3	22
Massachusetts.....	94	5, 504	1, 140	590	453	16	3, 110	21	3	64
Michigan.....	97	8, 052	1, 264	1, 523	938	47	4, 075	37	7	92
Minnesota.....	193	4, 197	748	696	375	87	2, 182	6	2	62
Mississippi.....	34	600	97	114	71	5	296	0	0	14
Missouri.....	96	3, 870	755	558	393	25	2, 025	41	1	37
Montana.....	48	596	83	109	53	9	323	—	—	12
Nebraska.....	125	1, 606	305	243	135	20	866	3	1	21
Nevada.....	3	472	62	70	45	7	253	11	0	18
New Hampshire.....	50	438	72	57	31	1	261	6	0	8
New Jersey.....	147	6, 300	786	1, 052	893	117	3, 284	28	2	89
New Mexico.....	34	699	112	144	43	7	353	24	—	12
New York.....	198	20, 619	3, 384	2, 472	2, 472	206	11, 118	83	29	240
North Carolina.....	30	1, 758	323	195	166	40	982	2	0	32
North Dakota.....	42	518	60	111	54	13	264	0	—	12
Ohio.....	223	8, 877	1, 320	1, 593	973	91	4, 645	79	3	114
Oklahoma.....	222	3, 156	620	612	261	54	1, 526	12	1	52
Oregon.....	12	2, 533	346	378	234	38	1, 422	18	1	54
Pennsylvania.....	377	14, 169	2, 070	2, 261	2, 080	179	7, 108	97	10	178
Rhode Island.....	4	762	76	61	171	4	431	6	0	8
South Carolina.....	24	920	176	154	62	24	476	5	0	19
South Dakota.....	33	576	66	132	44	9	307	0	0	12
Tennessee.....	75	3, 538	691	556	348	24	1, 837	6	0	50
Texas.....	544	13, 694	2, 704	2, 072	1, 269	188	6, 888	125	—	305
Utah.....	13	648	99	52	67	4	405	7	—	10
Vermont.....	27	276	33	46	22	3	164	2	0	4
Virginia.....	121	3, 071	452	469	286	40	1, 743	9	1	54
Washington.....	31	3, 472	571	524	317	30	1, 908	15	1	61
West Virginia.....	79	1, 000	152	289	85	12	436	4	1	16
Wisconsin.....	110	2, 885	480	523	272	46	1, 488	4	2	51
Wyoming.....	39	403	61	86	23	4	216	0	—	10
Virgin Islands.....	1	33	3	8	1	0	21	0	0	—
District of Columbia—all f.	15	2, 393	423	546	100	10	1, 255	10	0	30

\* Cash, balances with other banks, and cash items in process of collection.

† Includes National and non-National banks in the District

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

NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than \$500,000.

TABLE B-18

Total and principal liabilities of National banks, by States, June 30, 1965

[Dollar amounts in millions]

	Total liabilities	Total deposits	Demand deposits, total	Time and savings deposits, total	Demand deposits, IPC*	Time deposits, IPC	Federal funds purchased
United States .....	\$177,746	\$171,528	\$94,826	\$76,702	\$68,987	\$69,931	\$959
Alabama .....	2,138	2,091	1,304	786	965	748	2
Alaska .....	254	249	132	116	101	72	2
Arizona .....	1,507	1,470	739	731	554	705	0
Arkansas .....	962	950	626	324	446	311	1
California .....	24,808	23,977	10,324	13,653	8,198	12,017	59
Colorado .....	1,999	1,952	1,092	860	834	786	13
Connecticut .....	1,630	1,563	1,013	550	822	504	4
Delaware .....	23	22	11	11	10	11	0
District of Columbia .....	1,254	1,224	909	415	702	401	9
Florida .....	4,643	4,508	2,741	1,768	2,029	1,523	18
Georgia .....	2,361	2,298	1,560	737	1,083	658	0
Hawaii .....	353	347	186	161	124	133	0
Idaho .....	616	606	341	265	252	264	0
Illinois .....	16,773	16,127	8,820	7,307	6,219	6,903	142
Indiana .....	4,098	3,915	2,361	1,554	1,632	1,443	73
Iowa .....	1,353	1,323	863	460	594	447	16
Kansas .....	1,651	1,631	1,087	544	703	508	2
Kentucky .....	1,294	1,276	848	428	674	404	0
Louisiana .....	2,400	2,350	1,592	757	1,127	669	8
Maine .....	415	400	229	171	193	167	2
Maryland .....	1,776	1,706	1,093	613	803	576	31
Massachusetts .....	4,989	4,655	3,341	1,313	2,393	1,230	47
Michigan .....	7,530	7,364	3,542	3,822	2,524	3,403	1
Minnesota .....	3,871	3,719	2,123	1,596	1,369	1,516	44
Mississippi .....	547	539	355	184	242	179	—
Missouri .....	3,514	3,425	2,259	1,166	1,481	1,056	27
Montana .....	554	535	281	253	218	238	5
Nebraska .....	1,465	1,429	982	447	682	439	8
Nevada .....	436	426	239	187	168	179	0
New Hampshire .....	394	372	257	115	200	107	1
New Jersey .....	5,817	5,624	2,869	2,755	2,273	2,672	13
New Mexico .....	647	638	397	241	279	205	—
New York .....	18,683	17,503	9,419	8,084	6,426	7,277	141
North Carolina .....	1,605	1,542	1,000	542	742	446	20
North Dakota .....	481	471	235	236	188	223	1
Ohio .....	8,140	7,916	4,217	3,700	3,085	3,482	14
Oklahoma .....	2,849	2,785	1,845	941	1,253	875	10
Oregon .....	2,349	2,285	1,076	1,210	847	1,064	0
Pennsylvania .....	12,874	12,468	6,203	6,265	4,791	5,753	42
Rhode Island .....	708	687	285	402	207	375	2
South Carolina .....	843	806	658	147	520	133	1
South Dakota .....	533	523	273	250	205	225	—
Tennessee .....	3,264	3,171	1,879	1,292	1,189	1,165	9
Texas .....	12,519	12,112	7,631	4,481	5,370	3,825	169
Utah .....	592	579	273	306	201	279	3
Vermont .....	252	246	91	155	78	152	—
Virginia .....	2,804	2,732	1,447	1,285	1,137	1,213	4
Washington .....	3,208	3,120	1,759	1,361	1,285	1,346	11
West Virginia .....	903	887	513	373	391	371	2
Wisconsin .....	2,668	2,599	1,406	1,193	1,034	1,094	2
Wyoming .....	367	358	191	168	136	149	1
Virgin Islands .....	31	29	10	19	8	11	0
District of Columbia—all† ..	2,220	2,167	1,412	756	1,244	736	9

\*IPC deposits are those of individuals, partnerships, and corporations.

†Includes National and non-National banks in the District

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

NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than \$500,000.

TABLE B-19

*Capital accounts of National banks, by States, June 30, 1965*

[Dollar amounts in millions]

	<i>Total capital accounts</i>	<i>Debentures</i>	<i>Preferred stock</i>	<i>Common stock</i>	<i>Surplus</i>	<i>Undivided profits</i>	<i>Reserves</i>
United States . . . . .	\$15,853	\$814	\$29	\$4,578	\$7,311	\$2,741	\$380
Alabama . . . . .	196	0	0	63	82	39	12
Alaska . . . . .	13	—	0	5	4	5	1
Arizona . . . . .	133	26	0	30	57	18	3
Arkansas . . . . .	87	1	0	27	37	20	2
California . . . . .	1,824	145	0	498	815	356	10
Colorado . . . . .	179	3	0	60	79	36	1
Connecticut . . . . .	143	0	0	42	79	21	1
Delaware . . . . .	2	0	0	1	1	—	—
District of Columbia . . . . .	102	0	0	29	54	19	—
Florida . . . . .	423	16	—	165	177	53	12
Georgia . . . . .	231	37	0	51	92	28	23
Hawaii . . . . .	43	10	0	9	14	9	2
Idaho . . . . .	46	0	0	14	25	5	2
Illinois . . . . .	1,431	10	0	512	677	190	41
Indiana . . . . .	347	13	0	87	172	67	7
Iowa . . . . .	117	0	0	32	54	29	2
Kansas . . . . .	169	0	1	50	77	39	2
Kentucky . . . . .	128	0	0	31	64	30	3
Louisiana . . . . .	228	—	3	53	131	40	1
Maine . . . . .	43	0	0	17	15	11	1
Maryland . . . . .	159	2	0	40	78	35	5
Massachusetts . . . . .	515	10	0	119	304	74	8
Michigan . . . . .	522	39	3	138	238	94	10
Minnesota . . . . .	326	0	0	106	141	74	5
Mississippi . . . . .	53	1	0	14	36	2	—
Missouri . . . . .	356	25	0	102	151	73	6
Montana . . . . .	42	0	0	16	16	10	—
Nebraska . . . . .	141	0	0	41	60	37	3
Nevada . . . . .	36	0	0	17	15	4	—
New Hampshire . . . . .	44	0	0	9	23	10	1
New Jersey . . . . .	484	27	—	139	229	78	9
New Mexico . . . . .	51	0	0	19	19	5	9
New York . . . . .	1,936	330	20	532	696	242	115
North Carolina . . . . .	152	15	0	38	75	23	1
North Dakota . . . . .	38	0	0	13	15	9	—
Ohio . . . . .	737	24	—	207	377	126	3
Oklahoma . . . . .	307	18	—	85	120	81	4
Oregon . . . . .	184	0	0	60	67	57	—
Pennsylvania . . . . .	1,295	22	—	295	735	228	15
Rhode Island . . . . .	54	0	0	14	30	10	0
South Carolina . . . . .	77	0	—	18	43	14	1
South Dakota . . . . .	43	—	0	15	19	8	—
Tennessee . . . . .	273	—	—	74	143	50	6
Texas . . . . .	1,175	37	0	407	513	188	30
Utah . . . . .	56	0	0	15	32	7	2
Vermont . . . . .	24	—	1	7	10	5	1
Virginia . . . . .	268	—	0	82	141	44	2
Washington . . . . .	263	0	0	79	113	70	2
West Virginia . . . . .	97	0	0	24	49	20	5
Wisconsin . . . . .	217	1	0	74	100	35	8
Wyoming . . . . .	36	1	0	6	19	10	1
Virgin Islands . . . . .	2	0	0	—	1	1	0
District of Columbia—all* . . . . .	173	0	0	44	96	31	3

\*Includes National and non-National banks in the District of Columbia which are supervised by the Comptroller of the Currency.

NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than \$500,000.

TABLE B-20  
Total and principal assets of National banks, by States, Dec. 31, 1965  
[Dollar amounts in millions]

	<i>Number of banks</i>	<i>Total assets</i>	<i>Cash assets*</i>	<i>U.S. Government obligations, net</i>	<i>State and local securities, net</i>	<i>Other bonds, notes, net</i>	<i>Loans and discounts, net</i>	<i>Federal funds sold</i>	<i>Direct lease financing</i>	<i>Fixed assets</i>
United States.....	4, 815	\$219, 103	\$36, 680	\$31, 896	\$22, 541	\$2, 873	\$116, 833	\$1, 433	\$271	\$3, 158
Alabama.....	86	2, 527	471	476	296	31	1, 188	15	—	36
Alaska.....	5	275	34	43	23	11	154	0	0	8
Arizona.....	4	1, 709	233	178	135	24	1, 072	0	1	38
Arkansas.....	65	1, 149	243	174	140	20	548	2	—	16
California.....	95	27, 560	3, 752	3, 340	2, 615	319	16, 519	24	105	453
Colorado.....	117	2, 308	420	350	178	9	1, 269	7	5	50
Connecticut.....	29	1, 860	247	199	252	6	1, 094	3	1	45
Delaware.....	5	26	4	8	—	1	12	1	0	1
District of Columbia.....	8	1, 445	269	345	64	3	712	19	0	22
Florida.....	195	5, 717	1, 232	1, 122	531	123	2, 487	41	—	134
Georgia.....	57	2, 858	592	327	198	39	1, 602	15	4	53
Hawaii.....	2	424	53	65	42	4	236	4	1	13
Idaho.....	9	711	89	120	66	5	414	—	0	13
Illinois.....	417	19, 328	3, 018	3, 296	2, 022	379	10, 036	74	39	134
Indiana.....	122	4, 752	847	975	380	91	2, 268	93	7	56
Iowa.....	101	1, 594	344	304	137	31	741	10	—	19
Kansas.....	170	1, 970	356	411	214	37	915	4	—	19
Kentucky.....	81	1, 593	316	295	158	25	749	21	0	22
Louisiana.....	47	2, 898	604	528	277	23	1, 375	30	1	37
Maine.....	21	468	66	69	52	5	259	6	0	9
Maryland.....	50	2, 013	339	320	177	31	1, 084	24	3	23
Massachusetts.....	93	5, 781	1, 060	698	475	22	3, 258	76	5	67
Michigan.....	97	8, 432	1, 197	1, 452	929	43	4, 613	10	10	102
Minnesota.....	193	4, 468	838	684	441	94	2, 295	16	2	62
Mississippi.....	37	968	179	162	111	8	474	5	—	22
Missouri.....	96	4, 337	963	608	422	30	2, 191	35	4	40
Montana.....	50	661	94	129	65	10	342	1	—	13
Nebraska.....	126	1, 719	341	262	142	26	913	—	1	22
Nevada.....	3	492	62	78	56	16	257	1	0	19
New Hampshire.....	51	476	74	68	28	1	287	8	0	8
New Jersey.....	147	6, 687	807	1, 083	955	125	3, 537	36	2	94
New Mexico.....	34	715	111	138	62	2	367	20	—	13
New York.....	198	34, 234	5, 994	3, 086	3, 629	356	19, 088	425	39	400
North Carolina.....	30	1, 953	392	220	192	37	1, 058	5	0	33
North Dakota.....	42	559	66	119	64	16	278	0	—	12
Ohio.....	224	9, 532	1, 465	1, 736	1, 080	106	4, 868	93	6	115
Oklahoma.....	222	3, 487	784	593	313	59	1, 647	18	1	53
Oregon.....	12	2, 808	399	419	266	102	1, 522	0	2	57
Pennsylvania.....	373	14, 665	2, 034	2, 236	2, 013	163	7, 713	122	20	186
Rhode Island.....	4	821	96	66	172	2	470	2	0	8
South Carolina.....	25	1, 027	201	157	74	26	526	19	0	19
South Dakota.....	33	630	84	141	50	12	326	0	—	12
Tennessee.....	76	3, 880	783	595	387	30	1, 991	9	0	52
Texas.....	545	14, 911	3, 293	2, 128	1, 451	233	7, 252	89	—	327
Utah.....	13	742	131	55	98	2	438	2	2	10
Vermont.....	27	297	31	54	22	4	174	6	0	5
Virginia.....	118	3, 401	508	536	322	48	1, 896	13	1	58
Washington.....	31	3, 646	629	509	344	25	2, 018	14	2	63
West Virginia.....	79	1, 063	162	305	102	13	452	7	1	17
Wisconsin.....	110	3, 056	498	528	293	45	1, 608	9	2	52
Wyoming.....	39	432	73	96	27	3	217	3	—	10
Virgin Islands.....	1	34	3	8	2	0	20	0	0	—
District of Columbia—all ↑.....	15	2, 520	436	562	102	10	1, 338	23	0	31

\*Cash, balances with other banks, and cash items in process of collection.

†Includes National and non-National banks in the District

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

NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than \$500,000.

TABLE B-21

Total and principal liabilities of National banks, by States, Dec. 31, 1965

[Dollar amounts in millions]

	Total liabilities	Total deposits	Demand deposits, total	Time and sav- ings deposits, total	Demand deposits, IPC*	Time deposits, IPC	Federal funds purchased
United States . . . . .	\$201, 669	\$193, 860	\$107, 881	\$85, 979	\$81, 129	\$75, 676	\$1, 497
Alabama . . . . .	2, 326	2, 278	1, 436	842	1, 053	791	0
Alaska . . . . .	260	254	135	120	107	76	2
Arizona . . . . .	1, 574	1, 537	763	775	597	744	—
Arkansas . . . . .	1, 059	1, 047	699	349	514	327	0
California . . . . .	25, 691	24, 793	10, 508	14, 285	8, 663	11, 949	38
Colorado . . . . .	2, 125	2, 083	1, 175	908	948	838	7
Connecticut . . . . .	1, 699	1, 632	1, 012	620	890	555	0
Delaware . . . . .	24	24	12	12	12	12	0
District of Columbia . . . . .	1, 342	1, 315	851	464	714	445	2
Florida . . . . .	5, 282	5, 148	3, 172	1, 976	2, 213	1, 675	19
Georgia . . . . .	2, 617	2, 530	1, 715	815	1, 202	735	13
Hawaii . . . . .	379	372	200	172	146	142	0
Idaho . . . . .	663	651	371	280	274	279	0
Illinois . . . . .	17, 847	17, 181	9, 501	7, 680	7, 126	6, 963	124
Indiana . . . . .	4, 396	4, 181	2, 503	1, 678	1, 874	1, 553	85
Iowa . . . . .	1, 473	1, 456	957	499	677	470	0
Kansas . . . . .	1, 794	1, 767	1, 197	570	783	534	4
Kentucky . . . . .	1, 462	1, 444	982	463	787	433	0
Louisiana . . . . .	2, 666	2, 627	1, 826	801	1, 298	714	3
Maine . . . . .	424	409	231	178	200	175	—
Maryland . . . . .	1, 852	1, 794	1, 129	665	886	612	18
Massachusetts . . . . .	5, 257	4, 894	3, 540	1, 355	2, 718	1, 175	109
Michigan . . . . .	7, 894	7, 710	3, 516	4, 194	2, 774	3, 700	12
Minnesota . . . . .	4, 121	3, 970	2, 259	1, 711	1, 551	1, 613	14
Mississippi . . . . .	885	869	603	266	396	249	3
Missouri . . . . .	3, 973	3, 831	2, 627	1, 204	1, 729	1, 090	67
Montana . . . . .	614	597	317	280	248	261	1
Nebraska . . . . .	1, 570	1, 527	1, 064	463	747	454	25
Nevada . . . . .	452	444	237	206	175	194	0
New Hampshire . . . . .	431	411	280	131	228	120	—
New Jersey . . . . .	6, 190	5, 984	3, 066	2, 918	2, 551	2, 819	23
New Mexico . . . . .	663	650	404	246	307	211	1
New York . . . . .	31, 173	28, 762	16, 089	12, 673	11, 199	10, 314	550
North Carolina . . . . .	1, 798	1, 742	1, 116	626	863	506	5
North Dakota . . . . .	520	508	261	247	221	235	1
Ohio . . . . .	8, 774	8, 550	4, 522	4, 028	3, 532	3, 776	6
Oklahoma . . . . .	3, 175	3, 097	2, 098	999	1, 528	936	15
Oregon . . . . .	2, 614	2, 548	1, 149	1, 399	939	1, 155	0
Pennsylvania . . . . .	13, 332	12, 874	6, 295	6, 579	5, 183	5, 927	76
Rhode Island . . . . .	766	710	267	442	224	390	37
South Carolina . . . . .	946	904	743	161	590	147	0
South Dakota . . . . .	585	574	307	268	244	244	0
Tennessee . . . . .	3, 585	3, 466	2, 097	1, 369	1, 361	1, 246	31
Texas . . . . .	13, 713	13, 315	8, 532	4, 783	6, 028	3, 939	192
Utah . . . . .	685	671	319	351	230	277	5
Vermont . . . . .	273	266	100	166	86	162	—
Virginia . . . . .	3, 123	3, 047	1, 593	1, 454	1, 290	1, 360	3
Washington . . . . .	3, 377	3, 284	1, 823	1, 460	1, 472	1, 442	6
West Virginia . . . . .	964	944	538	406	411	402	1
Wisconsin . . . . .	2, 834	2, 770	1, 521	1, 249	1, 181	1, 145	0
Wyoming . . . . .	395	387	213	174	153	156	0
Virgin Islands . . . . .	32	30	9	21	8	12	0
District of Columbia—all† . . . . .	2, 331	2, 281	1, 459	822	1, 264	794	2

\*IPC deposits are those of individuals, partnerships, and corporations.

†Includes National and non National banks in the District

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

NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than \$500,000.

TABLE B-22

Capital accounts of National banks, by States, Dec. 31, 1965

[Dollar amounts in millions]

	Total capital accounts	Debentures	Preferred stock	Common stock	Surplus	Undivided profits	Reserves
United States .....	\$17,434	\$1,134	\$29	\$4,937	\$7,967	\$2,903	\$463
Alabama .....	201	0	0	64	83	42	12
Alaska .....	15	—	0	5	5	5	1
Arizona .....	135	26	0	30	57	19	3
Arkansas .....	90	1	0	28	38	21	3
California .....	1,868	145	0	500	817	395	11
Colorado .....	183	4	0	59	81	38	1
Connecticut .....	161	11	0	44	85	21	1
Delaware .....	2	0	0	1	1	—	—
District of Columbia .....	103	0	0	29	54	19	—
Florida .....	435	20	0	167	181	54	13
Georgia .....	241	37	0	54	96	29	25
Hawaii .....	46	12	0	9	14	10	2
Idaho .....	48	0	0	17	24	6	1
Illinois .....	1,481	11	0	515	691	218	46
Indiana .....	356	13	0	86	175	73	8
Iowa .....	121	0	0	32	55	32	2
Kansas .....	175	—	0	52	79	42	2
Kentucky .....	132	0	0	31	72	26	3
Louisiana .....	231	—	3	53	132	43	1
Maine .....	44	0	0	17	15	11	1
Maryland .....	161	2	0	45	79	30	5
Massachusetts .....	523	10	0	145	284	78	6
Michigan .....	539	40	4	140	242	100	13
Minnesota .....	347	14	0	116	145	67	5
Mississippi .....	83	6	0	22	54	1	—
Missouri .....	365	26	0	103	154	77	6
Montana .....	47	0	0	17	17	12	1
Nebraska .....	149	3	—	41	60	40	4
Nevada .....	40	0	0	17	15	5	3
New Hampshire .....	46	0	0	9	25	9	2
New Jersey .....	496	27	—	141	242	75	11
New Mexico .....	52	0	0	19	19	6	8
New York .....	3,061	584	20	789	1,190	310	168
North Carolina .....	155	15	0	38	78	23	1
North Dakota .....	39	0	0	13	16	10	1
Ohio .....	759	24	—	216	392	123	3
Oklahoma .....	312	18	—	86	122	82	4
Oregon .....	193	0	0	61	71	57	5
Pennsylvania .....	1,333	29	1	298	763	225	16
Rhode Island .....	56	0	0	15	30	11	0
South Carolina .....	81	0	—	20	46	13	1
South Dakota .....	45	—	0	15	20	9	1
Tennessee .....	295	11	—	75	148	53	7
Texas .....	1,198	40	0	412	521	190	36
Utah .....	57	0	0	19	30	7	1
Vermont .....	24	—	1	7	10	5	1
Virginia .....	278	—	0	86	146	44	2
Washington .....	269	0	0	79	118	71	2
West Virginia .....	100	0	0	24	52	19	5
Wisconsin .....	222	1	0	74	102	38	8
Wyoming .....	37	1	0	6	19	10	1
Virgin Islands .....	2	0	0	—	1	1	0
District of Columbia—all* ..	189	13	0	44	96	32	3

\*Includes National and non-National banks in the District of Columbia which are supervised by the Comptroller of the Currency.

NOTE: Data may not add to totals because of rounding. Dashes indicate amounts less than \$500,000.

TABLE B-23

Loans and discounts of National banks, by States, Dec. 31, 1965

[Dollar amounts in millions]

	Loans and discounts, net	Reserves	Loans and discounts, gross	Loans secured by real estate	Loans to financial institutions	Loans to purchase or carry securities	Loans to farmers	Commercial and industrial loans	Personal loans to individuals	Other loans
United States.....	\$116,833	\$2,441	\$119,275	\$27,878	\$9,123	\$3,888	\$4,068	\$44,536	\$26,463	\$3,320
Alabama.....	1,188	31	1,219	193	63	35	44	391	434	60
Alaska.....	154	5	159	66	1	1	—	49	40	3
Arizona.....	1,072	11	1,083	283	54	13	175	297	259	4
Arkansas.....	548	8	556	125	20	11	55	168	170	6
California.....	16,519	293	16,812	5,405	1,165	194	560	5,897	3,258	334
Colorado.....	1,269	20	1,289	272	114	23	175	362	326	17
Connecticut.....	1,094	22	1,116	342	32	8	3	333	341	58
Delaware.....	12	0	12	5	0	0	—	2	4	—
District of Columbia.....	712	12	724	240	106	12	—	222	127	18
Florida.....	2,487	43	2,529	501	142	76	40	892	821	59
Georgia.....	1,607	25	1,627	293	147	17	22	585	536	26
Hawaii.....	236	2	238	100	6	4	5	56	56	11
Idaho.....	414	7	421	145	14	8	63	84	101	5
Illinois.....	10,036	295	10,331	1,617	1,227	577	258	4,674	1,691	286
Indiana.....	2,268	40	2,309	718	148	57	54	602	669	61
Iowa.....	741	15	756	198	29	12	160	177	164	16
Kansas.....	915	13	928	131	55	11	224	287	213	7
Kentucky.....	749	13	762	200	48	8	47	213	231	15
Louisiana.....	1,375	22	1,396	186	120	60	19	630	346	35
Maine.....	259	5	264	81	12	2	7	78	78	5
Maryland.....	1,084	17	1,102	310	82	32	19	333	298	27
Massachusetts.....	3,258	81	3,338	475	302	48	6	1,658	747	103
Michigan.....	4,613	83	4,696	1,658	338	123	36	1,179	1,248	114
Minnesota.....	2,295	32	2,327	578	214	75	120	810	474	56
Mississippi.....	474	11	485	80	22	15	28	186	133	22
Missouri.....	2,191	32	2,223	431	241	78	85	778	564	48
Montana.....	342	7	349	94	4	2	69	82	94	3
Nebraska.....	913	16	929	109	34	30	311	246	176	24
Nevada.....	257	2	258	92	11	7	5	74	68	1
New Hampshire.....	287	5	291	68	18	5	4	90	102	5
New Jersey.....	3,537	84	3,621	1,469	139	84	12	835	1,001	80
New Mexico.....	367	11	378	75	15	6	42	121	113	7
New York.....	19,088	521	19,608	3,270	1,998	1,313	79	9,811	2,523	615
North Carolina.....	1,058	19	1,077	163	41	16	18	458	359	23
North Dakota.....	278	7	286	92	4	2	64	61	59	3
Ohio.....	4,863	93	4,961	1,475	301	143	68	1,238	1,547	190
Oklahoma.....	1,647	25	1,672	275	111	28	139	670	383	67
Oregon.....	1,522	17	1,540	394	119	14	76	596	325	16
Pennsylvania.....	7,713	160	7,873	2,162	479	156	104	2,860	1,753	359
Rhode Island.....	470	6	476	228	22	—	—	130	70	26
South Carolina.....	526	10	536	73	26	16	11	175	215	21
South Dakota.....	326	11	337	86	8	1	105	72	61	4
Tennessee.....	1,991	41	2,032	287	155	52	54	759	688	36
Texas.....	7,252	140	7,392	755	504	412	421	3,324	1,735	242
Utah.....	438	6	444	171	36	9	20	126	76	8
Vermont.....	174	2	176	79	—	2	8	35	49	3
Virginia.....	1,896	28	1,924	538	87	25	45	493	702	34
Washington.....	2,018	40	2,058	502	185	30	121	720	439	61
West Virginia.....	452	10	463	162	15	7	6	97	170	6
Wisconsin.....	1,608	39	1,647	552	109	30	40	450	376	90
Wyoming.....	217	3	221	64	2	2	40	65	47	1
Virgin Islands.....	20	—	21	12	0	0	0	6	2	—
District of Columbia—all*.	1,338	15	1,354	394	202	29	1	352	342	35

\*Includes National and non-National banks in the District of Columbia which are supervised by the Comptroller of the Currency.

NOTE: Data may not add to totals because of rounding. Dashes indicate amounts of less than \$500,000.

TABLE B-24

*Bank trust assets and income, by States, calendar 1965*

	<i>Accounts where National banks exercise investment responsibility*</i>				<i>Trust department income</i>		
	<i>Number of banks having accounts</i>	<i>Employee benefit accounts (millions)</i>	<i>Other trust accounts (millions)</i>	<i>Total trust accounts (millions)</i>	<i>National banks (thousands)</i>	<i>All insured commercial banks (thousands)</i>	<i>National banks as a percent of total</i>
United States .....	1, 574	\$28, 568	\$60, 952	\$89, 520	\$360, 090	\$689, 602	52. 2
Alabama .....	27	118	735	853	3, 288	3, 517	93. 5
Alaska .....	4	4	6	10	85	185	100. 0
Arizona .....	2	21	430	451	2, 665	3, 170	84. 2
Arkansas .....	26	12	224	236	738	992	74. 4
California .....	17	1, 804	5, 831	7, 635	41, 613	58, 773	70. 8
Colorado .....	27	95	1, 161	1, 256	6, 111	6, 454	94. 7
Connecticut .....	13	242	1, 474	1, 716	7, 610	17, 119	44. 5
Delaware .....	1	—	—	—	0	8, 422	0
District of Columbia† .....	6	205	1, 019	1, 224	6, 384	6, 384	100. 0
Florida .....	65	196	2, 052	2, 248	10, 165	11, 787	86. 2
Georgia .....	24	153	911	1, 064	5, 092	8, 783	58. 0
Idaho .....	3	9	36	45	317	357	88. 8
Illinois .....	135	4, 774	4, 647	9, 421	39, 762	62, 171	64. 0
Indiana .....	88	243	1, 752	1, 995	7, 120	9, 229	77. 2
Iowa .....	39	37	328	365	1, 804	3, 135	57. 5
Kansas .....	37	23	325	348	1, 505	1, 645	91. 5
Kentucky .....	51	25	254	279	1, 705	6, 092	28. 0
Louisiana .....	18	64	193	257	1, 277	1, 498	85. 2
Maine .....	16	21	201	222	1, 173	1, 982	59. 2
Maryland .....	10	71	469	540	2, 519	3, 925	64. 2
Massachusetts .....	56	901	2, 194	3, 095	14, 141	26, 431	53. 5
Michigan .....	30	2, 485	1, 591	4, 076	11, 567	20, 301	60. 0
Minnesota .....	19	554	1, 396	1, 950	9, 381	9, 526	98. 5
Mississippi .....	18	21	142	163	823	964	85. 4
Missouri .....	28	581	1, 942	2, 523	9, 053	11, 409	79. 3
Montana .....	11	3	43	46	212	585	36. 2
Nebraska .....	17	57	417	474	2, 445	2, 487	98. 3
Nevada .....	2	5	118	123	974	1, 216	80. 1
New Hampshire .....	21	4	120	124	496	596	83. 2
New Jersey .....	81	106	1, 105	1, 211	9, 307	16, 971	54. 8
New Mexico .....	14	8	178	185	824	859	95. 9
New York .....	82	9, 045	8, 524	17, 569	59, 078	217, 468	27. 2
North Carolina .....	17	112	561	673	2, 867	7, 667	37. 4
North Dakota .....	6	6	39	45	359	359	100. 0
Ohio .....	50	972	3, 137	4, 109	13, 496	29, 265	46. 1
Oklahoma .....	34	141	467	608	2, 617	2, 624	99. 7
Oregon .....	2	128	522	650	3, 832	3, 998	95. 8
Pennsylvania .....	153	3, 726	8, 233	11, 959	35, 298	63, 585	55. 5
Rhode Island .....	2	73	288	361	1, 638	5, 224	31. 4
South Carolina .....	9	63	297	360	1, 426	1, 621	88. 0
South Dakota .....	9	9	50	59	461	490	94. 1
Tennessee .....	25	86	1, 397	1, 483	4, 240	4, 914	86. 3
Texas .....	129	822	2, 962	3, 784	16, 803	18, 144	92. 6
Utah .....	2	49	96	145	830	1, 860	44. 6
Vermont .....	12	4	36	41	223	571	39. 1
Virginia .....	54	121	1, 277	1, 398	5, 946	8, 172	72. 8
Washington .....	10	201	989	1, 190	6, 206	6, 838	90. 8
West Virginia .....	32	13	250	263	1, 224	2, 253	54. 3
Wisconsin .....	32	153	501	654	3, 135	7, 420	42. 3
Wyoming .....	12	2	33	35	252	264	95. 5

\*As of December 1965.

NOTE: Dashes indicate amounts less than \$500,000.

†Includes National and non-National banks in the District of Columbia which are supervised by the Comptroller of the Currency.



TABLE B-25  
Common trust funds, by States, 1964-65\*

	Number of banks with common trust funds		Number of common trust funds		Number of account participations		Total assets of funds (millions)		Percent change in assets, 1964-65
	1964	1965	1964	1965	1964	1965	1964	1965	
Total United States...	418	464	784	1,016	227,338	271,201	\$5,819.7	\$7,529.1	29.4
Alabama	5	6	6	10	1,373	1,504	\$15.8	\$18.1	14.6
Alaska	0	0	0	0	0	0	0	0	0
Arizona	5	5	11	11	1,889	2,145	50.8	66.1	30.1
Arkansas	3	3	3	4	675	791	7.8	9.6	23.1
California	11	11	27	40	17,693	21,923	375.3	511.4	36.3
Colorado	11	13	22	25	5,315	5,892	134.7	157.6	17.0
Connecticut	10	10	15	20	4,070	4,910	126.1	177.8	41.0
Delaware	3	3	4	7	2,200	2,733	85.0	75.2	-11.5
District of Columbia	4	4	6	7	2,227	2,532	68.5	83.5	21.9
Florida	15	17	24	33	2,715	3,327	52.5	70.9	35.0
Georgia	6	8	12	19	4,277	4,786	92.1	115.1	24.5
Hawaii	3	3	7	7	1,063	1,214	19.6	22.6	15.3
Idaho	1	1	1	2	71	214	.7	2.3	228.6
Illinois	10	12	26	30	6,832	8,154	274.9	366.7	33.4
Indiana	9	11	9	27	1,676	2,967	29.3	80.4	174.4
Iowa	2	2	2	4	170	432	1.6	12.2	662.5
Kansas	3	3	6	7	375	451	6.2	8.8	41.9
Kentucky	6	7	8	9	1,906	2,350	28.8	43.6	51.4
Louisiana	1	1	1	1	171	191	2.7	3.4	25.9
Maine	6	7	12	16	2,200	2,082	51.3	61.1	19.1
Maryland	6	6	14	16	5,843	6,348	132.3	171.3	29.5
Massachusetts	19	22	36	43	10,877	11,974	435.3	495.0	13.7
Michigan	13	13	26	40	4,901	7,728	96.0	188.8	96.7
Minnesota	8	8	20	22	3,902	6,200	69.3	104.5	50.8
Mississippi	2	2	2	4	527	686	6.8	11.5	69.1
Missouri	9	8	21	25	8,815	9,922	225.2	295.2	31.1
Montana	2	2	4	4	426	514	4.9	6.0	22.4
Nebraska	3	3	5	5	858	1,097	20.1	25.2	25.4
Nevada	1	1	2	3	297	385	5.1	6.6	29.4
New Hampshire	4	4	6	6	297	312	10.4	11.1	6.7
New Jersey	13	14	25	29	7,052	6,036	87.8	106.1	20.8
New Mexico	2	2	3	6	795	1,016	13.5	18.8	39.3
New York	23	25	73	81	24,351	26,541	1,152.4	1,414.8	22.8
North Carolina	9	10	15	19	6,663	6,573	129.7	144.2	11.2
North Dakota	1	3	3	6	255	409	2.2	4.1	86.4
Ohio	22	25	43	70	7,300	9,906	207.5	314.1	51.4
Oklahoma	4	6	10	16	838	1,086	21.2	27.1	27.8
Oregon	4	4	10	12	3,956	4,705	74.2	91.3	23.0
Pennsylvania	63	70	105	130	53,114	59,861	1,154.2	1,422.3	23.2
Rhode Island	3	3	8	10	1,361	1,681	35.1	42.4	20.8

See footnotes at end of table.

TABLE B-25—Continued  
Common trust funds, by States, 1964-65

	Number of banks with common trust funds		Number of common trust funds		Number of account participations		Total assets of funds (millions)		Percent change in assets, 1964-65
	1964	1965	1964	1965	1964	1965	1964	1965	
South Carolina.....	3	3	7	6	1,551	1,752	\$17.7	\$21.4	20.9
South Dakota.....	5	5	9	9	529	622	4.4	5.8	31.8
Tennessee.....	9	10	12	14	2,069	2,397	r38.4	46.9	22.1
Texas.....	22	26	30	49	5,114	6,893	107.9	242.8	125.0
Utah.....	r3	4	r5	7	r1,160	1,354	r9.8	13.6	38.8
Vermont.....	6	7	9	9	625	6,820	7.2	7.7	6.9
Virginia.....	21	21	37	40	6,751	7,305	140.7	173.4	23.2
Washington.....	5	7	12	17	4,268	5,111	84.9	109.6	24.1
West Virginia.....	7	8	7	9	865	1,178	11.7	15.8	35.0
Wisconsin.....	12	15	23	30	5,080	6,191	88.2	106.3	20.5
Wyoming.....	0	0	0	0	0	0	0	0	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 1965.

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NOTE: Data may not add to totals because of rounding.

TABLE B-26  
Income and expenses of National banks, by States, year ended Dec. 31, 1965  
[Dollar amounts in thousands]

	United States	Ala-bama	Alaska	Ariz-ona	Arkan-sas	Cal-ifornia	Colo-rado	Con-necticut	Del-a-ware	District of Co-lumbia	Fl-orida	Geo-rgia	Hawai-i
Number of banks <sup>1</sup> . . . . .	4, 815	86	5	4	65	95	117	29	5	8	195	57	2
Current operating revenue:													
Interest and dividends on—													
U.S. Government obligations . . . . .	\$1, 210, 140	\$17, 183	\$2, 205	\$6, 485	\$6, 290	\$128, 811	\$14, 221	\$6, 982	\$247	\$12, 244	\$40, 049	\$13, 131	\$2, 397
Other securities . . . . .	755, 865	9, 167	1, 293	5, 468	4, 870	93, 372	5, 861	7, 091	29	1, 890	17, 586	6, 799	1, 294
Interest and discount on loans . . . . .	6, 376, 568	72, 367	10, 610	65, 878	32, 231	966, 041	72, 851	63, 280	793	36, 716	142, 234	94, 273	14, 313
Service charges and other fees on banks' loans . . . . .	117, 584	1, 048	963	2, 957	85	30, 357	1, 485	1, 187	40	1, 158	3, 877	2, 690	710
Service charges on deposit accounts . . . . .	490, 103	7, 868	1, 368	6, 990	2, 898	103, 285	7, 981	6, 331	53	3, 383	16, 093	10, 824	984
Other service charges, commissions, fees and collection and exchange charges . . . . .	159, 247	1, 438	559	1, 818	912	21, 040	1, 837	1, 415	11	659	4, 232	4, 624	358
Trust department . . . . .	356, 173	3, 288	85	2, 668	738	41, 613	6, 111	7, 610	0	2, 467	10, 165	5, 092	0
Other current operating revenue . . . . .	239, 544	1, 554	290	1, 427	654	39, 575	3, 031	1, 484	21	1, 166	5, 740	1, 766	438
Total current operating revenue . . . . .	9, 705, 224	113, 913	17, 373	93, 691	48, 678	1, 424, 094	113, 378	95, 380	1, 194	59, 683	239, 976	139, 199	20, 494
Current operating expenses:													
Salaries and wages: <sup>2</sup>													
Officers . . . . .	743, 378	10, 331	1, 815	7, 653	5, 245	105, 953	11, 169	9, 318	141	4, 916	22, 204	12, 058	1, 703
Employees other than officers . . . . .	1, 368, 757	16, 685	3, 011	16, 030	6, 437	218, 557	16, 818	17, 354	244	8, 573	38, 113	22, 739	3, 031
Number of officers . . . . .	67, 149	970	122	740	529	10, 150	1, 025	771	20	362	2, 104	1, 037	140
Number of employees other than officers . . . . .	326, 673	4, 767	592	3, 985	1, 850	47, 289	4, 013	4, 008	78	1, 864	10, 197	5, 625	682
Officer and employee benefits—pensions, hospitalization, social security, insurance, etc. . . . .	308, 352	3, 268	530	2, 992	1, 498	41, 830	3, 040	4, 349	22	1, 199	6, 973	6, 010	1, 102
Fees paid to directors and members of executive, discount and other committees . . . . .	36, 372	526	29	82	417	921	704	469	13	303	1, 447	574	62
Interest on time and savings deposits . . . . .	3, 002, 427	29, 066	3, 739	28, 732	11, 329	533, 922	32, 891	20, 612	329	15, 452	63, 666	29, 311	6, 086
Interest and discount on borrowed money . . . . .	25, 920	111	11	116	87	1, 499	248	110	1	23	789	711	0
Net occupancy expense of bank premises . . . . .	409, 065	3, 779	817	4, 692	2, 123	62, 879	6, 878	4, 852	67	2, 688	10, 785	8, 035	895
Furniture and equipment—depreciation, rents, servicing, uncanceled costs, etc. . . . .	244, 743	3, 346	605	3, 180	1, 476	34, 963	4, 314	3, 609	52	1, 692	9, 216	4, 421	729
Other operating expenses . . . . .	1, 084, 661	13, 620	1, 854	11, 254	6, 265	124, 508	13, 682	11, 435	210	6, 453	32, 379	20, 842	2, 379
Total current operating expenses . . . . .	7, 223, 675	80, 732	12, 411	74, 731	34, 877	1, 125, 032	89, 744	72, 108	1, 079	41, 299	185, 572	104, 701	15, 987
Net current operating earnings . . . . .	2, 481, 549	33, 181	4, 962	18, 960	13, 801	299, 062	23, 634	23, 272	115	18, 384	54, 404	34, 498	4, 507

Recoveries, transfers from valuation reserves and profits:														
On securities:														
Profits and securities sold or redeemed	50,401	1,082	369	649	325	7,880	538	298	0	27	582	358	15	
Recoveries	1,535	1	0	64	17	21	70	0	0	0	39	1	0	
Transfers from valuation reserves	41,128	7	0	1,819	2	7,026	181	300	0	0	108	48	0	
On loans:														
Recoveries	8,950	148	0	3	111	492	251	5	16	77	176	11	0	
Transfers from valuation reserves	35,368	118	0	0	7	25	15	199	0	0	747	59	0	
All other	56,673	230	36	802	109	3,128	1,535	1,844	3	449	1,995	776	197	
Total recoveries, transfers from valuation reserves and profits	194,055	1,586	405	3,337	571	18,572	2,590	2,646	19	553	3,647	1,253	212	
Losses, chargeoffs, and transfers to valuation reserves:														
On securities:														
Losses on securities sold	49,104	180	14	81	94	2,097	244	52	2	421	915	319	142	
Chargeoffs on securities not sold	4,017	29	0	0	50	3	70	0	1	13	201	13	0	
Transfers to valuation reserves	41,058	100	6	686	125	5,550	231	115	0	0	22	13	0	
On loans:														
Losses and chargeoffs	16,557	228	0	0	400	939	1,251	5	44	123	1,818	45	0	
Transfers from valuation reserves	483,442	5,174	624	6,494	1,911	57,014	4,771	4,762	0	2,866	14,994	8,467	420	
All other	82,152	769	132	488	464	11,525	828	1,989	7	406	2,209	1,689	151	
Total losses, chargeoffs, and transfers to valuation reserves	676,330	6,480	776	7,749	3,044	77,128	7,395	6,923	54	3,829	20,159	10,546	713	
Net income before related taxes	1,999,274	28,287	4,591	14,548	11,328	240,506	18,829	18,995	80	15,108	37,892	25,205	4,006	
Taxes on net income:														
Federal	552,132	7,758	1,573	3,939	2,887	65,364	5,239	3,796	33	6,452	12,625	8,128	1,097	
State	59,914	1,098	4	280	0	24,190	1,097	1,751	3	0	0	0	188	
Total taxes on net income	612,046	8,856	1,577	4,219	2,887	89,554	6,336	5,547	36	6,452	12,625	8,128	1,285	
Net income before dividends	1,387,228	19,431	3,014	10,329	8,441	150,952	12,493	13,448	44	8,656	25,267	17,077	2,721	
Cash dividends declared:														
On common stock	681,802	8,020	391	5,075	2,705	93,703	7,256	6,733	34	4,499	11,744	7,990	1,375	
On preferred stock	1,453	0	0	0	0	0	0	0	0	0	10	0	0	
Total cash dividends declared	683,255	8,020	391	5,075	2,705	93,703	7,256	6,733	34	4,499	11,754	7,990	1,375	
Net income after dividends	703,973	11,411	2,623	5,254	5,736	57,249	5,237	6,715	10	4,157	13,513	9,087	1,346	
Capital accounts <sup>a</sup>	16,111,704	194,091	14,252	132,658	86,915	1,829,260	179,372	147,520	2,079	101,288	420,085	232,601	40,483	
Ratios:														
Net income before dividends to capital accounts (percent)	8.61	10.01	21.15	7.79	9.71	8.25	6.96	9.12	2.12	8.55	6.01	7.34	6.72	
Total current operating expenses to total current operating revenue (percent)	74.43	70.87	71.44	79.76	71.65	79.00	79.15	75.60	90.37	69.20	77.33	75.22	78.01	

See footnotes at end of table.

TABLE B-26—Continued  
*Income and expenses of National banks, by States, year ended Dec. 31, 1965*  
 [Dollar amounts in thousands]

	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland	Massachusetts	Michigan	Minnesota	Mississippi
Number of banks <sup>1</sup> . . . . .	9	417	122	101	170	81	47	21	50	93	97	193	37
Current operating revenue:													
Interest and dividends on—													
U.S. Government obligations . . . . .	\$4, 446	\$124, 050	\$36, 604	\$11, 432	\$16, 059	\$11, 330	\$19, 728	\$2, 628	\$13, 124	\$24, 961	\$56, 377	\$27, 249	\$5, 730
Other securities . . . . .	2, 216	76, 371	13, 123	4, 669	7, 061	5, 406	8, 636	1, 466	5, 590	12, 933	30, 217	15, 305	4, 131
Interest and discount on loans . . . . .	24, 531	496, 049	128, 572	41, 677	51, 509	42, 043	73, 862	15, 822	59, 040	177, 450	245, 342	124, 876	27, 629
Service charges and other fees on banks' loans . . . . .	991	5, 279	1, 853	434	377	660	672	243	2, 291	2, 885	3, 180	1, 768	28
Service charges on deposit accounts . . . . .	3, 138	22, 360	10, 115	3, 477	5, 063	3, 143	6, 322	1, 362	5, 389	15, 038	14, 579	9, 604	3, 030
Other service charges, commissions, fees and collection and exchange charges . . . . .	526	9, 686	3, 837	1, 254	1, 272	509	2, 227	275	1, 210	10, 941	6, 124	7, 763	1, 351
Trust department . . . . .	317	39, 762	7, 120	1, 804	1, 505	1, 705	1, 277	1, 173	2, 519	14, 141	11, 567	9, 381	823
Other current operating revenue . . . . .	385	19, 177	4, 842	1, 159	1, 131	893	2, 733	572	1, 459	10, 841	5, 837	2, 339	620
Total current operating revenue . . . . .	36, 550	792, 734	206, 066	65, 906	83, 977	65, 689	115, 457	23, 541	90, 622	269, 190	373, 223	198, 285	43, 342
Current operating expenses:													
Salaries and wages: <sup>2</sup>													
Officers . . . . .	3, 458	51, 247	18, 375	7, 731	10, 349	6, 393	9, 162	2, 133	6, 895	21, 032	19, 407	17, 129	3, 959
Employees other than officers . . . . .	5, 210	96, 853	29, 811	8, 817	9, 753	9, 242	16, 725	3, 790	14, 483	45, 407	54, 582	26, 042	5, 702
Number of officers . . . . .	313	3, 987	1, 634	733	1, 017	700	772	233	678	1, 609	1, 551	1, 589	369
Number of employees other than officers . . . . .	1, 475	21, 675	7, 549	2, 450	2, 689	2, 554	4, 217	1, 112	3, 716	10, 369	12, 968	6, 593	1, 564
Officer and employee benefits—pensions hospitalization, social security, insurance, etc. . . . .	1, 250	23, 373	6, 358	1, 796	2, 128	1, 990	3, 609	574	3, 007	9, 701	12, 346	6, 412	1, 439
Fees paid to directors and members of executive, discount and other committees . . . . .	82	3, 012	1, 074	412	728	505	602	199	476	918	920	905	301
Interest on time and savings deposits . . . . .	10, 085	272, 912	50, 217	15, 606	18, 961	15, 074	26, 239	5, 409	20, 398	46, 052	147, 394	56, 305	9, 045
Interest and discount on borrowed money . . . . .	0	2, 389	161	281	244	112	720	42	169	600	1, 420	813	691
Net occupancy expense of bank premises . . . . .	1, 019	24, 627	9, 064	2, 843	3, 214	2, 939	5, 112	1, 236	4, 642	13, 307	15, 759	8, 133	1, 297
Furniture and equipment—depreciation, rents, servicing, uncanceled costs, etc. . . . .	992	16, 453	6, 059	2, 155	2, 487	1, 859	3, 270	675	2, 657	7, 579	8, 415	5, 667	1, 454
Other operating expenses . . . . .	3, 566	77, 537	29, 138	8, 471	8, 997	7, 895	16, 561	2, 990	12, 728	34, 681	40, 240	23, 718	6, 361
Total current operating expenses . . . . .	25, 662	568, 403	150, 257	48, 112	56, 861	46, 009	82, 000	17, 048	65, 455	179, 277	300, 483	145, 124	30, 249
Net current operating earnings . . . . .	10, 888	224, 331	55, 809	17, 794	27, 116	19, 680	33, 457	6, 493	25, 167	89, 913	72, 740	53, 161	13, 093

Recoveries, transfers from valuation reserves and profits:														
On securities:														
Profits and securities sold or redeemed.....	16	9,126	925	270	379	739	1,114	23	177	603	955	330	306	
Recoveries.....	5	138	19	10	106	11	40	7	8	55	61	210	2	
Transfers from valuation reserves.....	12	3,770	4,830	54	63	178	667	30	13	1,445	77	320	36	
On loans:														
Recoveries.....	5	333	140	24	260	116	157	40	74	157	57	268	49	
Transfers from valuation reserves.....	0	5,511	275	289	128	463	99	11	195	698	646	2,250	45	
All other.....	82	4,274	3,270	220	545	1,277	277	75	281	2,803	11,385	707	556	
Total recoveries, transfers from valuation reserves and profits.....	120	23,152	9,459	867	1,481	2,784	2,354	186	748	5,761	13,181	4,085	994	
Losses, chargeoffs, and transfers to valuation reserves:														
On securities:														
Losses on securities sold.....	396	6,883	2,448	317	190	175	203	368	1,170	3,986	1,465	1,212	159	
Chargeoffs on securities not sold.....	2	476	93	57	131	97	71	11	22	26	48	255	34	
Transfers to valuation reserves.....	0	7,714	3,666	20	131	616	591	60	360	1,339	5,537	14	745	
On loans:														
Losses and chargeoffs.....	5	659	218	50	709	177	307	21	96	148	64	282	45	
Transfers from valuation reserves.....	710	31,204	10,013	1,817	3,406	3,394	5,871	1,073	5,600	12,106	18,232	9,666	2,758	
All other.....	82	6,358	3,399	863	1,036	967	937	205	1,109	5,881	5,214	591	625	
Total losses, chargeoffs, and transfers to valuation reserves.....	1,195	53,294	19,837	3,124	5,603	5,426	7,980	1,738	8,357	23,486	30,560	12,020	4,366	
Net income before related taxes.....	9,813	194,189	45,431	15,537	22,994	17,038	27,831	4,941	17,558	72,188	55,361	45,226	9,721	
Taxes on net income:														
Federal.....	3,263	59,747	14,446	4,630	6,448	5,557	9,250	1,456	5,438	24,178	10,308	12,103	3,106	
State.....	746	0	0	0	589	0	0	0	0	5,359	0	3,620	0	
Total taxes on net income.....	4,009	59,747	14,446	4,630	7,037	5,557	9,250	1,456	5,438	29,537	10,308	15,723	3,106	
Net income before dividends.....	5,804	134,442	30,985	10,907	15,957	11,481	18,581	3,485	12,120	42,651	45,053	29,503	6,615	
Cash dividends declared:														
On common stock.....	2,708	54,035	11,343	3,976	5,752	4,567	6,981	1,511	6,434	24,794	19,202	14,193	3,010	
On preferred stock.....	0	0	0	0	22	0	145	0	0	0	167	0	0	
Total cash dividends declared.....	2,708	54,035	11,343	3,976	5,774	4,567	7,126	1,511	6,434	24,794	19,369	14,193	3,010	
Net income after dividends.....	3,096	80,407	19,642	6,931	10,183	6,914	11,455	1,974	5,686	17,857	25,684	15,310	3,605	
Capital accounts <sup>3</sup> .....	46,338	1,435,771	341,978	117,208	169,714	127,860	225,983	43,220	157,585	509,659	519,796	329,864	60,844	
Ratios:														
Net income before dividends to capital accounts (percent).....	12.53	9.36	9.06	9.31	9.40	8.98	8.22	8.06	7.69	8.37	8.67	8.94	10.87	
Total current operating expenses to total current operating revenue (percent).....	70.21	71.70	72.92	73.00	67.71	70.04	71.02	72.42	72.23	66.60	80.51	73.19	69.79	

See footnotes at end of table.

TABLE B-26—Continued  
*Income and expenses of National banks, by States, year ended Dec. 31, 1965*  
 [Dollar amounts in thousands]

	<i>Mis-</i> <i>souri</i>	<i>Mon-</i> <i>tana</i>	<i>Ne-</i> <i>braska</i>	<i>Nevada</i>	<i>New</i> <i>Hamp-</i> <i>shire</i>	<i>New</i> <i>Jersey</i>	<i>New</i> <i>Mexico</i>	<i>New</i> <i>York</i>	<i>North</i> <i>Caro-</i> <i>lina</i>	<i>North</i> <i>Dakota</i>	<i>Ohio</i>	<i>Okla-</i> <i>homa</i>	<i>Oregon</i>	<i>Pennsyl-</i> <i>vania</i>
Number of banks <sup>1</sup> .....	96	50	126	3	51	147	34	198	30	42	224	222	12	373
Current operating revenue:														
Interest dividends on—														
U.S. Government obligations .....	\$22,084	\$4,526	\$10,570	\$3,005	\$2,417	\$40,614	\$5,335	\$120,105	\$8,722	\$4,662	\$63,491	\$23,474	\$13,003	\$86,513
Other securities .....	13,041	2,063	5,238	1,679	919	30,189	1,501	123,632	6,123	2,210	32,987	9,478	9,372	69,492
Interest and discount on loans .....	111,761	20,820	51,194	16,657	16,811	193,442	23,776	950,167	59,185	16,519	262,944	95,874	88,780	409,893
Service charges and other fees on banks' loans .....	887	530	290	568	168	2,428	318	14,397	3,108	211	3,015	1,054	1,661	5,603
Service charges on deposit accounts .....	4,274	2,207	3,981	1,671	2,193	17,883	2,667	44,189	6,048	1,693	19,930	8,652	11,643	19,689
Other service charges, commissions, fees and collection and exchange charges .....	1,607	856	1,193	336	428	3,701	921	20,124	3,152	805	4,347	1,909	1,436	7,041
Trust department .....	9,053	212	2,445	974	496	9,307	824	59,078	2,867	359	13,496	2,617	3,832	35,298
Other current operating revenue .....	3,724	358	1,299	1,150	692	4,499	905	64,656	705	289	7,188	2,331	2,521	13,070
Total current operating revenue .....	166,431	31,572	76,210	26,040	24,124	302,063	36,247	1,396,348	89,910	26,748	407,398	145,389	132,248	646,599
Current operating expenses:														
Salaries and wages: <sup>2</sup>														
Officers .....	12,889	3,364	9,553	2,363	2,655	22,881	3,735	69,493	9,088	2,687	29,180	16,808	13,504	45,176
Employees other than officers .....	23,825	3,864	9,864	3,895	3,623	48,090	5,938	189,491	14,961	2,928	55,806	17,665	19,433	83,327
Number of officers .....	1,116	345	868	256	285	2,003	356	5,306	840	290	2,422	1,664	1,395	4,368
Number of employees other than officers .....	6,044	1,039	2,659	933	1,056	11,650	1,495	39,653	4,236	861	13,509	4,666	4,556	19,941
Officer and employee benefits—pen- sions, hospitalization, social securi- ty, insurance, etc. ....	4,636	1,013	2,591	596	889	10,443	873	56,269	3,039	752	10,248	3,977	3,717	20,163
Fees paid to directors and members of executive, discount and other committees .....	715	179	622	38	262	1,943	249	2,161	326	165	1,750	870	141	3,970
Interest on time and savings deposits .....	42,546	8,519	15,987	7,044	4,404	88,212	8,523	502,167	20,874	8,509	121,841	35,611	47,006	207,397
Interest and discount on borrowed money .....	1,039	112	473	4	22	1,171	37	2,188	446	43	996	534	65	2,344
Net occupancy expense of bank prem- ises .....	6,145	1,065	2,958	1,230	1,187	15,169	1,765	62,844	4,320	1,253	13,939	5,133	5,640	24,789
Furniture and equipment—deprecia- tion, rents, servicing, uncaptialized costs, etc. ....	4,203	745	2,644	885	844	8,449	1,308	23,361	2,649	742	9,080	4,134	3,500	15,701
Other operating expenses .....	19,885	4,561	9,199	2,353	3,560	35,868	5,162	138,493	11,255	2,977	51,683	17,612	11,635	72,742
Total current operating expenses .....	115,883	23,422	53,891	18,408	17,446	232,226	27,590	1,046,467	66,958	20,056	294,523	102,344	104,641	475,609
Net current operating earnings .....	50,548	8,150	22,319	7,632	6,678	69,837	8,657	349,881	22,952	6,692	112,875	43,045	27,607	170,990





**TABLE B-26—Continued**  
*Income and expenses of National banks, by States, year ended Dec. 31, 1965*  
 [Dollar amounts in thousands]

	<i>Rhode Island</i>	<i>South Carolina</i>	<i>South Dakota</i>	<i>Ten- nessee</i>	<i>Texas</i>	<i>Utah</i>	<i>Vermont</i>	<i>Vir- ginia</i>	<i>Wash- ington</i>	<i>West Virginia</i>	<i>Wis- consin</i>	<i>Wyo- ming</i>	<i>Virgin Islands</i>	<i>District of Columbia —all *</i>
Number of banks <sup>1</sup> .....	4	25	33	76	545	13	27	118	31	79	110	39	1	15
Current operating revenue:														
Interest and dividends on—														
U.S. Government obligations.....	\$2, 675	\$5, 972	\$5, 402	\$22, 511	\$82, 348	\$2, 203	\$1, 881	\$19, 366	\$20, 398	\$10, 960	\$20, 232	\$3, 415	\$293	\$20, 361
Other securities.....	5, 072	2, 728	1, 856	11, 968	45, 536	2, 619	697	10, 685	11, 888	2, 824	9, 287	910	27	3, 176
Interest and discount on loans.....	24, 687	30, 324	20, 123	112, 529	402, 344	25, 300	10, 441	108, 453	118, 133	27, 728	83, 080	14, 195	1, 417	70, 206
Service charges and other fees on banks' loans.....	453	239	212	1, 384	6, 284	932	138	2, 324	2, 803	269	687	247	156	1, 611
Service charges on deposit accounts.....	1, 683	3, 644	1, 977	6, 336	23, 656	2, 466	970	8, 722	15, 269	1, 397	5, 187	1, 369	29	6, 608
Other service charges, commissions, fees and collection and exchange charges.....	551	1, 417	1, 160	2, 692	9, 175	937	116	2, 361	3, 727	602	2, 088	612	75	1, 190
Trust department.....	1, 638	1, 426	461	4, 240	16, 803	830	223	5, 946	6, 206	1, 224	3, 135	252	0	6, 384
Other current operating revenue.....	641	576	426	1, 553	12, 904	472	276	2, 433	3, 690	856	2, 977	176	43	1, 808
Total current operating revenue....	37, 400	46, 326	31, 617	163, 213	599, 050	35, 759	14, 742	160, 292	182, 114	45, 860	126, 673	21, 176	2, 040	111, 344
Current operating expenses:														
Salaries and wages: <sup>2</sup>														
Officers.....	2, 121	5, 566	3, 533	12, 302	54, 214	2, 295	1, 343	14, 435	16, 324	4, 177	11, 380	2, 364	172	8, 590
Employees other than officers.....	4, 538	9, 385	3, 689	21, 547	68, 089	4, 092	2, 040	21, 999	30, 709	5, 702	17, 056	2, 829	363	16, 130
Number of officers.....	187	555	362	1, 190	5, 089	243	163	1, 495	1, 575	427	955	226	13	623
Number of employees other than off- icers.....	1, 263	2, 714	1, 033	5, 758	17, 442	1, 144	571	6, 484	6, 963	1, 523	4, 777	703	92	3, 552
Officer and employee benefits—pen- sions hospitalization, social security, insurance, etc.....	1, 737	1, 977	1, 073	4, 454	15, 294	890	403	4, 511	6, 540	1, 073	3, 816	526	56	2, 350
Fees paid to directors and members of executive, discount and other com- mittees.....	111	272	146	524	3, 154	131	151	1, 100	278	475	740	209	9	574
Interest on time and savings deposits.....	16, 165	3, 649	8, 893	49, 077	163, 564	12, 124	5, 634	46, 279	52, 872	11, 923	38, 115	6, 056	604	27, 395
Interest and discount on borrowed money.....	47	48	19	459	3, 005	142	6	412	29	23	792	94	22	123
Net occupancy expense of bank prem- ises.....	1, 078	1, 940	1, 247	5, 984	26, 430	1, 030	626	5, 525	8, 558	1, 420	5, 238	828	42	5, 244
Furniture and equipment—deprecia- tion, rents, servicing, uncapitalized costs, etc.....	828	1, 902	906	4, 768	14, 467	1, 004	309	4, 219	5, 421	962	3, 609	738	40	2, 991
Other operating expenses.....	3, 381	6, 267	3, 099	19, 719	84, 620	3, 646	1, 353	18, 470	17, 337	5, 210	14, 101	2, 480	229	12, 564
Total current operating expenses....	30, 006	31, 006	22, 605	118, 834	432, 837	25, 354	11, 865	116, 950	138, 068	30, 965	94, 847	16, 124	1, 537	75, 961
Net current operating earnings.....	7, 394	15, 320	9, 012	44, 379	166, 213	10, 405	2, 877	43, 342	44, 046	14, 895	31, 826	5, 052	503	35, 383

Recoveries, transfers from valuation reserves and profits:																			
On securities:																			
Profits and securities sold or redeemed.....	89	1,343	39	3,111	1995	27	78	353	739	297	965	137	0	282					
Recoveries.....	0	0	0	44	37	0	1	3	31	3	4	1	0	0					
Transfers from valuation reserves.....	0	0	0	405	345	0	25	516	850	37	75	86	0	0					
On loans:																			
Recoveries.....	8	16	31	44	1,783	44	34	143	42	97	25	79	0	116					
Transfers from valuation reserves.....	200	0	4	45	1,008	0	10	1,404	417	289	68	3	0	27					
All other.....	55	268	83	284	2,144	64	85	349	628	243	574	45	8	573					
Total recoveries, transfers from valuation reserves and profits.....	352	1,627	157	3,933	7,312	135	233	2,768	2,707	966	1,711	351	8	998					
Losses, chargeoffs, and transfers to valuation reserves:																			
On securities:																			
Losses on securities sold.....	16	32	36	2,183	2,575	451	129	1,022	1,362	204	719	24	0	502					
Chargeoffs on securities not sold.....	0	17	7	311	362	0	7	40	8	72	51	9	0	14					
Transfers to valuation reserves.....	201	25	6	250	3,083	0	25	421	502	17	95	69	0	0					
On loans:																			
Losses and chargeoffs.....	0	18	47	81	2,928	122	55	575	71	143	72	141	0	260					
Transfers from valuation reserves.....	575	1,238	558	5,685	27,526	1,278	474	8,445	6,657	1,700	2,728	607	48	4,018					
All other.....	265	285	84	861	4,012	115	84	1,350	1,763	238	1,087	84	5	662					
Total losses, chargeoffs, and transfers to valuation reserves.....	1,057	1,615	738	9,371	40,486	1,966	774	11,853	10,363	2,374	4,752	934	53	5,456					
Net income before related taxes.....	6,689	15,332	8,431	38,941	133,039	8,574	2,336	34,257	36,390	13,487	28,785	4,469	458	30,925					
Taxes on net income:																			
Federal.....	598	5,531	3,114	13,378	41,808	2,677	671	11,286	12,882	4,796	8,044	1,625	257	13,294					
State.....	399	301	253	0	0	161	84	0	0	0	1,701	0	0	0					
Total taxes on net income.....	997	5,832	3,367	13,378	41,808	2,838	755	11,286	12,882	4,796	9,745	1,625	257	13,294					
Net income before dividends.....	5,692	9,500	5,064	25,563	91,231	5,736	1,581	22,971	23,508	8,691	19,040	2,844	201	17,631					
Cash dividends declared:																			
On common stock.....	2,655	3,713	2,078	9,231	47,632	3,025	745	11,395	11,184	3,039	8,806	1,303	0	8,338					
On preferred stock.....	0	1	0	19	0	0	36	0	0	0	0	0	0	0					
Total cash dividends declared.....	2,655	3,714	2,078	9,250	47,632	3,025	781	11,395	11,184	3,039	8,806	1,303	0	8,338					
Net income after dividends.....	3,037	5,786	2,986	16,313	43,599	2,711	800	11,576	12,324	5,652	10,234	1,541	201	9,293					
Capital accounts <sup>a</sup> .....	54,010	77,444	43,162	277,363	1,166,064	55,257	23,733	266,383	262,521	96,513	216,068	36,369	2,193	176,278					
Ratios:																			
Net income before dividends to capital accounts (percent).....	10.54	12.27	11.73	9.22	7.82	10.38	6.66	8.62	8.95	9.01	8.81	7.82	9.17	10.00					
Total current operating expenses to total current operating revenue (percent).....	80.23	66.93	71.50	72.81	72.25	70.90	80.48	72.96	75.81	67.52	74.88	76.14	75.34	68.22					

<sup>1</sup> Number of banks at end of the year; data, however, include banks which were in operation part of the year but were inactive at the close of the year.

<sup>2</sup> Excludes building officers and employees. Number of officers and employees as of the end of the year.

and reserves. These are averages of data from the Reports of Condition of the previous December and the current June and December of the respective year.

<sup>4</sup> Includes National and non-National banks in the District of Columbia which are supervised by the Comptroller of the Currency.

**TABLE B-27**  
*Income and expenses of National banks by deposit size, year ended Dec. 31, 1965*  
 [Dollar amounts in thousands]

	<i>Banks operating throughout entire year with deposits in December 1965, of—</i>								
	<i>Total</i>	<i>\$2,000.0 and under</i>	<i>\$2,000.1 to \$5,000.0</i>	<i>\$5,000.1 to \$10,000.0</i>	<i>\$10,000.1 to \$25,000.0</i>	<i>\$25,000.1 to \$50,000.0</i>	<i>\$50,000.1 to \$100,000.0</i>	<i>\$100,000.1 to \$500,000.0</i>	<i>Over \$500,000.0</i>
Number of banks .....	4, 733	332	1, 272	1, 202	1, 103	384	192	186	62
Total deposits .....	\$193, 417, 862	\$466, 423	\$4, 396, 858	\$8, 620, 857	\$17, 175, 689	\$13, 168, 694	\$13, 193, 601	\$37, 957, 526	\$98, 438, 214
Capital stock (par value) .....	6, 059, 747	21, 151	155, 050	230, 725	424, 652	348, 251	356, 970	1, 058, 625	3, 464, 323
Capital accounts .....	11, 294, 847	48, 067	352, 222	593, 614	1, 056, 186	749, 242	720, 193	2, 116, 608	5, 638, 715
Current operating revenue:									
Interest and dividends on—									
U.S. Government obligations .....	1, 206, 989	5, 660	45, 433	83, 448	152, 433	112, 857	105, 888	244, 237	457, 033
Other securities .....	755, 256	997	13, 409	32, 764	69, 968	53, 962	53, 074	136, 873	394, 209
Interest and discount on loans .....	6, 368, 898	15, 869	145, 038	276, 935	558, 790	419, 668	416, 300	1, 230, 460	3, 305, 838
Service charges and other fees on banks' loans .....	117, 483	128	1, 601	3, 421	8, 981	7, 037	6, 917	21, 609	67, 789
Service charges on deposit accounts .....	489, 612	1, 541	14, 458	27, 973	57, 769	42, 538	39, 204	99, 549	206, 580
Other service charges, commissions, fees, and collection and exchange charges .....	159, 008	633	5, 082	7, 740	14, 110	10, 299	10, 385	29, 586	81, 173
Trust department .....	355, 722	0	257	1, 531	8, 475	16, 894	18, 774	75, 048	234, 743
Other current operating revenue .....	239, 233	282	2, 598	5, 288	12, 741	13, 928	13, 738	34, 821	155, 837
Total current operating revenue .....	9, 692, 201	25, 110	227, 876	439, 100	883, 267	677, 183	664, 280	1, 872, 183	4, 903, 202
Current operating expenses:									
Salaries and wages: *									
Officers .....	741, 183	5, 653	36, 838	54, 804	90, 902	63, 352	57, 836	144, 599	287, 199
Employees other than officers .....	1, 366, 736	2, 597	27, 151	53, 800	116, 462	96, 611	93, 540	283, 832	692, 743
Number of officers .....	66, 829	925	4, 678	6, 197	9, 088	6, 012	4, 902	12, 050	22, 977
Number of employees other than officers .....	325, 758	957	8, 375	15, 372	32, 460	27, 556	24, 016	69, 372	147, 650
Officer and employee benefits—pen- sions, hospitalization, social security, insurance, etc. ....	307, 998	504	5, 112	10, 946	24, 296	19, 720	19, 950	60, 265	167, 205
Fees paid to directors and members of executive, discount and other com- mittees .....	36, 309	503	3, 851	5, 862	8, 429	4, 367	3, 335	5, 592	4, 370
Interest on time and savings deposits .....	2, 998, 371	4, 813	57, 329	123, 786	260, 337	196, 748	197, 487	519, 509	1, 638, 362
Interest and discount on borrowed money .....	25, 905	32	278	487	1, 362	1, 073	1, 905	5, 969	14, 799
Net occupancy expense of bank premises .....	407, 909	1, 409	11, 159	19, 511	39, 037	31, 079	30, 202	82, 188	193, 324
Furniture and equipment—deprecia- tion, rents, servicing, uncanceled costs, etc. ....	244, 155	697	6, 389	11, 299	23, 238	18, 322	19, 518	60, 113	104, 579
Other current operating expenses .....	1, 081, 029	3, 608	31, 319	52, 734	106, 609	81, 413	79, 324	222, 090	503, 932
Total current operating expenses .....	7, 209, 595	19, 816	179, 426	333, 229	670, 672	512, 685	503, 097	1, 384, 157	3, 606, 513
Net current operating earnings .....	2, 482, 606	5, 294	48, 450	105, 871	212, 595	164, 498	161, 183	488, 026	1, 296, 689

Recoveries, transfers from valuation reserves, and profits:									
On securities:									
Profits and securities sold or deemed.....	50,380	43	823	2,396	4,778	3,080	3,763	12,441	23,056
Recoveries.....	1,534	11	94	429	509	139	101	129	122
Transfers from valuation reserves.....	41,128	2	49	521	1,808	994	582	7,784	29,388
On loans:									
Recoveries.....	8,938	472	2,192	2,031	1,806	741	262	187	1,247
Transfers from valuation reserves.....	35,368	36	244	784	1,992	1,521	1,451	6,135	23,205
All other.....	56,544	63	711	1,598	4,266	2,702	3,886	13,438	29,880
Total recoveries, transfers from valuation reserves and profits.....	193,892	627	4,113	7,759	15,159	9,177	10,045	40,114	106,998
Losses, chargeoffs, and transfers to valuation reserves:									
On securities:									
Losses on securities sold.....	48,944	69	778	2,238	6,166	4,026	3,791	10,986	20,890
Chargeoffs on securities not sold.....	3,997	13	316	1,084	1,004	884	246	96	354
Transfers to valuation reserves.....	41,058	5	54	473	1,677	1,084	1,937	7,522	28,306
On loans:									
Losses and chargeoffs.....	16,526	916	6,512	4,722	2,783	1,325	122	59	87
Transfers to valuation reserves.....	482,927	721	7,440	17,845	37,385	29,950	29,433	79,835	280,318
All other.....	81,279	152	1,978	3,612	7,422	5,328	4,714	12,291	45,782
Total losses, chargeoffs, and transfers to valuation reserves.....	674,731	1,876	17,078	29,974	56,437	42,597	40,243	110,789	375,737
Net income before related taxes.....	2,001,767	4,045	35,485	83,656	171,317	131,078	130,985	417,351	1,027,850
Taxes on net income:									
Federal.....	551,852	895	8,488	21,534	47,062	38,790	39,837	125,914	269,332
State.....	59,905	80	830	1,626	2,790	2,074	1,822	7,430	43,253
Total taxes on net income.....	611,757	975	9,318	23,160	49,852	40,864	41,659	133,344	312,585
Net income before dividends.....	1,390,010	3,070	26,167	60,496	121,465	90,214	89,326	284,007	715,265
Cash dividends declared:									
On common stock.....	681,537	1,337	11,218	22,876	46,836	37,309	38,479	130,269	393,213
On preferred stock.....	1,453	0	0	17	14	76	128	273	945
Total cash dividends declared.....	682,990	1,337	11,218	22,893	46,850	37,385	38,607	130,542	394,158
Net income after dividends.....	707,020	1,733	14,949	37,603	74,615	52,829	50,719	153,465	321,107

\*Excludes building employees; number of employees are as of the end of the year.

NOTE: The deposits, capital stock, and capital accounts shown in this table are as of December. Capital accounts represent the aggregate bank value of capital stock, surplus, undivided profits, and reserves.

TABLE B-28  
*Capital accounts, net profits, and dividends of National banks, 1944-65*  
 [Dollar amounts in thousands]

Year (last call)	Number of banks	Capital stock (par value)*			Total capital accounts*	Net profits before dividends	Cash dividends		Ratios			
		Preferred	Common	Total			On preferred stock	On common stock	Net profits before dividends to capital accounts	Cash dividends to net profits before dividends	Cash dividends on preferred stock to preferred capital	Total cash dividends to capital accounts
									Percent	Percent	Percent	Percent
1944.	5, 031	110, 597	\$1, 440, 519	\$1, 551, 116	\$4, 114, 972	\$411, 844	\$5, 296	\$139, 012	10. 01	35. 04	4. 79	3. 51
1945.	5, 023	80, 672	1, 536, 212	1, 616, 884	4, 467, 718	490, 133	4, 131	151, 525	10. 97	31. 76	5. 12	3. 48
1946.	5, 013	53, 202	1, 646, 631	1, 699, 833	4, 893, 038	494, 898	2, 427	167, 702	10. 11	34. 38	4. 56	3. 48
1947.	5, 011	32, 529	1, 736, 676	1, 769, 205	5, 293, 267	452, 983	1, 372	182, 147	8. 56	40. 51	4. 22	3. 47
1948.	4, 997	25, 128	1, 779, 362	1, 804, 490	5, 545, 993	423, 757	1, 304	192, 603	7. 64	45. 76	5. 19	3. 50
1949.	4, 981	20, 979	1, 863, 373	1, 884, 352	5, 811, 044	474, 881	1, 100	203, 644	8. 17	43. 11	5. 24	3. 52
1950.	4, 965	16, 079	1, 949, 898	1, 965, 977	6, 152, 799	537, 610	712	228, 792	8. 74	42. 69	4. 43	3. 73
1951.	4, 946	12, 032	2, 046, 018	2, 058, 050	6, 506, 378	506, 695	615	247, 230	7. 79	49. 04	5. 11	3. 81
1952.	4, 916	6, 862	2, 171, 026	2, 177, 888	6, 875, 134	561, 481	400	258, 663	8. 17	46. 14	5. 83	3. 77
1953.	4, 864	5, 512	2, 258, 234	2, 263, 746	7, 235, 820	573, 287	332	274, 884	7. 92	48. 01	6. 02	3. 80
1954.	4, 796	4, 797	2, 381, 429	2, 386, 226	7, 739, 553	741, 065	264	299, 841	9. 58	40. 50	5. 50	3. 88
1955.	4, 700	4, 167	2, 456, 454	2, 460, 621	7, 924, 719	643, 149	203	309, 532	8. 12	48. 16	4. 87	3. 91
1956.	4, 659	3, 944	2, 558, 111	2, 562, 055	8, 220, 620	647, 141	177	329, 777	7. 87	50. 99	4. 49	4. 01
1957.	4, 627	3, 786	2, 713, 145	2, 716, 931	8, 769, 839	729, 857	171	363, 699	8. 32	49. 85	4. 52	4. 15
1958.	4, 585	3, 332	2, 871, 785	2, 875, 117	9, 412, 557	889, 120	169	392, 822	9. 45	44. 20	5. 07	4. 18
1959.	4, 542	3, 225	3, 063, 407	3, 066, 632	10, 003, 852	800, 311	165	422, 703	8. 00	52. 84	5. 12	4. 23
1960.	4, 530	2, 050	3, 257, 208	3, 259, 258	10, 695, 539	1, 046, 419	99	450, 830	9. 78	43. 09	4. 83	4. 22
1961.	4, 513	2, 040	3, 464, 126	3, 466, 166	11, 470, 899	1, 042, 201	119	485, 960	9. 09	46. 64	5. 83	4. 24
1962.	4, 503	9, 852	3, 662, 603	3, 672, 455	12, 289, 305	1, 068, 843	202	517, 546	8. 70	48. 44	2. 05	4. 21
1963.	4, 615	24, 304	3, 861, 738	3, 886, 042	13, 102, 085	1, 205, 917	1, 126	547, 060	9. 20	45. 46	4. 63	4. 18
1964.	4, 773	27, 281	4, 135, 789	4, 163, 070	14, 297, 834	1, 213, 284	1, 319	591, 491	8. 49	48. 86	4. 83	4. 15
1965.	4, 815	28, 697	4, 600, 390	4, 629, 087	16, 111, 704	1, 387, 228	1, 453	681, 802	8. 61	49. 15	5. 06	4. 24

\*These are averages of data from the Reports of Condition of the previous December and the current June and December of the respective year.

NOTE: For earlier data, see *Annual Reports of the Comptroller of the Currency*, 1938, p. 115, and 1963, p. 306.

TABLE B-29

## Loan losses and recoveries of National banks, 1945-65

[Dollar amounts in thousands]

Year	Total loans end of year	Losses and chargeoffs *	Recoveries †	Net losses or recoveries (+)	Ratio of net losses or net recoveries (+) to loans
					Percent
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	50,482	31,133	19,349	.08
1949.....	23,928,293	59,482	26,283	33,199	.14
1950.....	29,277,480	45,970	31,525	14,445	.05
1951.....	32,423,777	53,940	31,832	22,108	.07
1952.....	36,119,673	52,322	32,996	19,326	.05
1953.....	37,944,146	68,533	36,332	32,201	.08
1954.....	39,827,678	67,198	41,524	25,674	.06
1955.....	43,559,726	68,951	39,473	29,478	.07
1956.....	48,248,332	78,355	37,349	41,006	.08
1957.....	50,502,277	74,437	39,009	35,428	.07
1958.....	52,796,224	88,378	50,205	38,173	.07
1959.....	59,961,989	80,507	54,740	25,767	.04
1960.....	63,693,668	181,683	51,506	130,177	.20
1961.....	67,308,734	164,765	52,353	112,412	.17
1962.....	75,548,316	157,040	59,423	97,617	.13
1963.....	83,388,446	190,188	68,464	121,724	.15
1964.....	95,577,392	239,319	113,635	125,684	.13
1965.....	116,833,479	276,737	86,911	189,826	.16
Average for 1945-65.....	49,214,115	102,191	47,954	54,237	.11

\*Excludes transfers to valuation reserves beginning in 1948.

†Excludes transfers from valuation reserves beginning in 1948.

NOTE: For earlier data, see *Annual Report of the Comptroller of the Currency*, 1947, p. 100.

TABLE B-30

## Securities losses and recoveries of National banks, 1945-65

[Dollar amounts in thousands]

Year	Total securities end of year	Losses and chargeoffs *	Recoveries †	Net losses or recoveries (+)	Ratio of net losses to securities
					Percent
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	55,369	25,264	30,105	.07
1949.....	44,207,750	23,595	7,516	16,079	.04
1950.....	43,022,623	26,825	11,509	15,316	.04
1951.....	43,043,617	57,546	6,712	50,834	.12
1952.....	44,292,285	76,524	9,259	67,265	.15
1953.....	44,210,233	119,124	8,325	110,799	.25
1954.....	48,932,258	49,469	9,286	40,183	.08
1955.....	42,857,330	152,858	15,758	137,100	.32
1956.....	40,503,392	238,997	13,027	225,970	.56
1957.....	40,981,709	151,152	5,806	145,346	.35
1958.....	46,788,224	67,455	12,402	55,053	.12
1959.....	42,652,855	483,526	18,344	465,182	1.09
1960.....	43,852,194	154,372	21,198	133,174	.30
1961.....	49,093,539	51,236	10,604	40,632	.08
1962.....	51,705,503	47,949	6,350	41,599	.08
1963.....	52,601,949	45,923	7,646	38,277	.07
1964.....	54,366,781	86,500	4,117	82,383	.15
1965.....	57,309,892	67,898	4,650	63,248	.11
Average for 1945-65.....	46,519,756	103,588	14,824	89,102	.19

\*Excludes transfers to valuation reserves beginning in 1948.

†Excludes transfers from valuation reserves beginning in 1948.

NOTE: For earlier data, see *Annual Report of the Comptroller of the Currency*, 1947, p. 100.

TABLE B-31

*Foreign branches of National banks, by region and country, Dec. 31, 1965*

<i>Region and country</i>	<i>Number</i>	<i>Region and country</i>	<i>Number</i>
Latin America . . . . .	88	Africa . . . . .	2
Argentina . . . . .	17	Liberia . . . . .	1
Bahamas . . . . .	3	Nigeria . . . . .	1
Brazil . . . . .	15	Near East . . . . .	5
British Guiana . . . . .	1	Dubai . . . . .	1
Chile . . . . .	3	Lebanon . . . . .	3
Colombia . . . . .	6	Saudi Arabia . . . . .	1
Dominican Republic . . . . .	4	Far East . . . . .	50
Ecuador . . . . .	2	Hong Kong . . . . .	6
El Salvador . . . . .	1	India . . . . .	6
Guatemala . . . . .	2	Japan . . . . .	12
Jamaica . . . . .	1	Malaysia . . . . .	5
Mexico . . . . .	5	Okinawa . . . . .	2
Nicaragua . . . . .	1	Pakistan . . . . .	2
Panama . . . . .	12	Philippines . . . . .	5
Paraguay . . . . .	2	Singapore . . . . .	8
Peru . . . . .	2	Taiwan . . . . .	2
Trinidad . . . . .	3	Thailand . . . . .	2
Uruguay . . . . .	2	U.S. overseas areas and trust territories . . . . .	23
Venezuela . . . . .	4	Canal Zone . . . . .	2
Virgin Islands (British) . . . . .	2	Guam . . . . .	1
Continental Europe . . . . .	17	Puerto Rico . . . . .	15
Austria . . . . .	1	Truk Islands . . . . .	1
Belgium . . . . .	2	Virgin Islands . . . . .	4
France . . . . .	3	Total . . . . .	196
Germany . . . . .	5		
Greece . . . . .	1		
Italy . . . . .	1		
Netherlands . . . . .	3		
Switzerland . . . . .	1		
British Isles . . . . .	11		
England . . . . .	10		
Ireland . . . . .	1		

TABLE B-32  
*Foreign branches of National banks, 1955-65*

<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>	<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	1963.....	124	77.5
1960.....	93	75.0	1964.....	138	76.7
1961.....	102	75.6	1965.....	196	93.5
1962.....	111	76.6			

TABLE B-33  
*Assets and liabilities of foreign branches of National banks, Dec. 31, 1965: consolidated statement*

ASSETS		LIABILITIES	
Cash and cash items . . . . .	\$126,062	Total demand deposits . . . . .	\$1,432,169
Due from banks (time and demand) . . . . .	1,040,838	Total time deposits . . . . .	3,561,393
Securities . . . . .	181,231	U.S. Government, State, municipal deposits . . . . .	219,730
Loans and discounts . . . . .	3,602,303	Certified checks, officers checks, official checks . . . . .	42,009
Customers' liability on acceptances . . . . .	503,637		
Bank premises and equipment . . . . .	40,159	Total deposits . . . . .	5,255,301
Other assets . . . . .	60,117		
Due from head offices and branches (gross) . . . . .	1,686,721	Other liabilities . . . . .	263,087
Total . . . . .	<u>7,241,068</u>	Liabilities on acceptances . . . . .	504,533
		Due to head office and branches (gross, including capital) . . . . .	1,218,147
		Total . . . . .	<u>7,241,068</u>



TABLE B-34

*Assets and liabilities of National banks, date of last report of condition, 1936-65*

[Dollar amounts in thousands]

<i>Year</i>	<i>Number of banks</i>	<i>Total assets</i>	<i>Cash and due from banks</i>	<i>U.S. Government obligations, direct and guaranteed</i>	<i>Other securities, bonds, notes, and debentures</i>	<i>Loans and discounts including overdrafts</i>	<i>Other assets</i>	<i>Total deposits</i>	<i>Liabilities for borrowed money</i>	<i>Other liabilities</i>	<i>Capital</i>	<i>Surplus, undivided profits, and reserves</i>
1936...	5,331	\$31,064,662	\$8,981,081	\$8,685,554	\$4,094,490	\$8,271,210	\$1,032,327	\$27,608,397	\$3,495	\$281,760	\$1,598,815	\$1,572,195
1937...	5,266	30,104,230	8,550,493	8,072,882	3,690,122	8,813,547	977,186	26,540,694	10,839	308,499	1,577,831	1,666,367
1938...	5,230	31,666,177	9,706,409	8,705,959	3,753,234	8,489,120	1,011,455	28,050,676	5,608	28,749	1,570,622	1,757,522
1939...	5,193	35,319,257	12,503,613	9,073,935	3,737,641	9,043,632	960,436	31,612,992	2,882	298,265	1,532,903	1,872,215
1940...	5,150	39,733,962	15,120,067	9,752,605	3,915,435	10,027,775	918,082	35,852,424	3,127	342,013	1,527,237	2,009,161
1941...	5,123	43,538,234	15,001,930	12,073,052	3,814,456	11,751,792	897,004	39,554,772	3,778	330,585	1,515,794	2,133,305
1942...	5,087	54,780,978	16,250,270	23,825,351	3,657,437	10,200,798	847,122	50,648,616	3,516	390,291	1,503,682	2,234,673
1943...	5,046	64,531,917	16,080,664	34,178,555	3,325,698	10,133,532	813,468	60,156,181	8,155	408,139	1,531,515	2,427,927
1944...	5,031	76,949,859	17,637,249	43,478,789	3,543,540	11,497,802	792,479	72,128,937	54,180	491,877	1,566,905	2,707,960
1945...	5,023	90,535,756	20,178,789	51,467,706	4,143,903	13,948,042	797,316	85,242,947	77,969	559,103	1,658,839	2,996,898
1946...	5,013	84,850,263	20,067,167	41,843,532	4,799,284	17,309,767	830,513	79,049,839	20,047	630,578	1,756,621	3,393,178
1947...	5,011	88,447,000	22,075,590	36,825,435	5,184,531	21,480,457	880,987	82,275,356	45,135	705,185	1,779,766	3,641,558
1948...	4,997	88,135,052	23,024,269	34,980,263	5,248,090	23,818,513	1,063,917	81,648,016	41,330	774,818	1,828,759	3,842,129
1949...	4,981	90,239,179	21,044,958	38,270,523	5,397,227	23,928,293	1,058,178	83,344,318	7,362	952,958	1,916,340	4,018,001
1950...	4,965	97,240,093	23,813,435	35,691,560	7,331,063	29,277,480	1,126,555	89,529,632	76,644	1,304,828	2,001,650	4,327,773
1951...	4,946	102,738,560	26,012,158	35,156,343	7,887,274	32,423,777	1,259,008	94,431,561	15,484	1,621,397	2,105,345	4,564,763
1952...	4,916	108,132,743	26,399,403	35,936,442	8,353,843	36,119,673	1,321,382	99,257,776	75,321	1,739,825	2,224,852	4,834,369
1953...	4,864	110,116,699	26,545,518	35,588,763	8,621,470	37,944,146	1,416,802	100,947,233	14,651	1,745,099	2,301,757	5,107,759
1954...	4,796	116,150,569	25,721,897	39,506,999	9,425,259	39,827,678	1,668,736	106,145,813	11,098	1,889,416	2,485,844	5,618,398
1955...	4,709	113,750,287	25,763,440	33,690,806	9,166,524	43,559,726	1,569,791	104,217,989	107,796	1,488,573	2,472,624	5,463,305
1956...	4,659	117,701,982	27,082,497	31,680,085	8,823,307	48,248,332	1,867,761	107,494,823	18,634	1,716,373	2,638,108	5,834,024
1957...	4,627	120,522,640	26,065,134	31,338,076	9,643,633	50,502,277	2,173,520	109,436,823	38,324	1,954,768	2,806,213	6,287,004
1958...	4,585	128,796,966	26,864,820	35,824,760	10,963,464	52,796,224	2,347,698	117,086,128	43,035	1,999,002	2,951,279	6,717,522
1959...	4,542	132,636,113	27,464,245	31,760,970	10,891,885	59,961,989	2,557,024	119,637,677	340,263	2,355,957	3,169,572	7,132,375
1960...	4,530	139,260,867	28,674,506	32,711,723	11,140,471	63,693,668	3,040,499	124,910,851	110,590	3,141,088	3,342,850	7,755,488
1961...	4,513	150,609,052	31,078,445	36,087,678	13,005,961	67,308,734	3,328,331	135,510,617	224,615	3,198,514	3,577,244	8,298,062
1962...	4,505	160,857,066	29,883,580	35,663,248	16,042,255	75,548,316	3,719,607	142,824,891	1,635,593	3,446,772	3,577,646	8,992,104
1963...	4,615	170,233,363	28,634,300	33,383,886	19,218,063	83,388,446	5,708,468	150,823,411	393,201	5,466,572	4,029,243	9,518,935
1964...	4,773	190,112,705	34,065,854	33,537,250	20,829,531	95,577,392	6,102,678	169,616,780	299,308	5,148,422	4,799,943	10,258,252
1965...	4,815	219,102,608	36,880,248	31,895,565	25,414,327	116,833,479	8,078,989	193,859,973	172,087	7,636,524	6,089,792	11,334,232

NOTE: Reciprocal interbank demand balances with banks in the United States are reported net beginning with the year 1942.

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.

APPENDIX C

Addresses and Selected Congressional Testimony of

JAMES J. SAXON

Comptroller of the Currency

# INDEX

## Addresses and Selected Congressional Testimony of James J. Saxon, Comptroller of the Currency

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*Issues In Current Bank Merger Policy*

As a result of certain court decisions within the past several years, the situation facing the banking industry today can be likened to the fabled sword that hung over Damocles. In a most important area of their operations—expansion through merger—bankers are uncertain as to what is legal and what is not legal. Although government may rightly expect its citizens to comply fully with the law, there is a corresponding obligation of Government to make the law unambiguous.

The uncertainty in bank merger policy today is a result of the emphasis placed by the courts and by the Justice Department upon the desirability of preserving as much competition, in the quantitative sense, as is possible. They have applied to banking the same competitive concepts developed in the Sherman and Clayton Acts for the unregulated industries, despite the fact that banking is a regulated industry.

Five years ago, the Congress wrestled with this problem, and the results of their efforts were embodied in the Bank Merger Act of 1960. The pattern of that act was to require any combination of banks to be scrutinized by the three Federal banking agencies and the Department of Justice. Responsibility for approval of bank mergers rested in each individual case with a single banking agency, after consideration of the views of the other two banking agencies and the Department of Justice on the "competitive factor"—only one of the seven factors to be applied. The other factors, to be applied solely by the responsible banking agency are: The financial history and condition of each bank involved; the adequacy of the capital structure of the resulting bank; its future earnings prospects; the character and competence of the management; and the effect of the merger in meeting the "convenience and needs" of the community in which the resulting bank is located. After considering all of these factors, decisions were to be reached in terms of the "public interest."

It was thought that by permitting only those mergers which a Federal banking agency deemed publicly beneficial in terms of the standards of the Bank Merger

Act, the public interest would be amply protected. There is considerable evidence and opinion, however, that the Department of Justice has taken, or may take, the position that the scope of its functions is to consider only the effects on competition of a bank merger under the same tests as apply to mergers in all industries generally, and that the other considerations listed in the Bank Merger Act are irrelevant to its functions. And it is true that the recent decisions of the Supreme Court in the *Philadelphia* and *Lexington* cases seem to bear out this interpretation of the functions of the Department of Justice.

This leaves the banking industry in an anomalous position. Even though there are severe restrictions over bank entry and bank expansion, the banking industry is now subject to even greater jeopardy under the antitrust laws than any other regulated industry, or any unregulated industry. This results because the Bank Merger Act requires that applicant banks must present full economic data on the effects of a proposed merger, and these data are made available to the Justice Department before decisions are reached by the banking agency. Justice, therefore, if it decides that the merger is anticompetitive, has a fully documented case to present to a court. Such premerger notification is an advantage which Justice does not have in any other industry, despite prolonged and persistent efforts to gain congressional approval for this procedure.

Some reconciliation of these divergent approaches is urgently needed, and I should like to outline my own thoughts on this matter.

First, let me say that this is a conflict that only the Congress can resolve. We, in our Office, have endeavored to meet the current inconsistencies of policy, by seeking to bring before the courts the banking factors which have not been considered in past court decisions on bank merger cases. This, however, is merely an expedient. What is needed is a clear statement of legislative policy.

In developing such a statement of policy, the prime consideration is to accord recognition to the fact that banking is a regulated industry, and that the banking

authorities are responsible for shaping the banking structure—through their chartering, branching, and merger policies—in a manner which will safeguard the public interest in a viable banking system. For this reason, there is no way in which conventional antitrust standards suitable for the unregulated industries can be applied to banking without jeopardizing regulatory policies. A choice must be made whether to require the courts to take cognizance of all the factors the banking agencies consider in bank merger cases, or to move in the opposite direction and allow conventional antitrust standards to be applied to banking. If the latter course is chosen, it will be necessary to repeal the Bank Merger Act, and to allow free merging, free entry and free branching in banking subject only to antitrust limitations.

I should like to say a special word about the so-called "failing bank" test, which even the Department of Justice concedes may be applied in approving bank mergers. This is clearly an insufficient test if the purpose of bank regulation is to assure the public of an adequate supply of banking facilities and services. In the consideration of bank merger cases, we have encountered many instances in which banks, although not failing, were chronically troublesome, inefficient or unaggressive, so that they did not serve their communities satisfactorily. In many of these instances, merger with another bank appeared the most efficient and the most effective device to improve the functioning of banks in the affected communities without a threat to their solvency or liquidity.

Little public attention has been drawn to one of the most critical aspects of the statutory conflicts between the Bank Merger Act and the antitrust laws. Although the Bank Merger Act requires the banking authorities to consider a variety of factors beyond competition, the antitrust statutes—at least, as recently interpreted—consider that the public interest will be served wherever competition is maintained at its highest level in terms of the number of competitors. In the interest of sound jurisprudence, it is evident that the courts, in considering bank merger cases, should have the benefit of an exposition of the considerations which led to the approval of the mergers by the banking authorities. In no other way can the full panoply of public interest considerations be brought before the courts.

A final issue concerns the exoneration of bank merger cases now in litigation. It would seem logical that, in view of the reliance which the merging banks properly placed upon the decisions of the banking authorities, and considering the long-standing view that bank

mergers were not subject to the antitrust laws, all mergers approved prior to new legislation should stand free of antitrust prosecution. Subsequent mergers, of course, should be treated under the principles embodied in the new legislation. This approach appears particularly appealing in view of the fact that new legislation would be designed to resolve a conflict over the application of the antitrust laws to banking, which has only recently appeared.

The issues which I have discussed are worthy of the most thoughtful consideration by those in the legal fraternity who are concerned with banking and the antitrust laws. Fortunately, the Senate Banking and Currency Committee and the U.S. Senate have recognized the gravity of this problem, and have made a genuine, constructive effort to resolve it. Unfortunately, similar efforts by the majority of the House Banking and Currency Committee have been blocked—at least for this session of the Congress.

BEFORE THE FINANCIAL INSTITUTIONS SUBCOMMITTEE  
OF THE SENATE COMMITTEE ON BANKING AND CURRENCY,  
WEDNESDAY, MARCH 23, 1966

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS: The Office of the Comptroller of the Currency appreciates this opportunity to set forth its views regarding the amendments to the Bank Holding Company Act of 1956 proposed by S. 2353,<sup>1</sup> S. 2418,<sup>2</sup> and H.R. 7371,<sup>3</sup> now pending before the subcommittee.

When enacted in 1956, the Bank Holding Company Act had two purposes. One: to prevent an undue concentration of banking resources from being controlled by any bank holding company. Two: to prevent any bank holding company from controlling both banks and nonbanking businesses. Accordingly, the Bank Holding Company Act prohibits the formation of a bank holding company without the approval of the Federal Reserve Board and prohibits a bank holding company from acquiring more than 5 percent of the voting shares of another bank without the approval of the Federal Reserve Board. Moreover, the Bank Holding Company Act prohibits a bank holding com-

<sup>1</sup> Introduced by Senator Robertson at the request of the Board of Governors of the Federal Reserve System.

<sup>2</sup> Introduced by Senator Morse on behalf of himself and Senators Douglas, Long (of Missouri), McIntyre, Mondale, Neuberger, and Williams (of New Jersey).

<sup>3</sup> Passed by the House of Representatives on Sept. 23, 1965. This bill was originally introduced by Congressman Patman, Chairman of the Banking and Currency Committee of the House of Representatives.

pany from engaging in any business other than the business of banking or acquiring more than 5 percent of the voting shares of any nonbanking business.

The amendments now proposed fall into three broad categories. First, extension of coverage of the Bank Holding Company Act. Second, modification of restrictions on loans and investments between a bank holding company and a subsidiary thereof and between subsidiaries of a bank holding company. Third, miscellaneous changes of a so-called technical or clarifying nature, some of which, however, are patently of major significance.

#### *Extensions of Coverage*

Extension of coverage of the Bank Holding Company Act would be accomplished in three ways. First, the term "bank holding company" would be redefined to mean a company which owns or controls 25 percent or more of the stock of *one* or more banks. Today, a bank holding company is defined as a company which owns or controls 25 percent or more of the stock of each of *two* or more banks. Second, certain exemptions from the definition of a bank holding company and from the definition of a company which may be a bank holding company would be repealed. Third, the definition of a company which may be a bank holding company would be expanded.

We are opposed to the extension of coverage to one-bank holding companies.

It is conceded by the Board of Governors of the Federal Reserve System that this proposed extension is not necessary to regulate the concentration of banking resources under the control of bank holding companies. The present "two-bank" definition is adequate for this purpose. The reason put forward by the Board of Governors in support of the "one-bank" proposal is the second objective of the Bank Holding Company Act—that banks should not be under the control of companies which also have interest in nonbanking businesses. The basis for this objective is a fear that abuses or conflicts of interest may result from a holding company bank extending credit to another business owned or controlled by the bank holding company under circumstances that could endanger the bank or give such business an unfair advantage over its competitors. It is argued that this possibility of abuse applies with equal force to one-bank holding companies as to holding companies with two or more banks.

The Federal Reserve Board estimates that approximately 600 companies would be made subject to the Bank Holding Company Act by this extension of cover-

age. At the present time, there are approximately 53 companies subject to the act. Thus, this "one-bank" proposal would extend the coverage of the Bank Holding Company Act by about 1,200 percent. And the sole basis put forward for such extension is fear of possible abuse. There has been no enumeration of, nor indeed, illustrations of, any abuses which have actually occurred with respect to one-bank holding companies. As a matter of fact, this Office, in the exercise of our supervisory functions, has not become aware of any abuse and Mr. Martin, Chairman of the Federal Reserve Board, in his statement to the subcommittee, stated that the Board is unable to cite a single specific example of such an abuse "among the hundreds of one-bank companies in existence today."

Although the absence of actual abuse does not appear to trouble the proponents of the "one-bank" proposal, in our view this proposed extension of coverage cannot be justified on imaginary possibilities of abuse. Inasmuch as the Bank Holding Company Act is a criminal statute, the evils, if any, at which it is directed should be well-known and well-defined. It would be most unwise to extend the punitive sanctions of this act by these proposed amendments to cover situations which are purely conjectural and which are not known to exist.

If, however, the fear of unexplained, unnamed, and unfounded abuses is, by itself, a sufficient basis for extending the coverage of the Bank Holding Company Act to one-bank holding companies, it is an equally sufficient basis for extending coverage of the Bank Holding Company Act to individuals, partnership, and all other forms of business enterprise which own or control 25 percent or more of one or more banks and also have other business interests.

Mr. Martin noted that about one-fourth of the estimated number of one-bank holding companies are located in one-bank towns and in such situations he considers it particularly desirable that the bank's credit decisions be based solely on creditworthiness. We suggest that in most one-bank towns where the bank is controlled by one individual or a small group of individuals, such persons also have other business interests. In this connection, the alleged distinction between an individual who controls a bank and another business and a corporation which does likewise is without meaning. Such distinction, which seems to rest on the Federal Reserve Board's assumption that individuals are somehow more limited than corporations in their ability to attract capital for expansion and the Board's supposition that control of bank stocks by individuals generally is diffused upon their deaths,

has no validity with respect to the possibility of abuse argument.

Mr. Martin's testimony before this subcommittee suggested possible abuses which, if they existed, would be prevented. He conjured up the hypothetical cases of a builder and an automobile dealer who would be denied credit by the only bank in the town. In the builder's case, the bank's credit decision would allegedly be affected by whether or not the builder would buy lumber from a supplier that is owned by the same holding company that owns the bank. In the automobile dealer's case, the bank's decision to discount the dealer's customer paper would be complicated by questions of how it would affect the competitive position of another automobile dealership owned by the bank's parent company.

The tie-in situation of the builder is, of course, prohibited by the antitrust laws, without regard to the Bank Holding Company Act. The anticompetitive considerations in the case of the automobile dealer merely point out the dangers inherent in restricting banking competition. It is clear that the situation of both the builder and the automobile dealer could be prevented by affording them an available banking alternative, such as through branching and new bank charters.

Turning to another extension of coverage, it proposed to include long-term trusts within the definition of a company which may be a bank holding company. We are seriously troubled by the intention to include within the term "company," all nonbusiness trusts, inter vivos or testamentary, other than those which, by their provisions, will terminate within 25 years or not later than upon the death of a named beneficiary. When this broad definition is coupled with the "one-bank" proposal, we are deeply concerned that an unknown, but large, number of trusts will be swept under the coverage of the Bank Holding Company Act. After all, testamentary and inter vivos trusts, which must conform to the rule against perpetuities, may well extend for more than 25 years or for more than the lifetime of one named beneficiary. We cannot believe that the Federal Reserve Board's list of companies and other organizations that would apparently be brought under the Bank Holding Company Act by these proposals accurately reflects the number of trusts which would be affected.

In addition, we are even more concerned by an apparent discrimination in the proposed amendments against individuals and other trustees that are not banks. This discrimination springs from the provision of the amendment that would make an individual

trustee, be he an attorney or a member of the family, a bank holding company, while exempting a bank that serves as trustee. In the light of this distinction, it should be asked whether a trust with a bank and an individual as cotrustees would or would not be a bank holding company. It may also be asked whether the comments of the American Bar Association have been solicited on this matter. Since trusts, and the law applicable thereto, have traditionally been a matter of State law, it is suggested that Congress is entering a Serbonian Bog.

#### *Investments and Loans Between Members of the Holding Company Groups*

The second category of proposed amendments seeks to modify the restrictions on loans and investments between a bank holding company and a subsidiary thereof and between subsidiaries of a bank holding company. It does that by deleting present section 6 of the Bank Holding Company Act and amending section 23A of the Federal Reserve Act.

Section 23A of the Federal Reserve Act (12 U.S.C. 371c) establishes for member banks limitations on lending transactions with certain affiliates based upon a percent of the capital and surplus of the lending bank. It also establishes prohibitive collateral security requirements for such transactions. Some reduction of these requirements is permitted when collateral is an obligation of a State, or a political subdivision or agency thereof, and making the collateral requirements inapplicable when the transactions are secured by Federal obligations.

The section is by its terms inapplicable to affiliates engaged in certain phases of the banking business including the holding of bank premises, conduct of a safe deposit business, international banking operations, etc. These are important banking affiliates, but the list is incomplete. Banks today find it necessary and desirable to utilize a variety of corporate instrumentalities in conducting the business of banking. The use of these affiliates should not be restrained by the limitation and collateral security requirements of section 23A.

The proposed amendment would change the list of regulated lending transactions to include all asset purchases under repurchase agreements (not just security purchases). The Board gives no reason for this mysterious recommendation. There is no indication either of the kind of assets that are or might be purchased under a repurchase agreement or of the reason why such transactions should be subjected to regulation. In the case of discount transactions, also to be

added to the list, the proposed amendment would specifically exclude nonrecourse interbank discounts, interbank non-interest-bearing deposits and immediate credit on uncollected items received from banks. Perhaps if more were known about asset purchases similar exclusions should be provided for the repurchase transactions.

Although there appears to be in the section and the proposed amendment a spark of recognition that the limitations on loans to affiliates should neither hamper the business of banking, nor preclude banks from using controlled corporate instrumentalities in conducting that business, including the furnishing of the facilities and services that it requires, its light is hidden and obstructed by a cluttered rearrangement of old provisions resulting in pedantry without meaning.

For example, Edge Act and agreement corporations are recognized corporate instrumentalities for international banking. Their intended mode of operation includes investments in foreign banks and the acquisition of foreign affiliates. They and their 100-percent-owned affiliates (except directors' qualifying shares not to exceed 10 percent) are not subject to the provisions of the section. The amendment would make the collateral security requirement inapplicable to foreign affiliates. It seems to us that this provision is broad enough to be applicable to affiliates resulting from direct foreign investments. It would, however, be wise also to liberalize the provision relating to indirect foreign investments, that is, the provision relating specifically to the subsidiaries of Edge Act and agreement corporations as well as providing for direct investments.

The amendment would also make the section inapplicable to shares of an investment nature eligible for investment by National banks under the provisions of R.S. 5136. This provision is not adequate because it does not cover the authority of banks to acquire interest in their own corporate instrumentalities. The solution to the latter problem is suggested by the proposed exemption of transactions between insured banks. As the Federal Reserve Board itself has commented, "The abuses at which the section is directed are not likely to arise where the affiliate is a controlled subsidiary of the lending or investing bank and at the same time a bank subject to examination and supervision by Federal banking authorities." For similar reasons, the section should be made inapplicable to transactions with controlled corporate instrumentalities used by the bank in conducting the business of banking, or providing essential and incidental facilities and services. Such affiliates are also controlled subsidiaries of the lending or investing bank and they are

at the same time subject to examination and supervision by Federal banking authorities.

Although we have suggested several ways in which section 23A might better be amended, it is our firm belief that it now serves no useful purpose and we strongly recommend that it be repealed. Any of its provisions which retain any usefulness should only be incorporated into the Bank Holding Company Act and should be limited in their application to transactions within the bank holding company family with appropriate exemptions for transactions between banks that are subject to examination and supervision by Federal banking authorities, and their controlled corporate subsidiaries.

#### *Technical and Clarifying Changes*

Many of the proposed so-called technical or clarifying changes give this Office pause. We will not, however, burden this statement with a complete list of the changes with which we are troubled, other than to note two such changes that are illustrative of the major substantive problem inherent in the proposals.

The first of these is a proposed amendment to sections 2(a) and 3(a) of the Bank Holding Company Act of 1956. These changes recognize that a bank may itself directly acquire and hold 25 percent or more of the stock of one or more banks and thereby be a bank holding company. They reflect a recognition that there is no need for a bank desiring to acquire the assets of another bank through a stock acquisition to resort to use of affiliated trust devices or to the use of a nonbank holding corporation which is generally no more than a shell corporation.

We object, however, to treating a bank which requires the controlling stock of another bank as a bank holding company and thus subject to regulation by the Board of Governors of the Federal Reserve System. Unlike holding companies, which were not subject to Federal control until the holding company act, banks are directly subject to Federal control. In addition, banks can only engage in the business of banking. There is no object to be served by subjecting banks to the divestiture provisions of the act. Banks, after all, are only permitted to engage in the business of banking and to hold assets necessary or convenient to the conduct of their business or acquired in the ordinary course of their business.

In our view the acquisition by one bank of 25 percent or more of the stock of another bank is, in economic effect and substance, equivalent to a bank merger, consolidation or asset acquisition. Approval of the stock acquisition, therefore, should be governed



by the Bank Merger Act. Our Office took such position with respect to the proposal of the Chase Manhattan Bank (National Association) to acquire 80 percent or more of the voting stock of the Liberty National Bank & Trust Co. Our view was based both on logic and the legislative history of the Bank Merger Act. In fact, we have found this approach to be very effective in some recent instances, such as the directed acquisition by the First National Bank of Miami, through a wholly owned subsidiary, of an entire stock interest in the successor to the Five Points National Bank. Thus, we were able to resolve a serious situation with maximum speed.

We firmly believe that most existing bank holding company structures, with a nonbanking corporation as the holding company, would disappear with the clear recognition that under existing law a bank itself may hold the controlling stock of another bank. The holding company corporation would be collapsed and the stock of the subsidiary banks would be acquired by the lending bank in the holding company structure. To the extent there remained nonbank holding companies after an express recognition by Congress of the power of a bank to hold bank stock, the Bank Holding Company Act would and should continue to operate.

The second so-called technical change is the proposal to eliminate the requirement for a voting permit for a corporation holding the stock of a member bank to vote such stock. This proposal is conditioned upon adoption of the one-bank holding company proposal. If the one-bank holding company proposal is not adopted, we urge that the voting permit provisions be retained only if the authority to grant such permit is given to the Federal bank regulatory agency having direct supervisory authority over the bank with respect to which the permit is requested. The present situation as to voting permits is an illogical division of responsibility and authority, which is subversive of the dual banking system. In the case of National banks, it is this Office which is responsible for their supervision. Thus, we should have authority to determine who may vote the stock of National banks in light of our daily experience with the banks and knowledge of persons handling the banks' affairs.

Finally, we should like to comment on a suggestion made by the IBA, to which Mr. Martin assented. The suggestion is to require approval by the Federal Reserve Board for a merger of a bank which is a subsidiary of a bank holding company with any other bank.

We are firmly opposed to this proposal which is both an oblique attempt to reopen the Bank Merger Act

discussion of recent memory and which would obscure and duplicate the jurisdictional authority of the Comptroller of the Currency, the FDIC and the Federal Reserve Board.

Whatever the merits of the basic principle behind these three bills, we have not seen any convincing demonstration of abuses or potential evils, to warrant this large extension of governmental authority over heretofore unregulated entities.

Thank you for this opportunity to express our views on these bills.

BEFORE THE PENNSYLVANIA BANKERS ASSOCIATION  
ATLANTIC CITY, N.J., WEDNESDAY, MAY 25, 1966

A number of proposals dealing with competition for funds are now being considered by the Congress. In varying degrees, these proposals represent serious regressive steps for the entire financial community. H.R. 14026 would prohibit insured commercial banks from issuing any negotiable certificates of deposit, notes, or debentures, and H.R. 14422 would prohibit banks from accepting time deposits in amounts less than \$15,000. Other approaches have also been suggested which would increase the power of Federal agencies to limit the ability of commercial banks to compete for funds. The scope of these proposals astonishes me, in that I can think of no danger, malpractice, or evil which can justify these restrictions.

It should be said, to begin with, that all economic restrictions which curtail competition are, and properly should be, suspect. That is not to say that all such restrictions are unreasonable. It is to say that we must subject every such restriction to the most careful scrutiny, lest we find ourselves irrevocably entangled in a web of strangling regulation. The test should be clear and unquestioned public need, and no such need can be shown for the measures which have been proposed.

I shall discuss two general topics: First, the effect which these measures would have on the commercial banking industry; and, second, the effect that the instruments which these measures seek to eliminate or restrict now have on other financial institutions.

The use of certificates of deposits, notes, and debentures, in conjunction with the increase in Regulation Q ceilings has substantially enhanced the ability of banks to compete successfully with other money market instruments as well as with nonbank financial institutions. In effect, CD's, notes, and debentures have offered publicly desirable alternatives to savers and investors.

Since the end of 1961 there has been an increase in negotiable CD's of about \$15 billion, which has accounted for over 25 percent of the growth in time deposits since that time. Within the last 2 years, moreover, National banks have issued debentures totaling more than \$1 billion. The very fact that savers and investors have made wide use of these instruments is demonstrative of the need which they have filled. It is clear that savers and investors have shown a preference for these instruments and that their elimination would deprive savers and investors of attractive alternatives.

A cardinal economic principle is that rigidities in our economic structure prevent the efficient allocation of resources. Since Regulation Q has already built into our system certain unfortunate and damaging price rigidities, financial institutions have had to offer more effective financial instruments within the limitations of Regulation Q. Savings certificates and "small denomination" CD's are examples of such instruments. To a considerable extent, these instruments have developed as a response to the Federal Reserve's unprecedented decision in December 1965 to put widely different ceilings on time and savings deposits. Since a number of banks now have a large volume of such instruments, some of them could face a serious liquidity problem were these instruments no longer available. It should be noted that small denomination CD's are, and have been for many decades, a very reliable and stable source of funds for commercial banks. In several sections of the country, particularly in parts of the Midwest, the CD is the standard form in which individuals hold their savings. By restricting the use of CD's, the measures under discussion could lead to a substantial disruption of present financial relationships. In addition, the general effect of eliminating or restricting these instruments is to create more barriers to the efficient allocation of financial resources, since savers and investors would be deprived of these heavily used alternatives.

Negotiable CD's have, in fact, enabled banks to operate soundly with lower liquidity, thereby increasing the efficiency of the entire banking industry. If banks are certain they can tap the money market with an attractive financial instrument in order to fulfill recurring liquidity needs, they do not need to maintain high excess reserves and large secondary reserves, and can operate safely with higher loan-to-deposit ratios. It is not surprising, therefore, that negotiable CD's are concentrated in banks with assets over \$500 million—the very same banks which have higher loan-to-deposit ratios.

The use of debentures has also helped banks to meet the need for more capital which accompanies rapid growth. Thus, prohibiting debentures would be another step towards a less efficient banking system. I cannot believe that any of these results would be in the public interest.

The growing use of CD's has led to some concern about potential bank liquidity problems. While misuse of CD's has caused difficulty for a few banks, there is nothing inherent in the instrument itself to lead to this result. It is, rather, the ceiling on interest rates and savings instruments that can create problems. As long as Regulation Q imposes a ceiling on what banks can pay in competition for deposits, there is always the possibility of a liquidity squeeze. If yields on various money market instruments, such as commercial paper or Treasury bills, become higher than the rate on bank deposits, investors may switch out of bank deposits and into these money market instruments. If, on the other hand, banks are free to raise their rates on deposits to competitive levels, they can hold their deposits. The existence of Regulation Q ceilings is a continuous threat to bank liquidity, no matter what types of time and savings deposits banks accept. Bank liquidity should not be dependent upon arbitrary price regulation, especially when that regulation is not necessary to achieve effective monetary policy. Thus, given the unfortunate reality of interest rate ceilings, the use of negotiable CD's has actually aided banks to avoid a liquidity squeeze by permitting them to offer a more attractive money market instrument.

Another facet of these proposals is that they would aggravate the discrimination against small savers which now exists as a result of Regulation Q. In December 1965, the Board of Governors increased to 5½ percent per annum the maximum interest rate payable by member banks on time deposits, but did not change the 4-percent rate payable on savings deposits. This 1½ percentage point spread between time and savings deposits means that unless small savers are permitted to hold time deposits, they cannot earn as much on their savings as larger savers. H.R. 14422, because of its \$15,000 minimum on time deposits, would effectively prevent small savers from holding time deposits, forcing them to accept a lower return on their savings. Moreover, not only the very small saver would suffer. An individual with \$50,000 to deposit, for example, frequently divides his funds into five \$10,000 accounts so that the entire \$50,000 will be covered by FDIC insurance. With a \$15,000 minimum on time deposits, he could get complete insurance coverage only if he put his funds into savings deposits rather than

time deposits. He is, therefore, left with the choice between higher earnings or full insurance coverage. As long as bank assessments are based on total deposits, there is no justification for lower rates on the insured portion of deposits. The situation would be even worse for the small corporation. The Federal Reserve maintains, wrongly, that corporations cannot hold savings deposits. Under H.R. 14422 the small corporation with less than \$15,000 to deposit could not hold a time deposit either. It would thus be impossible for such a corporation to earn any interest at all on a commercial bank deposit. In summary, I can think of no reason which justifies these invidious discriminations.

Now let us turn to the effect which the use of negotiable CD's, notes, debentures, and "small denomination" time deposits have had on nonbank financial institutions. It is clear that their use has increased the competition for funds among financial institutions. This has been a favorable development, a step in the direction of allowing all types of financial institutions to compete more freely, constrained only by the requirements of financial soundness. The legislative and administrative measures under discussion represent a big step backward. They would impair the efficient allocation of financial resources throughout the entire economy as well as reduce the efficiency of the banking industry itself. As Secretary Fowler has put it: "In principle, it is hard to defend a policy that insulates banks and other financial institutions from competing among themselves."

It is very important to realize that the commercial banking industry faces no serious liquidity problem. We follow the liquidity position of National banks very closely. Virtually all National banks have adequate holdings of liquid assets to meet possible deposit outflows. On the average, the 200 largest National banks hold liquid assets equal to 30 percent of their total deposits. The concern about the liquidity problems inherent in vigorous competition for funds apparently stems from the savings and loan associations. While spokesmen for the savings and loan industry have repeatedly suggested that restraints on competition are necessary to protect commercial banks, there is absolutely no evidence for this.

The tone of much of the current public discussion would lead one to believe that the savings and loan industry is in danger of widespread insolvencies. I do not believe that any knowledgeable observer holds this view. If it were true, however, the proposals which have been advanced surely offer no solution, even in the short-run; retrenchment would still be necessary.

But the Federal Home Loan Bank Board is moving in the opposite direction. Present actions of the Board, according to its own press release, "liberalized dividend rates, reserve requirements, and liquidity requirements of savings and loan associations."

If the solvency of savings and loan associations is not in question, there would appear to be no justification for these drastic measures. At worst, the savings and loan associations could suffer a liquidity squeeze. However, the Federal home loan banks have the authority and have on innumerable occasions in the past shown their willingness to lend to associations when necessary. At present, the Federal home loan banks have outstanding advances to savings and loan associations totaling nearly \$6 billion, which is indeed impressive when contrasted with the \$600 million which the Federal Reserve System has advanced to banks.

The problem confronting the savings and loan industry is the need to face up to prospects for reduced growth or even contraction, together with its corollary of lower profits and reduced tax benefits. On the one hand, money market conditions are forcing savings and loan associations to pay higher rates on their shares in order to prevent funds from flowing to more attractive investments, such as commercial paper and commercial bank CD's. On the other hand, the large volume of savings which in past years has been artificially channeled into savings and loan associations as a result of the restrictions imposed by Regulation Q has created a depressed market for real estate credit, thereby preventing savings and loan associations from earning higher yields on their assets.

Current competitive relationships between commercial banks and savings and loan associations should be examined in the perspective of the whole post-World War II period. From 1946 to 1962, commercial banks operated at a serious disadvantage in competing for savings because of the relatively low Regulation Q ceilings. For example, until 1962 banks were limited to a maximum rate payable of 3 percent on time and savings deposits, while many savings and loan associations paid 4 percent or higher at times. In the 1946-61 period, commercial bank time and savings deposits increased by \$44.9 billion, while savings at savings and loan associations increased by \$63.5 billion. This was nearly a ninefold increase for savings and loan associations, compared to less than a twofold increase for commercial banks. During the last 4 years, on the other hand, with the commercial banks operating under less restrictive rate ceilings, the growth in commercial bank's time and savings deposits and in savings at savings and loan associations was nearly equal.

It seems unreasonable to expect a return to the distorted competitive relationships of the 1950's.

Another common argument is that a slower growing savings and loan industry will divert funds away from the construction industry. I do not, of course, profess to know which segments of the economy should be restricted and which should be expanded. But it is remarkable to me that although we are told that it is desirable to flood the real estate market with funds, we are never told why funds should flow indiscriminately into this area of the economy or how large the flow should be. Personally, I find it difficult to understand why in today's economy it is desirable to maintain the flow of funds to the real estate market while restricting credit in almost every other segment of the economy. Without the use of a crystal ball, I prefer to let the unfettered forces of competition determine the proper allocation of our resources. There is no better allocative scheme. If the competitive forces are such that a slower growing or even contracting savings and loan industry results, that is no reason to discard competition for the sake of keeping the savings and loan industry growing. In fact, it is even possible that such a contraction over time would alleviate the profit squeeze which savings and loan associations are now facing.

In closing, I am convinced that the proposals under discussion mark a long step backward toward the kind of economic inefficiency which results from rigid regulation. Recognizing that the public interest is composed of many diverse interests, I believe that the deeply imbedded tradition of free competition is best equipped to balance one interest against another. The primary advantage of the market as an allocator is its flexibility. A fixed regulation, on the other hand, is inflexible and rigid, and quickly generates distortions in a dynamic economy. The proposals now before the Congress would have us adopt additional regulations in order to solve the problems created by existing regulations. The proposals would remedy the dislocations and distortions stemming from Regulation Q by saddling our financial system with even more controls and greater rigidity. I do not think that these proposals are in the interest of the financial community, or the public.

BEFORE THE COMMITTEE ON BANKING AND CURRENCY  
OF THE HOUSE OF REPRESENTATIVES, TUESDAY,  
MAY 31, 1966

During the past few weeks, this committee has heard testimony on several proposals which are directed towards curbing competition between savings and loan

associations and commercial banks. Rather than focus my attention on these proposals, I wish to address my statement to what, in my opinion, is the fundamental issue which underlies these proposals. Whether we think that the difficulty which now plagues the savings and loan industry is a permanent problem, a transitional problem, or no problem at all, the basic issue is still the same: Should Regulation Q be used to regulate price competition among financial institutions?

A cardinal principle of our free enterprise system is that government should impose economic regulation only in those areas where free market forces lead to results that are not in the public interest. When the Government intervenes to fix prices, administrative decisions are substituted for those of the market place: the decisions of one man or a very few men replace the judgments of many. There may be instances in which this is a desirable course, but the burden of proof should rest with those who would advocate more controls over competition, since competition has long been accepted by both scholars and businessmen as the driving force behind our system of free enterprise. Indeed, a competitive system is at the roots of our traditional political and economic philosophies. Although several proponents of more control have recently appeared before this committee, no one to my knowledge has offered the kind of convincing evidence we should demand before acting to increase the restraints on our thriving financial system.

Restriction on interest payments go back to the Banking Act of 1933, conceived in the midst of our worst financial crisis. There was remarkably little discussion of interest payments on deposits when that act was under consideration. What discussion there was rested on the assumption that the banking troubles of the 1930's were the result of imprudent banking practices. Such practices were forced upon the commercial banks, so the argument ran, by the severe competition for correspondent and other deposit balances. This competition, it was argued, led to high interest rates on deposits, which compelled banks to acquire risky assets, thereby exposing themselves to the illiquidity that pervaded the banking crisis of 1933.

There is no evidence, however, to support the view that rate competition for time deposits during the 1920's was excessive and led banks to "reach" for unsound assets. In fact, during this period rates paid on time deposits by member banks actually *declined*. In addition, from 1920 to 1929 commercial banks successfully maintained their holdings of government bonds at about 10 percent of total earning assets, indi-

cating that they did not attempt to increase their earnings by reducing the proportion of high-quality assets in their portfolios. More recently, after reviewing the evidence, both the Commission on Money and Credit and the President's Committee on Financial Institutions concluded that interest rate ceilings are generally undesirable.

Current competitive relationships between commercial banks and savings and loan associations should be examined in the perspective of the whole post-World War II period. From 1946 to 1962, commercial banks operated at a serious disadvantage in competing for savings because of the relatively low Regulation Q ceilings. For example, until 1962 banks were limited to a maximum rate payable of 3 percent on time and savings deposits, while many savings and loan associations paid 4 percent or higher at times. In the 1946-61 period, commercial bank time and savings deposits increased by \$44.9 billion, while savings at savings and loan associations increased by \$63.5 billion. This was nearly a ninefold increase for savings and loan associations, compared to less than two-fold increase for commercial banks. During the last 4 years, on the other hand, with the commercial banks operating under less restrictive rate ceilings, the growth in commercial bank's time and savings deposits and in savings at savings and loan associations was nearly equal.

To my knowledge, the competitive relationships of the last 4 years have not had any harmful or destructive effects on financial institutions. As far as commercial banks are concerned, their position is sound, whether we look at quality of assets, earnings, or their liquidity position. Bank earnings are at an all-time high. The quality of bank assets has been improving in recent months. An aspect of tight money conditions and strong loan demand is that it allows banks to improve their portfolios by weeding out their marginal loans. Bank liquidity positions are also sound. This is something we follow very closely and an analysis of our most recent examination reports shows that the 200 largest banks have, on average, liquid assets equal to about 30 percent of deposits. These banks have unquestionably been the most aggressive competitors for time deposit funds.

Although I do not have detailed knowledge of the savings and loan industry, there is, in my opinion, no reason to believe that the industry is facing widespread insolvencies. If there were any basis for the fears that have been expressed about the industry, the Home Loan Bank Board would be tightening up rather than liberalizing requirements for reserves and liquid-

ity of member associations. However, recent actions of the Board, according to its own press release, have "liberalized dividend rates, reserve requirements, and liquidity requirements of savings and loan associations." It is difficult for me to understand why the present situation calls for additional restrictions on commercial banks when the Home Loan Bank Board is moving in the opposite direction and liberalizing requirements on savings and loan associations.

I recognize, of course, that compared to past years, the savings and loan industry has been experiencing slower growth in recent months. Although savings and loan associations would like to return to the "good old days" during which banks were not allowed to compete vigorously, it is unreasonable to expect a return to the distorted competitive relationships of the 1950's. Rather than returning to the 1950's, savings and loan associations must face up to prospects of slower growth in the future, together with its corollary of lower profits and reduced tax benefits. (To some extent, as long as savings and loans grow rapidly they pay virtually no taxes. In 1964, for example, savings and loan associations paid Federal taxes of only \$124 million, or 17 percent of income after dividends.)

It is clear that the kind of competition for savings funds we have witnessed in recent years has not led to "dangerous" or "destructive" competition but rather has brought about a healthy and vigorous financial system. Moreover, not only are there no dangers in removing Regulation Q, but there are real advantages to be gained.

The interest rate rigidities imposed by Regulation Q distort the allocation of resources between different types of financial institutions as well as among commercial banks themselves. Because of greater efficiency, some banks could pay more than the existing ceiling rate without engaging in imprudent banking practices. Other banks, which are less efficient, find the ceiling a convenient shelter from the rigors of competition. Regulation Q, therefore, imposes price controls that protect the inefficient and discourage the efficient, a result which conflicts with the goals of our free enterprise system. Even if this inefficiency were the sole cost of Regulation Q, and it most definitely is not, I would regard it as sufficient justification for abolishing these rate ceilings.

Another aspect that should be noted is the publicity associated with changes in Regulation Q ceilings. This publicity, and indeed the publicity associated with these hearings, calls public attention to the 5½-percent rate allowable under Regulation Q. As a result, many

people feel that the Government has specified 5½-percent as the rate that banks should pay and that they are being cheated if their bank pays less. It is not just the financially unsophisticated who make this mistake. The recent Home Loan Bank Board actions were reported in the Atlanta Journal as follows:

The Federal Home Loan Bank Board told savings and loan associations they *must* pay as high as 5 percent interest on some forms of savings accounts.

This kind of misinterpretation seems inevitable if we continue to have fixed ceilings on interest rates which are subject to infrequent and highly publicized changes.

In closing, I have been unable to discover any dangers which are clearly associated with rate competition for savings funds, and am convinced that by eliminating Regulation Q our financial structure, indeed the entire economy, would realize significant benefits. The proposals now before this Committee would remedy the dislocations and distortions stemming from Regulation Q by saddling our financial system with even more controls and greater rigidity. I do not think that these proposals are in the interest of either the financial community or the public.

BEFORE THE CLEVELAND TREASURERS CLUB, CLEVELAND, OHIO, WEDNESDAY, OCTOBER 19, 1966

As high executive officers in many prominent corporations in America, you are vitally interested in what government and business can do to strengthen the private corporate structures upon which so much of our economy depends. The particular concern of our Office is the National banking system and how it can best serve its corporate and other customers.

For the past 5 years, all the efforts of our Office have been toward the goal of modernization of the regulations under which National banks must work and toward permitting the maximum amount of private initiative by management consistent with the financial integrity of the National banking system.

As corporate treasurers, you are especially interested in accounting matters and how the banks with which you do business present their financial condition. This subject has received much attention lately from financial writers, security analysts, accountants, bankers, and government officials. The published discussions of the subject we have seen show many divergent approaches and there is far from a consensus as to what the perfect bank financial statement would contain. Indeed, among accountants and others there is not even agreement as to whether uniformity is a desirable objective in the accounting field overall.

While most would agree that banks, as well as other corporations, should disclose to their customers and shareholders full and true statements of their financial condition, there is by no means agreement that the best means of achieving this is a set of rules enforced by governmental fiat. Until such time as accountants themselves agree on an optimum financial statement, it is our view that government's role in this area should be primarily to set standards rather than rules—objectives rather than techniques.

We are proud of the fact that our agency was the first bank supervisory agency to give attention to the problem of adequate disclosure by banks to their shareholders and customers. In December of 1962, almost 2 years before the passage of the Securities Act Amendments of 1964, we published a regulation requiring banks to distribute to shareholders proxy statements and annual reports containing comparative balance sheets, profit-and-loss statements, and reconciliations of capital accounts. Although that regulation, when issued, applied only to banks with deposits totaling \$25 million or more and was later changed to banks with 750 or more shareholders in accordance with the Securities Acts Amendments, the effect of the regulation was to substantially upgrade disclosure practices by National banks of all sizes.

In 1964, the Securities Acts Amendments were passed and, in effect, required by statute the type of corporate disclosure which our Office had previously required by regulation. The other two Federal banking agencies elected to impose a single set of accounting rules which were derived from existing SEC regulations for listed companies. While Regulation F does not prescribe as much detail as the SEC, the philosophy of the regulation is essentially the same. That philosophy, as we see it, is that adequate disclosure of a corporation's financial condition can only be insured by a set of rules which, in effect, resolves disputes existing in the accounting profession.

Since we are not in full agreement with this approach and philosophy, our Office, to date, has not issued rules which would resolve by fiat such complex questions as when statements of parents and subsidiaries need be consolidated, the treatment of nonrecurring items of income and expense, the treatment of valuation reserves for security and loan losses, and others.

This is not to say that we are unmindful of the importance of improving disclosure methods with respect to these items. In fact, for many months now a distinguished subcommittee of the National Advisory Committee to the Comptroller of the Currency on

Banking Policies and Practices has been working diligently on these questions. The work of this subcommittee, which is made up of controllers and other top financial men of leading National banks, is in its final stages and its report is expected within the next few weeks. This report will make positive recommendations which we expect will form the basis of regulations or recommendations from our Office on many of these subjects and which we are confident will have wide acceptance from National and other banks.

It is sometimes said that banks, because they were generally not subject to Federal disclosure statutes until 1964, are behind other industries in the amount of financial information concerning their operations which is made available to the public. We do not think this generalization can be made validly today. The larger banks of the country have for years issued annual financial reports to their shareholders and customers, which go far beyond legal requirements and are of a standard as good or better than nonbanking corporations generally. The practices of the smaller banks, we think, have always compared favorably with other businesses of comparable size.

In the matter of financial disclosure, the record of commercial banking is indeed far superior than the record of investment banking. As you know, none of the country's securities underwriters, brokers, and dealers, including the largest, are required today to publish any data concerning their own financial conditions or positions in securities and, in fact, few of them do.

It is somewhat ironic that some of the loudest calls for more disclosure by banks come from this same securities industry which is prone to change the subject when questions of disclosure of its own financial statements and positions in securities are raised.

Another very important aspect of accounting practice in banks is the matter of audit control, both internal and external. Every well-managed bank has a system of internal audit control which effectively prevents undiscovered fraud. These systems range from simple measures, such as compulsory 2-week vacations for all employees in smaller shops, to the elaborate automated controls of the large branch institutions. Our Office recently instituted a program designed to impel any National bank which did not have an effective internal audit program, to adopt one. Our program was simply to advise all National banks and all of our examiners that whenever, in the considered judgment of the Regional Administrator of National Banks, a National bank did not have an effective internal audit and controls system in being or in plan, that

our regional office should itself conduct a negative reply audit covering at least 20 percent of such bank's deposit and loan accounts.

The announcement of the program appears to have had the desired effect and we shall soon be able to rest comfortably in the thought that 100 percent of our National banking system is under efficient audit control.

There has been legislation introduced from time to time which would require external audits of banks by certified public accountants. This is a subject which always arouses a great deal of dispute among bankers and bank supervisors. I could not adequately go into the pros and cons of the proposal without unduly prolonging these remarks. It is our view that neither the accounting nor the banking profession is ready to implement such legislation today if it were passed. We do not think there would be enough qualified accountants to audit all of the banks of the Nation and we do not think that the benefits to be derived from compulsory external audit would justify the tremendous expense involved.

Many National banks today employ external auditors to report to their boards and, in fact, our own examiners often cooperate with auditors in conducting joint examinations and audits. The job of auditing our commercial banks is sufficiently large to require the use of both internal and external auditors. Here, as in virtually every other potential area of regulation, our policy is to permit management a range of choice of alternative means to the desired end. The particular size, resources, personnel, and problems of the individual bank should govern this management decision as, indeed, it should all others.

Time has not permitted me to go into our efforts to liberalize and expand the range of permissible business activities of National banks. I wish we did have the time to go into that subject because your companies, as bank customers, have received many direct and indirect benefits from such efforts. I am sure that many of your employers have had occasion to benefit from our rulings on equipment leasing, separate loan limit treatment on credits to subsidiaries, real estate loans, international operations, data processing services, and many, many more.

To paraphrase an expression which once got a very distinguished business leader and former cabinet member into a bit trouble, we think what is good for banking is good for business. Banking serves business and the two can only grow together. Our aim has been to promote the well-being of business, banking, the public, and the economy in general.

We have always had in our country a curious ambivalence in our attitudes toward economic power and material achievements. We pride ourselves on our technical excellence and on the great productive capacities of our industries. Yet, we exalt the virtues of small enterprise and the benefits of sheer numbers of competitors.

These divergent views have been reflected in the evolution of our antitrust policy. In the beginning, our antitrust laws were designed to prevent monopoly and agreements in restraint of trade—so that the competitive forces could be given greater scope. They have become, in their recent interpretations, instruments to forestall concentration of economic power—without regard to the social and economic benefits which concentration may bring. Thus, from a safeguard against the abuse of power, the antitrust laws have been transformed—according to the views of many—into a straitjacket thwarting even the beneficial performance of the competitive forces.

In the intervening years, the antitrust laws have had a checkered career. They have been both laxly and stringently enforced. On some occasions of emergency, such as war or depression, they have been forsaken in favor of centralized and unified action. Following the demise of the NRA, there was an abortive effort to employ antitrust consent decrees as positive instruments of public regulation comparable to the NRA Codes of Fair Competition. There are some who conceive of them in the same manner even today.

In part, these developments reflect a weakness for simple and precise answers to complex problems, indicating a confusion of ends with means.

The central problem under the antitrust laws is how to preserve the positive values of free enterprise while averting the potential abuses. This task was much simpler three-quarters of a century ago, when the first antitrust law was enacted, than it is today. At that time, market power was more largely the outgrowth of restrictive agreements among competitors. Since then, there have been vast improvements in technology, transportation, communication, and finance—all of which have combined to yield advantages to large-scale, far-flung, and highly diversified enterprises. The social benefits of these improvements have been manifested in the steady rise in our standard of living, which is unmatched anywhere else in the world.

The more extreme practitioners of the antitrust art have seen in these developments, not causes for joy, but reasons for alarm. They have sought to turn our at-

tention from the social and economic consequences of our production and distribution structure, to the mere size and number of competitors. They have endeavored to gain acceptance for arbitrary and universal standards of tolerable concentration in order to make deceptively easy the very difficult task of deciding—for a particular market, and in a particular industry—how far the public may gain, and how far it may lose, through a balancing of the production and distribution advantages of larger scale enterprise against the diminished competition which may result.

Indeed, some would have us believe that any diminution in the number of competitors, presumably from any level, should not be tolerated—so that, in a remarkable inversion of fact and logic, our ideal should be to fragment our industries into the largest feasible number of independent competitors, and ignore entirely the countervailing effects on the well-being of the individual and the society.

In reality, there is no clear and uniform relationship between the degree of concentration and the liveliness of competition which can be applied equally to every industry and every market. More significantly, the outcome of competition, and not any measure of its intensity, is the true criterion of the public welfare. The performance of our industries in serving the public under the competitive conditions which prevail—far from being the matter of least concern—is the matter of greatest concern. It is not competition for its own sake which we seek to preserve—and, least of all, competition in the naive sense of greater numbers of competitors—but, rather, the attainment of a standard of achievement in terms of our social and economic values.

In banking, the antitrust problem has taken a different form. The competitive forces, and hence the industry structure of banking are subject to explicit public controls in furtherance of certain well-defined goals of great significance to the economy. So that these goals may be achieved, the banking authorities have been given the responsibility to control new bank entry and the expansion of existing banks through any means and they have also been given broad supervisory responsibilities over the operating policies and practices of banks. The banking authorities, in this context of regulation, have an affirmative duty to respond favorably to bank proposals which, in their best judgment, will advance the public convenience and need. The effect has been to entrust to the regulatory agencies the task of shaping the competitive structure of the banking industry so as to serve the public welfare to best advantage.



In this unique environment, characterized by a very special relationship between the government and the banking industry, the Antitrust Division has fought relentlessly to impose a totally different, and conflicting, set of principles. The antitrust laws, which have been the vehicle of their assault, are premised, in the most fundamental sense, upon freedom of competition which it is the purpose of those laws to preserve. The individual discretion to enter an industry, and to expand within that industry, which lie at the foundation of the antitrust laws as a safeguard of the public welfare, are basically irreconcilable with the policy of reliance on direct public banking controls to assure the attainment of social and economic goals. The degree and form of competition which will most effectively serve these aims must be within the authority of the bank regulatory agencies if they are to meet their public responsibilities. Otherwise, they will be deprived of the chief instrument through which they shape the industry structure under their purview.

Until several years ago, it was generally recognized and confidently believed, even by the Justice Department, that the antitrust laws had no applicability to banking—that the protection of the public good rested in the chartering, branching, merger, and supervisory policies of the banking authorities, and not in the maintenance of banking competition through the antitrust laws. In 1963, however, in the *Philadelphia National Bank* case, the Supreme Court upheld the Justice Department view that the antitrust laws do have applicability to banking. Since then, the Antitrust Division has redoubled its efforts to create in banking the competitive conditions which it is the precise purpose of bank regulation to constrain.

The conflict and confusion which ensued provoked an intensive reconsideration of this issue in the Congress, and resulted in a new Bank Merger Act which sought to limit the applicability of antitrust principles to banking, and to assert positively the authority and responsibility of the regulatory agencies to approve bank mergers according to criteria of public convenience and need. Nevertheless, the Antitrust Division has insisted that the new law did not disturb, indeed strengthened, the applicability of the antitrust laws to banking—and once again the issue is being thrashed out in the courts in an atmosphere of uncertainty which has done great damage to many segments of the banking industry.

There are, in my judgment, sound reasons for direct public regulation of banking competition. But if it should be decided that antitrust criteria are to be applied to banking, the present confusion can be ended

only by allowing free entry into banking, and by permitting banks to branch and merge without prior public approval. Only in this way can we be certain that the potential competitive forces in banking will become fully operative, and that an antitrust policy, properly conceived, has a useful role to play. This is not a course I would choose. But it is infinitely preferable to our Janus-like policy of today, at least as interpreted by the Justice Department.

We need also a long, hard look at the application of the antitrust laws to the unregulated industries for which they were designed. While in those industries there is no direct public responsibility explicitly to fashion industry structures in conformance with public needs—there is the deepest public concern to avert measures which may impede or impair the effective functioning of private initiative in furtherance of our national goals of rising job opportunities, increasing incomes, improving technology, innovations in product and method, and prices reflecting the advances in efficiency of production and distribution. It may satisfy the yearning for simple solutions if the courts can be persuaded to ignore these social and economic considerations, and center their attention solely on concentration ratios. But this can scarcely be viewed as a proper objective of public policy. After decades of legislation, and countless court interpretations—not to speak of shifting attitudes within the Antitrust Division—we need a fresh and thoughtful reappraisal of the manner in which the antitrust laws may best serve the public welfare in the modern economy and in the years ahead.

BEFORE THE NATIONAL BANK DIVISION, AMERICAN BANKERS ASSOCIATION, SAN FRANCISCO, CALIF.,  
MONDAY, OCTOBER 24, 1966

There is a temptation—in looking back over 5 of the most eventful and most productive years in the century-old history of the National banking system—to recite the long catalog of achievements during that period. For, indeed, a great many basic reforms were undertaken which reinvigorated virtually every major phase of banking operations. The results are evident in the continued remarkable growth and prosperity of the banking industry. Something much more profound and much more lasting has been gained, however—something which is not revealed in formal rulings and cold statistics.

### *A Resurgence of Spirit*

The one incalculable element which confounds those who would predict the future is the spirit—the

animating impulse—which infuses the attitudes and influences the conduct of individuals—and industries as well. In banking, the most powerful element of progress during the past half decade has been the lifting of this spirit. Burdened by vague fears inherited from the past, hampered by narrowly conceived regulatory policies, and constantly distracted by parental admonitions from the public authorities—banking initiative had for many years been stilled or discouraged. A new spirit now abounds. Banking has responded forcefully and imaginatively to its new challenges and its new opportunities. It is confident in its outlook, aggressive in its conduct, and optimistic of its future. The quality of bank management is high and continues to ascend as more and more men and women of vision and enterprise are attracted to the prospects of this revitalized industry.

### *Banking Progress and Bank Regulation*

What should concern us today are the means of sustaining this progress. The difficulties all stem from the fact that banking is a regulated industry. Some of the problems of regulated industries are less fundamental than others. They are convenient targets for zealous investigators seeking notoriety. They stand to suffer more when those who represent them before governmental authorities are unwise in their counsel. In the case of banking, because it is a financial industry facing competition from less regulated or unregulated rivals, it is likely to bear the greatest burdens of any deficiencies in monetary policy.

The most significant barrier to effective bank performance, however, lies in the fact that decisive action in many respects requires the assent both of government and industry. In unregulated industries, private decisions govern the formation of new enterprises, the entry into new markets, the introduction of new products or services, the expansion of facilities, and the determination of price and production policies. In banking, however, these are also matters of public concern—and this makes banking the victim of any inertia, myopia, or misdirection on the part of the public authorities.

Where authority and responsibility are divided in this way, the risk is great that progress will be retarded or obstructed. Sheer uncertainty may paralyze all but the most courageous—a sluggish bureaucracy breeds a sluggish industry. Regulatory measures hastily enacted or applied in emergencies may prove unwise in practice. Even wise policies may be overtaken by time, or become mired in a profusion of prescriptions and proscriptions which obscure the original purposes.

To sustain the progress we have achieved—to avert a return to the placid ways of the submissive and regimented life—there must be an urgent sense of need on the part of the regulatory authorities to adapt public policies, promptly and effectively, to emerging consumer demands. Within the banking industry, there must be an atmosphere in which the creative talents and initiative of the individual are fostered and encouraged. These are continuing tasks which, in a dynamic economy, are never fulfilled—and they devolve equally upon government and industry.

### *The Business of Banking*

The issue of broadest scope which now confronts the banking industry and the public authorities is to define the proper range of banking activities. On its face, it is an anomaly in a private enterprise system to constrain the search for new products, new services, and new markets. Nothing is more fundamental to a free society than the unrestricted movement of its productive factors. Indeed, the Nation depends heavily upon this free mobility to assure the best use of its resources throughout the economy. Wherever the range of business activities is confined, there is the danger that resources will be improperly allocated—to the benefit of the protected industries and the harm of consumers generally. Any such restrictions, therefore, require a clear and unquestioned social purpose, and they must be narrowly construed if the public interest is to be safeguarded.

These are the principles we have endeavored to follow in our efforts to enlarge the operating powers and broaden the structural forms of organization open to banks—so as to provide them with the tools they require in order to make the most effective use of their capabilities. Through the long years of negativism on the part of the regulatory authorities, and because of a consequent lack of banking enterprise, many new financial markets had been developed, or emerged, which were wholly, or in large part, dependent upon service from nonbanking institutions. The regulatory reforms which were instituted, and the renewal of banking vigor, have brought to the consumers in these markets the many benefits of added competition.

This enlivening of enterprise has provoked, among some, determined efforts to preserve enclaves of private power against the incursion of banking competition. It is clear that such narrow considerations of private advantage cannot justify limitations over the scope of banking activities. Nevertheless, these claims persist, clothed in arguments of custom and tradition—and it is imperative that we should determine whether there

are, in fact, any criteria of the public interest which would support such restrictions.

We have found no considerations of the public welfare which would justify the outright exclusion of banks from the performance of any financial function. The banking system, in our highly developed economy, is one of the chief sources of finance for consumers and producers alike. If banks were to be excluded from competing in any financial market, the effective performance of that market would be weakened and the progress of the economy would, in that measure, be retarded. For wherever the free flow of financing is interrupted, projects of greater usefulness will give way to projects of lesser usefulness.

There is but one consideration of the public interest which can be made the basis for restrictions over banking activities—that is the necessity to maintain the solvency and liquidity of banks. This criterion, however, relates only to the manner in which a financial function is performed, and not to the fact of its performance. It cannot support the exclusion of banking competition from any financial market.

There can be no dispute about the vital significance of maintaining bank solvency and liquidity. Without these safeguards to establish broad confidence in the banking system, banks could not effectively perform their two essential functions of channeling savings into productive uses and providing a large part of the Nation's money supply. But we must exercise extreme care not to make a burden out of a safeguard.

The one dominant characteristic of our economy is its vast potential for growth—and one of the pre-eminent goals of our society is the desire to realize this potential fully for the welfare of our citizens. With a growing and more highly trained population, constantly improving technology, the continued development of new products and new services, and with ever-changing demands and needs both nationally and

internationally—the achievement of our paramount national aims requires new forms of financing which may involve new and perhaps uncertain risks.

The banking system must not be forced to stand idly aside from these tasks, in a backwater isolated from the currents of national progress. Its essential role in this respect is clearly recognized in our deposit insurance system, and in our broad economic stabilization policies—both of which were designed, in part, precisely for the purpose of enabling banks to perform the risk-taking function without endangering the security of the banking system. The high quality of bank management and its natural prudence, if reinforced through enlightened public supervision, will assure the necessary constraint without the harmful obstruction to effective bank performance.

#### *A New Awareness*

We have learned in the past 5 years both the necessity and the rewards of a regulatory policy shaped to conform with the times. We have discovered anew the latent power of private initiative, and the critical significance of releasing this power. We have found that the difficult task of regulating a basic industry within a pulsating private enterprise economy is made easier through an understanding that decisions should always rest with the individual unless there is present an overriding consideration of the public interest.

The strength which has come with this new awareness has reawakened the banking industry and restored its vitality. The fears which provoked the inhibiting attitudes and practices of the past have been shaken. There is now an insistent and growing urge to explore and innovate—to search for new methods and new prospects to harness and utilize the great productive capacity of this industry. We may look forward to exciting years of achievement, entirely confident of the desire and the capability of the banking system to perform its full role in the Nation's progress.

APPENDIX D

Selected Correspondence  
of  
JAMES J. SAXON  
Comptroller of the Currency

# INDEX

## Selected Correspondence of James J. Saxon, Comptroller of the Currency

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## BANK HOLDING COMPANIES

JULY 30, 1965.

Reference is made to your letter of May 13, 1965, requesting permission of this Office for the Atlantic National Bank of Jacksonville, Jacksonville, Fla. (Atlantic Bank), to acquire ownership of all the outstanding capital stock of the Atlantic Trust Co. (Atlantic Trust), also of Jacksonville.

Atlantic Trust is not a bank. Under 12 U.S.C. 1841, however, Atlantic Trust is a bank holding company since it owns 25 percent or more of the voting shares of more than one bank. Under the same statute, Atlantic Bank is also a bank holding company since all the capital stock of Atlantic Trust is held by three individual trustees for the benefit of all shareholders of Atlantic Bank as a class.

It is now proposed to terminate the trust and transfer to Atlantic Bank ownership of all the Atlantic Trust capital stock. The effect of this transaction will be a contribution to Atlantic Bank's capital by its shareholders. The Atlantic Trust stock will become an asset of Atlantic Bank just as if Atlantic Bank had acquired the stock for cash or other consideration.

On behalf of the Board of Governors of the Federal Reserve System, which administers the Bank Holding Company Act of 1956 (12 U.S.C. 1841-1848), the Federal Reserve Bank of Atlanta, Atlanta, Ga., by letter dated April 15, 1965, has stated, in part, the following with respect to the proposed transaction:

The Board of Governors \* \* \* recognizes that, literally, under the present proposal, Atlantic Bank would acquire both beneficial and legal ownership and control of the stock of a nonbanking bank holding company.

\* \* \* [V]iewed realistically, consummation of the described proposal by Atlantic Bank would not involve an acquisition of ownership or control of the kind that Congress intended to forbid under \* \* \* [12 U.S.C. 1843(a)], and for similar reasons, the transaction would not result in acquisition of ownership or control of bank stock that would require the Board's approval under \* \* \* [12 U.S.C. 1842(a)(2)] \* \* \*.

\* \* \* In view of the above, the Board of Governors interposes no objection to the proposed transaction. [Bracketed material added.]

Having received this ruling from the Board of Governors concerning the Bank Holding Company Act,

Atlantic Bank now seeks the advice of this Office with regard to its corporate power, as a National banking association, to acquire and own all the stock of Atlantic Trust.

The provision of law relevant to the inquiry of Atlantic Bank is 12 U.S.C. 24(7), which provides in pertinent part that:

Except as \* \* \* otherwise permitted by law, nothing herein contained shall authorize the purchase by the [National banking] association for its own account of any shares of stock of any corporation. [Bracketed material added.]

In our view, this provision does not constitute a proscription against ownership by Atlantic Bank of all stock in Atlantic Trust. Its legislative history and its relationship to other provisions of 12 U.S.C. 24(7), demonstrate that it pertains only to a National bank engaging in the business of investing or dealing in securities, including corporate stocks, unrelated to its conduct of the business of banking. It does not deny to such a bank the well-established power to own corporate stock incident to the conduct of its banking business.

Prior to the Banking Act of 1933, it had long been recognized that the authority of a National bank to engage in activities incident to carrying on the business of banking included the power to own corporate stock for such purposes. Compare, *Concord First National Bank v. Hawkins*, 174 U.S. 364 (1898). In the McFadden Act of 1927, Congress confirmed this power when it restricted the extent to which a National bank could engage in the business of dealing in investment securities and also restricted the permissible investments to be made by a National bank in stock of a subsidiary corporation carrying on the safe-deposit business. In this connection, it was stated in House Report 83 (69th Cong., 1st sess. (1926)), at page 2, that:

Section \* \* \* which \* \* \* [relates] to the safe-deposit business and section \* \* \* which \* \* \* [relates] to the investment-securities business have been combined \* \* \*. The policy of the bill remains the same but instead of appearing in the 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. [Bracketed material added.]

In the same connection, see Senate Report 473 (69th Cong., 1st sess. (1926)), which states on page 5, that:

Other sections of the bill affirm and regulate practices which have grown up within the National banking system under the exercise of incidental corporate powers.

The Banking Act of 1933 added the above-quoted provision of 12 U.S.C. 24(7) to such section. A principal concern of Congress in adopting the Banking Act of 1933 was excessive use of bank credit in carrying and inflating the prices of securities, particularly common stocks. Congress was especially interested in certain types of corporate affiliates of banks which were devoting themselves to perilous underwriting operations and stock speculation unrelated to the business of banking. A careful restriction of bank investments was considered as one means of preventing insolvencies. Accordingly, the Banking Act of 1933 amended 12 U.S.C. 24(7), with the following explanation in Senate Report 77 (73d Cong. 3d sess. (1933)) at page 16:

National banks are to be permitted to purchase and sell investment securities for their customers to the same extent as heretofore, but hereafter they are to be authorized to purchase and sell such securities for their own account only under such limitations and restrictions as the Comptroller of the Currency may prescribe such as certain definite maximum limits as to the amount.

Nothing in the legislative history of this provision of 12 U.S.C. 24(7) suggests that it was intended to repeal the long standing power of a National bank to acquire and hold corporate stock for purposes properly incident to its banking business.

The conclusion is reinforced by two other provisions of the Banking Act of 1933. One of these provisions, found in 12 U.S.C. 371(c), restricts the investment a National bank may make in the stock of affiliates, which term is defined to include subsidiary corporations and corporations whose stock is held in trust for the shareholders of the bank. The other provision, found in 12 U.S.C. 371(d), restricts the amount a National bank may invest in stock and obligations of a subsidiary corporation holding the bank's premises. Each of these provisions is worded as an affirmation of and a restriction upon a bank's existing power to make these investments in stock and not as an additional affirmative grant of authority to make such stock investments. Obviously, therefore, when enacted, these provisions assumed the existence of power in a National bank to hold corporate stock when incident to carrying on its banking business.

It is accordingly clear that the provision of 12 U.S.C. 24(7) quoted above is not to be construed as denying

to a National bank the power to own corporate stock, or interests therein, when such ownership is a proper incident to banking. The precise scope of this incidental power has never been defined, nor should it be. Whether ownership by a National bank of a particular corporate stock is a proper incident of its banking business; and, therefore, permissible under 12 U.S.C. 24(7), is a question to be determined by this Office in light of the development of banking<sup>1</sup> and banking services.

In addition to our conclusion that the provision of 12 U.S.C. 24(7) discussed above does not preclude ownership by Atlantic National of Atlantic Trust stock, it is our view that the law specifically recognizes the permissibility of such ownership. In some cases, the permission of law referred to in 12 U.S.C. 24(7) is affirmatively set forth in a statute. For examples, see 12 U.S.C. 601-631, relating to investment in stock of a corporation principally engaged in international and foreign banking and holding stock in foreign banks; 12 U.S.C. 1718(f), relating to investment in stock in FNMA; 12 U.S.C. 1861-1865, relating to bank service corporations; and 15 U.S.C. 682(b), relating to investment in stock of a small business investment company. Frequently, however, such permission of law is set forth in a statute by implication. For examples, see 12 U.S.C. 24(7) as it relates to the investment in stock of a corporation engaged in the safe-deposit business; 12 U.S.C. 371(c) and 12 U.S.C. 371(d), discussed above; and 12 U.S.C. 601-631, regarding investment in stock of a foreign bank (par. 7525 of the "Comptrollers Manual for National Bank"). Nevertheless, the statutes last cited are generally regarded as each representing the permission of law required by 12 U.S.C. 24(7) since they subsume ownership by a National bank of the stocks referred to therein. Similarly, the Bank Holding Company Act contemplates that a bank may be a bank holding company and, subject to the approvals required under that act, acquire and hold controlling stock interests in other banks directly or indirectly through a nonbanking bank holding company.

<sup>1</sup>The legislatures of a number of States have recognized that the business of banking, and that which is incidental thereto, encompasses ownership of corporate stock, including bank stock representing a controlling interest. See, for examples: Missouri Revised Statutes, ch. 362, secs. 362.105(5), 362.173, 362.197, 362.140; New York Banking Law, secs. 97; 235(1a), 235(21)(a) (1) and (b), 508(2); Purdon's Pennsylvania Statutes, sec. 819-1009; Illinois Revised Statutes, ch. 16½, sec. 105; California Financial Code, secs. 762, 752, 758, 759, 754, 761, 769, 3513.

It is, therefore, our opinion that the Atlantic Bank, may, as a bank holding company, acquire all the stock of Atlantic Trust. Consequently, this Office will interpose no objection to the proposed acquisition.

APRIL 7, 1966.

Hon. A. WILLIS ROBERTSON,  
*Committee on Banking and Currency,*  
*U.S. Senate, Washington, D.C.:*

All of us in the Office of the Comptroller of the Currency greatly appreciated your gracious and warm welcome on March 23, 1966, when this Office testified before the Subcommittee on Financial Institutions with respect to proposed amendments to the Bank Holding Company Act of 1956. With your assent, we submit our revised statement, herewith, for the record.

In our testimony, we voiced approval of a proposal which would, by new clarifying language, reaffirm that a National or other bank may itself directly acquire and hold 25 percent or more of the voting stock of one or more banks. We objected, however, to regulation by the Federal Reserve Board of the acquisition by a bank of the stock of another bank, as if such acquisition were the same as an acquisition of bank stock by a nonbank holding company. While there is reason for retaining jurisdiction in the Federal Reserve Board over otherwise unregulated nonbank holding companies, such reasons do not apply to parent companies which are themselves regulated banks. The acquisition by a bank of the stock of another bank is, from an economic and competitive viewpoint, equivalent to a bank merger, consolidation, or asset acquisition. Logically, acquisition by an insured bank of stock in another bank should be subject to the jurisdiction of the Federal banking agency having primary supervisory authority over the acquiring bank in the same manner, and governed by the same economic and competitive standards, as a bank merger, consolidation, or asset acquisition. Consequently, authority to approve or disapprove an insured bank's acquisition of stock of another bank should be vested in the three Federal banking agencies, in the manner of the Bank Merger Act of 1960, as amended.

We now believe that there is another aspect of our position which should be further developed to supplement our testimony.

As you know, the Chase Manhattan Bank (National Association), New York City, N.Y., recently proposed to acquire, through an exchange of stock, 80 percent or more of the voting stock of the Liberty National Bank & Trust Co., Buffalo, N.Y. Consummation of the

Chase-Liberty transaction would not have had an adverse impact upon banking competition. On the contrary, it would, in our view, have been beneficial to banking competition.

The Federal Reserve Board, however, opposed the Chase-Liberty transaction on the ground, among others, that consummation of the stock acquisition would be in violation of 12 U.S.C. 36. This statute governs the establishment of branch offices by National banks. In effect, therefore, it was the Federal Reserve Board's position that each banking office of Liberty would be a branch of Chase, notwithstanding that both Chase and Liberty would continue as separate corporations after the transaction.

This position of the Federal Reserve Board, in respect of the Chase-Liberty proposal, has ramifications which transcend such transaction. If correct, the Federal Reserve Board's position would make illegal many, and perhaps all, existing bank holding company organizations.

In the typical bank holding company organization, a large bank sponsors and promotes the organization. The large bank, through an affiliated trust for the benefit of its shareholders or through a parent nonoperating shell corporation, dominates and controls the policies and operations of the other banks in the holding company structure. If separate corporate existence must be disregarded in the Chase-Liberty transaction (as was done by the Federal Reserve Board), it logically follows that separate corporate existence must be disregarded in the typical bank holding company organization. Thus, if the Federal Reserve Board's position is sound, the banking offices of each bank in a bank holding company organization must be considered as branch offices of the bank which dominates and controls the organization. Consequently, restrictions of State branching laws would then apply.

We indicated to the Federal Reserve Board the danger for existing bank holding company organizations which the Board created by its position with respect to the Chase-Liberty transaction. The Federal Reserve Board, thereupon, attempted to extricate itself from this self-created dilemma by a pronouncement in its decision involving the Security New York State Corp.

Security New York State Corp. is newly formed, presumably under New York law. It has no financial history. It proposes to become a bank holding company by acquiring the stock of a \$260 million bank and an \$11 million bank. The Federal Reserve Board states that the condition and prospects of the corpora-



tion depend upon those of its proposed subsidiary banks.

In approving Security New York State Corp.'s proposal to acquire the stock of the \$260 and \$11 million banks, the decision of the Federal Reserve Board holds that the main office and branch office of the smaller bank will not be branches of the larger bank. This conclusion is rationalized on the basis that the stock of each bank will be owned by, and the operations of each bank will be controlled by, the corporation; which is, of course, not a bank. In other words, in the Federal Reserve Board's view, if a banking corporation is the apex of a holding company organization, the branch problem arises. If, however, a nonbanking corporation is the apex of the bank holding company organization, there is no branch problem involved, notwithstanding that such corporation has no financial history or significant assets other than bank stock, but is merely a nonoperating shell corporation.

This attempted distinction by the Federal Reserve Board, between one form of bank holding company organization and another, does not bear scrutiny. There is no difference of substance, but only of form, if the relationship between two banks is that of parent and subsidiary or that of two subsidiaries to a non-bank corporation, which the dominant bank organizes for the purpose of creating the affiliation. Therefore, if the Federal Reserve Board is correct in its position vis-a-vis the Chase-Liberty transaction, then the Federal Reserve Board is wrong in its position vis-a-vis the Security New York State Corp. and vice versa.

It is our opinion, however, that the error of the Federal Reserve Board lies in the position that it adopted with respect to the Chase-Liberty transaction and not in the Board's position with respect to Security New York State Corp. Proof of the Federal Reserve Board's error is the Bank Holding Company Act itself. By the enactment of this statute, Congress affirmed, despite argument to the contrary, that bank holding company organizations are not the same as branch banking organizations. Moreover, just last year the Federal Reserve Board itself consented to direct acquisition and ownership by the Citizens & Southern National Bank and the American National Bank of Jacksonville of stock in subsidiary corporations which, in turn, owned stock in other banks located outside the parent bank's branching areas. The stock of the subsidiary corporation was, in each instance, previously held in trust for the shareholders of the parent bank. In giving its consent, the Federal Re-

serve Board said that "viewed realistically" the acquisitions "would not involve an acquisition of ownership or control of the kind that Congress intended to forbid" under the Bank Holding Company Act. This statement was clearly correct, since the Bank Holding Company Act expressly contemplates that a bank may itself directly acquire and own stock of other banks without regard to restrictions of State branching laws. Therefore, the Federal Reserve Board had itself answered the very argument it made in the Chase-Liberty transaction and, obviously, the Board's assertion that a parent bank-subsidary bank structure would violate branch banking restrictions cannot be seriously maintained.

We request that this letter be made a part of the record with respect to our testimony concerning the proposed amendment to the Bank Holding Company Act.

MAY 6, 1966.

HON. A. WILLIS ROBERTSON,  
*Committee on Banking and Currency,*  
*U.S. Senate, Washington, D.C.:*

On March 23, 1966, this Office testified before the Subcommittee on Financial Institutions of the Senate Committee on Banking and Currency with respect to proposed amendments to the Bank Holding Company Act of 1956 and other related statutes. At that time, this Office made several legislative proposals which, in our view, would greatly benefit the banking industry. You graciously requested that this Office prepare draft legislation embodying our suggestions and submit the same to the subcommittee for consideration.

Pursuant to your request enclosed please find the following:

1. Draft revision of the Bank Holding Company Act of 1956.
2. Draft revision of section 23A of the Federal Reserve Act (12 U.S.C. 371c).
3. Draft revision of section 5145 of the United States Revised Statutes (sec. 11 of the National Bank Act, 12 U.S.C. 61).

In general, our draft revision of the Bank Holding Company Act of 1956 distinguishes between the situation where a corporation, that is not an insured bank, directly or indirectly owns or controls the stock of two or more subsidiary banks and the situation where an insured bank directly or indirectly owns or controls the stock of one or more subsidiary banks. In the former situation, the owning or controlling corporation is called a bank holding company and the Federal Re-

serve Board would continue to have jurisdiction to approve or disapprove the acquisition by such corporation of bank shares. In the latter situation, the owning or controlling bank is called a parent banking association and the authority to approve or disapprove its acquisition of bank shares is allocated among the Federal Reserve Board, the FDIC, and this Office, following the pattern of the bank Merger Act. Thus, the Federal Reserve Board would regulate a bank stock acquisition by a parent banking association which is a State member bank, the FDIC would regulate a bank stock acquisition by a parent banking association which is a State nonmember insured bank, and this Office would regulate a bank stock acquisition by a parent banking association which is a National bank or a district bank.

The draft revision of 12 U.S.C. 371c is, in substance, the same as the draft revision of that statute proposed by the Federal Reserve Board. However, an additional measure of flexibility is provided to the Federal Reserve Board and this Office to modify, by regulation or ruling, the limitations and requirements of the section when appropriate. In our experience, the rigidity of 12 U.S.C. 371c is frequently a handicap to banks in carrying out their legitimate domestic and foreign banking activities through corporate instrumentalities. By authorizing the Federal Reserve Board and this Office to selectively modify the limitations and requirements of 12 U.S.C. 371c in appropriate instances, the unfortunate inflexibility of the statute may be ameliorated. It should be remembered that, although the Federal Reserve Board's proposed amendment to 12 U.S.C. 371c is made in connection with proposed amendments to the Bank Holding Company Act, 12 U.S.C. 371c has a much broader impact, affecting dealings between member banks and their affiliates whether or not such banks are part of a holding company system.

The draft revision of 12 U.S.C. 61 would transfer from the Federal Reserve Board to this Office the authority to grant voting permits to affiliates holding the stock of National banks. Under present 12 U.S.C. 337, which would not be repealed, the Federal Reserve Board would continue to have authority to grant voting permits to affiliates of State member banks.

The Federal Reserve Board's recommendations to repeal the provisions of 12 U.S.C. 61 relating to voting permits and holding company affiliates (and the corresponding recommendation to repeal 12 U.S.C. 337) was conditioned upon extension of the Bank Holding Company Act to one-bank holding companies. If

such extension of coverage is not enacted into the Bank Holding Company Act, the need to regulate voting of bank stock by one-bank holding companies will remain. Our proposal for revision of 12 U.S.C. 61 would discontinue the anomaly of this Office being primarily responsible for the supervision of National banks but having no control over the issuance of permits to vote the controlling stock of National banks.

Finally, this Office is concerned by a so-called technical amendment of the Bank Holding Company Act proposed by the Federal Reserve Board to which we alluded in our testimony, but with respect to which no attention appears to have been given by other witnesses. We refer to proposed section 1(g)(2)(B) of the Bank Holding Company Act which would provide that shares of stock held by trustees for the benefit of employees of a company shall be deemed to be controlled by such company.

Presumably, the proposed provision last mentioned is designed to reach the situation where a trust for the benefit of employees of a bank, such as a pension trust, holds stock in another bank. Thus, the proposed provision would constitute the former bank as controlling the stock of the latter bank.

We have eliminated this provision in our proposal for two reasons. First, there has been no showing of improper activity on the part of a trust for bank employees which owns the stock of another bank. Also, there has been no showing of a sufficient degree of control by a bank over the activities and investments of its employees' trust so as to justify imputing to the bank control over bank shares held by such a trust. Second, it is not only bank stock owned by an employees' trust, the control of which will be imputed to the company, but also, shares of any corporation owned by the trust. Thus, if an employees' trust owns stock in a commercial corporation, such as General Motors, the control of such stock would be imputed to the company. If the company, be it a bank or otherwise, is a bank holding company, the employees' trust, would be obliged to rid itself of the General Motors stock, thus depriving the employees' trust of a valuable asset which would otherwise be available to fund the retirement and other employee benefits to be paid by the trust.

After our March 23 testimony and our letter to you of April 7, 1966, which further developed such testimony, this Office received many favorable comments from bankers and bank attorneys with regard to our proposals. Because our proposals appear to have met with the approval of a large segment of the banking industry, we urge that the subcommittee give attention

to the enclosed draft legislation in connection with the pending bills to amend the Bank Holding Company Act.

We request that this letter, with attachments, be made part of the record.

JUNE 13, 1966.

HON. WRIGHT PATMAN,  
*Banking and Currency Committee,*  
*House of Representatives,*  
*Washington, D.C.:*

Thank you for your letter of June 13, 1966, requesting a report from this Office regarding H.R. 7371 (89th Cong., 1st sess.) which has now been passed by the Senate with extensive amendments. In the event the House of Representatives requests a conference with respect to H.R. 7371, as amended by the Senate, we urge that you give support in the conference committee to two legislative proposals made by this Office.

The first proposal is for the enactment of clarifying statutory language which would affirm that under Federal law a National bank, and, thus, a State-chartered member bank may, subject to regulatory approval, acquire and hold stock of another bank. Under the banking laws of many States, a State-chartered bank is permitted to acquire the stock of another bank.

Contrary to the opinion of this Office, the Federal Reserve Board generally holds<sup>1</sup> that presently Federal law does not seem to permit a National bank or a State member bank to acquire and hold stock of another bank. Therefore, today, a member bank which desires to establish a system of subsidiary banks is compelled, by the Federal Reserve Board's interpretation, to resort to a nonoperating shell corporation (which is not a bank) as a device through which to establish a bank holding company structure.

In our view, the Federal Reserve Board's position plainly exalts form over substance. Thereby, the Federal Reserve Board compels a National bank or a State member bank to be devious, rather than direct, in arriving at the same result, which the law recognizes as proper when subject to regulation, namely, establishing and operating a bank holding company system. We are, moreover, at a loss to understand the Federal

<sup>1</sup> See, however, the ruling of the Federal Reserve Board with respect to the Citizens & Southern National Bank, Atlanta, Ga., and the Atlantic National Bank of Jacksonville, Jacksonville, Fla. These rulings are inconsistent with the Board's position.

Reserve Board's slavish adherence to its position. Clearly, it would be preferable to permit banks to act as holding companies since all of the activities of banks are regularly examined and supervised. To foster non-bank holding companies, which are unregulated except for the blunt tool of the Bank Holding Company Act, is obviously short-sighted as well as delusive.

Another facet of the proposal is to affirm by appropriate statutory language that for purposes of Federal regulation a bank's acquisition of the stock of another bank is not, and cannot be, substantively different from a merger or consolidation of two banks. From a regulatory viewpoint, a bank's acquisition of the stock of another bank is equivalent to a bank merger or consolidation, insofar as the economic impact and public benefit and interest are concerned. In fact, H.R. 7371, as passed by the Senate, recognizes this principle by proposing to adopt within the Bank Holding Company Act the provisions now found in the Bank Merger Act relating to antitrust actions against bank mergers.

The antitrust provisions contained in the Bank Merger Act were adopted by Congress because it believed that bank mergers are different from other mergers and, therefore, require special antitrust treatment. The only basis upon which similar antitrust treatment can be imported into the Bank Holding Company Act is the assumption that an acquisition of bank stock by a bank holding company is essentially the same as a bank merger. We believe such assumption can, of course, be valid only if the bank holding company is itself a bank.

In such case, we would agree that special antitrust treatment is warranted. But, in such case, we can see no justifiable basis for vesting jurisdiction exclusively in the Federal Reserve Board to regulate a bank's acquisition of the stock of another bank. This is inconsistent with the pattern followed by the Bank Merger Act which vests authority to regulate bank mergers and consolidations in the FDIC, the Federal Reserve Board, and this Office, depending upon whether the acquiring bank is a State-chartered non-member insured bank, a State member bank, or a National or district bank, respectively. We believe that the regulatory pattern contained in the Bank Merger Act should be followed by the Bank Holding Company Act with respect to the acquisition of bank stock by banks.

Of course, if a bank holding company is not a bank, then it is questionable that the acquisition of bank stock by such a bank holding company is the equivalent

of a bank merger or consolidation and that special antitrust treatment is justifiable.

The second proposal involves an amendment of section 25 of the Federal Reserve Act (12 U.S.C. 601) which would be made by H.R. 7371, as passed by the Senate. The amendment would authorize National Banks to apply to the Board of Governors of the Federal Reserve System for permission to make direct investments in foreign banks not engaged in activities in the United States.

This Office has long advocated the application of the principle of direct investment for conducting the international and foreign business of American banks. We are pleased to see that the consideration is being given to statutory recognition of this principle.

We have also been concerned, however, that the responsibility for supervising the international and foreign activities of National banks has been divided between the Board of Governors of the Federal Reserve System and the Comptroller of the Currency. At this time, when National banks are operating 95 percent of the foreign branches and conducting a preponderance of the international and foreign business of American banks, it seems inappropriate to add still another responsibility in this area to the Board of Governors.

We urge that section 25 be amended at this time to authorize National banking associations to file applications with the Comptroller of the Currency for permission to exercise the powers therein described, including the new power to make direct investments in foreign banks. Appropriate language for such an amendment is enclosed herewith.

If section 25 were thus revised, the third paragraph of section 9 of the Federal Reserve Act which already contains provisions for the establishment of foreign branches of State member banks could be amended to authorize such banks to file applications with the Board of Governors of the Federal Reserve System for permission to exercise their powers to make direct and indirect investments in international or foreign banks.

Under present law, it is the Comptroller of the Currency who is charged with responsibility for the supervision and regulation of virtually the full range of National bank activities, including the examination of National bank foreign branches. The authority granted to the Board of Governors of the Federal Reserve System by section 25 of the Federal Reserve Act (which applies directly only to National banks) results

in an undesirable and unnecessary fragmentation of supervisory authority over National banking associations. It materially dilutes the power of the Comptroller to achieve optimum supervision of National banks which operate foreign branches and which conduct international and foreign business. This is of increasing concern to this Office in view of the recent and marked acceleration of the international and foreign operations of National banks. The law, as it now stands, is but a remnant of a former supervisory scheme in which the Secretary of the Treasury and the Comptroller of the Currency were member of the Board of Governors of the Federal Reserve System and thereby exercised a voice in decisions on matters affecting the international and foreign activities of National banks. The Secretary and the Comptroller are, of course, no longer members of the Board.

While we do not at this time propose any changes in section 25(a) of the Federal Reserve Act which provides for federally chartered foreign and international banking corporations (Edge corporations), we are studying the establishment, operation, and supervision of these corporations and expect to have a report and suggested legislation for presentation to the next Congress.

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## BANK MERGERS

OCTOBER 26, 1965.

HON. A. WILLIS ROBERTSON,  
*Committee on Banking and Currency,*  
*U.S. Senate, Washington, D.C.:*

I have read your remarks before the Senate on October 20 concerning the bank merger bill, and I want to take this occasion to express my great personal admiration, and that of my associates, for your persistent efforts, through the years, in support of legislation which safeguards both the public interest and the effective functioning of the commercial banking industry in our country.

Your perceptive understanding of the Nation's banking problems, and your staunch advocacy of a sensible approach to bank regulation, have represented the single most significant influence in this area during the period of your long and distinguished association with the Senate Committee on Banking and Currency.

I am taking the liberty of circulating this letter to National banks throughout the country.

## BANKING SERVICES

MARCH 8, 1966.

HON. ABRAHAM J. MULTER,  
*Subcommittee of Bank Supervision and Insurance,  
House of Representatives, Washington, D.C.:*

You have requested the views of this Office on H.R. 117 which is designated, "A bill to prohibit banks from engaging in the business of personal property leasing." This Office strongly opposes the passage of the legislation.

This Office fundamentally disagrees with the purpose of this legislation which is to unduly restrict, for the private benefit of a competing group, the business operations of banks. We see no reason why a bank should not be permitted to engage in all forms of financing and perform all phases of the business of banking for its customers which its management believes can be performed profitably.

The objective of this bill appears contrary to the intent of Congress expressed in the National Bank Act, that National banks shall have "all such incidental powers as shall be necessary to carry on the business of banking" (12 U.S.C. 24, par. 7). Congress, in 1864, wisely did not attempt to define the business of banking as it then existed. They foresaw that the business of banking would change and develop with the passing years. The sweeping character of these changes is evidenced by the variety of nonbank financial institutions, including leasing companies, which exist today in response to public financial needs which banks, in part, failed to satisfy. H.R. 117 would constrict for the benefit of these leasing companies the powers of banks which, as financial service institutions, are best situated to respond to the public demand for what is essentially a financing transaction.

Banks have, from the beginning of commercial banking, financed the acquisition and the use of personal property. They have lent money on the security of some form of ownership or control of the property financed. They have also lent money to lessors on the security of the lessee's agreement to pay rent. The power of banks to engage in lease financing transactions is entirely a financing power. While the banks may become the owner of commodities, they may not carry out the functions of the merchant. They may not purchase commodities for stock, and hold them for eventual anticipated lease or sale. They may purchase only at the request of a customer who wishes to have the full and immediate use of the commodity on

a lease basis. Banks become the owner of commodities in permitted lease financing transactions principally for the purpose of providing a well-defined financial, and not a merchandising, service. They neither offer nor solicit the sale of commodities—but only of financing. When banks enter into direct lease financing arrangements, they compete not with leasing companies, but with other sources of financing. The distributive and property management functions, as contrasted with financing, are really performed by the lessee himself, where the transaction is handled directly by a bank.

This Office understands the opposition of those engaged in direct leasing who contend that they may be hurt competitively where such activities are conducted by banks; but, this Office sees no legal or policy basis for eliminating or preventing such competition. The argument of some leasing companies that banks are violating their exclusive domain of direct leasing of personal property is entirely without merit. Such lessors, in most instances, are thinly capitalized corporations which discount their leases with a bank, act solely as holders of title, and are nominal debtors. As such, they are relatively expensive retailers of bank credit. Throughout the private enterprise economy of this Nation, under the influence of competitive forces, there continues a constant search for improved means both of production and distribution. It is not unfair for any entrepreneur to devise less costly and more effective methods of serving consumers, which is, indeed, the basic aim that we seek to achieve under our free enterprise system. If banks are able to provide a less costly means of financing the distribution of commodities and services, such result inures only to the advantage of the consuming public. It is the consumer, and not any class of producers or distributors who ought to be safeguarded.

It is the position of this Office that it would be an anomaly for Congress to reserve to the benefit of a select group a particular segment of financial business, while it prohibits that same business to the banks, which were clearly created by the Federal and State Governments for the purpose of meeting and satisfying public financial needs. Banking, like any industry, is entitled to the benefits of new business forms and developments in financial transactions and, in the opinion of this Office, it would be myopic and contrary to the public interest to attempt to constrict the banking industry as this bill would.

MARCH 8, 1966.

HON. ABRAHAM J. MULTER,  
*Subcommittee of Bank Supervision and Insurance,*  
*House of Representatives, Washington, D.C.:*

You have requested our views on H.R. 112, which would prohibit banks from performing certain non-banking services, and H.R. 10529, to prohibit banks from performing professional accounting services.

We strongly oppose the legislation because we do not agree with its fundamental purpose, which is to restrict by governmental fiat the business operations of commercial banks. Why should a bank not be permitted to perform whatever clerical, administrative, bookkeeping, statistical, etc., services for its customers which its management believes can be performed profitably? We can understand the opposition of groups who imagine they would be hurt competitively by such activities, but we see no legal or policy basis for eliminating such competition.

We do not think the argument of some accountants that banks are transgressing on their domain is tenable. The practice of accounting is regulated by State laws throughout the country. Any acts by a corporation within a State's borders which were violative of such licensing statutes, would be subject to prosecution. This has not happened to date because the type of services which we are concerned about here are not, in fact, professional services, but are repetitive, clerical-type functions which are susceptible to automation. This whole problem is a creature of the automatic data processing machine. The claim of unauthorized accounting is also being raised as a smokescreen by some data processing machine interests who are no more qualified as accountants than are bankers.

The spirit of this bill is directly at odds with the previously expressed intent of Congress as long ago as 1864 and as recently as 1962. In 1864, in the National Bank Act, Congress stated that National banks shall have "all incidental powers as shall be necessary to carry on the business of banking" (12 U.S.C. 24, par. 7). Congress, in 1864, wisely did not attempt to define the business of banking as it then existed. They foresaw that the business of banking would change and develop with the passing years. The sweeping nature of the technological changes in the banking business is strikingly illustrated by the necessity for the passage almost a hundred years later of H.R. 8874, the bank service corporation bill (Public Law 87-856, 87th Cong., Oct. 23, 1962), which deals with the virtual necessity of the use today by banks of expensive automatic equipment.

H.R. 112 and H.R. 10529 do just what Congress in its wisdom in 1864 would not do—attempt to define the business of banking. This definition which is limited to acting as "depository, lender, trustee, or agent" is entirely inadequate as a description of modern commercial banking. In any event, we do not think it is any more desirable to attempt to legislate such a definition in 1966 than it was in 1864.

In 1962, Congress passed H.R. 8874, the bank service corporation bill, which empowered banks to invest in corporations created for the purpose of rendering clerical services to banks. The proponents of H.R. 8874 thought that the bill was necessary because of existing prohibitions against National banks' owning the stock of corporations.

There was no question concerning the banks' right to perform these services directly for their customers on their own equipment. We regard it as highly unfortunate that a provision was added to H.R. 8874 at the last minute, prohibiting bank service corporations from performing any services for anyone other than banks.

The Senate Banking and Currency Committee, in its reports on H.R. 8874, had this to say on the subject of the increasing use of automation equipment by banks:

The demand for bank services is increasing at an extremely rapid rate. Many banks have found it difficult to acquire adequate personnel to handle this mounting workload. Testimony indicated that the volume of checks in circulation has increased tremendously during the past two decades. It was estimated that the check volume in 1939 was 3.5 billion. The volume is increasing at the rate of about one-half billion items per year. By 1970 the number of checks is expected to be at an annual rate of 22 billion. In addition to check handling there is a need for automation of other bank services. Some banks are now processing their savings accounts, computing payrolls, calculating other credits and charges, and preparing and mailing statements through the use of automatic equipment.

The high cost of equipment makes it impossible for the majority of banks to buy this equipment. In some cases they are able to lease it, or to have their material processed by firms owning this equipment. But in many cases these solutions are not practicable or desirable.

Larger banks are generally able to afford this automatic equipment, but smaller institutions find the cost prohibitive. According to a study made by the Federal Reserve System, nearly all large banks in the group they surveyed are now using some form of automated equipment or plan to do so within the next 3 years. However, the ratio of automating banks to the total number of banks falls rapidly as one moves down the scale in bank size. Only about one-fifth of the banks with deposits of \$25 to \$50 million have automation plans and among smaller banks the proportion is negligible. Thus, it is becoming more and more difficult for smaller banks to compete with larger banks in offering complete and

efficient banking services to their customers. Testimony was received which indicated that, unless a satisfactory means is devised whereby smaller banks may acquire benefits of automated equipment, many of them may be absorbed by larger banks or compelled to merge with other banks in the area.

We believe it would be quixotic for the Congress to attempt, now, to stem the performance of automation services for their customers by banks. Banking, like any industry, is entitled to the benefits of technological change and, in our opinion, it would be wrong and perhaps futile for Congress to attempt to shackle this industry with this bill.

We strongly urge against enactment of H.R. 112 and H.R. 10529. With your permission we would also like to insert in the record the attached article from the January 1966, edition of the "Business Lawyer" written by Ralph F. Huck, a well-known banker, scholar, and member of the Illinois bar; chairman of the Sections Committee on Banking of the American Bar Association.

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JULY 1, 1966.

This is in reply to the letter of June 10, 1966, addressed to this Office by your counsel in which he requests that we cite the statutes on which a previous letter from Regional Administrator Robson regarding a National bank's data processing center was based. In his letter of April 20, 1966, Mr. Robson stated that the National bank may establish and operate a data processing center in a city, for the purpose of performing data processing services for itself and other banks in the area, providing the center not receive deposits or pay checks, nor lend money.

Under 12 U.S.C. 29(1) a National bank is empowered to purchase and hold real estate as shall be necessary for its accommodation in the transaction of its business. This Office has stated that real estate necessary to the accommodation of a National bank's business includes real estate used by it for data processing centers. See paragraph 3005 of the "Comptroller's Manual for National Banks."

In regard to the question of whether the location of a data processing center complies with the requirements of the Federal branch statute, 12 U.S.C. 36, it should be noted that 12 U.S.C. 36(f) defines a branch as "any branch bank, branch office, branch agency, additional office, or any branch place of business \* \* \* at which deposits are received, or checks paid, or money lent." Since deposits will not be received, checks

paid, nor money lent at the data processing center, the center will not be a branch of the bank.

We understand that another bank in the area although not opposed to the establishment of the center, would prefer that a bank service corporation be used, and has doubts as to whether a National bank is empowered under the law to perform data processing services directly for other banks at a location unavailable for a branch office.

This Office has no doubt and it is our official position that National banks, pursuant to 12 U.S.C. 24 under the "incidental powers" clause, may own and operate data processing centers and may sell the services of such centers to other banks with which it maintains business relations as well as to nonbank customers. Such centers do not perform the functions of a branch bank and, therefore, branch restrictions are not applicable to them.

We hope that this letter, setting forth the statutory bases for Regional Administrator Robson's letter, is fully responsive to the inquiry by our counsel.

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## BOND DISCOUNT

FEBRUARY 25, 1965.

*To all Presidents of National Banks:*

Numerous inquiries continue to be received concerning the handling of bond discount.

As has been the policy of this Office since August of 1963, there is no objection to the accrual of bond discount, whether arising upon original issuance or upon purchase in open market. There should also be a concurrent accrual of income taxes on such discount. This policy applies to any bond which qualifies either as a public security or as an investment security within the meaning of those terms as defined in section 1.3 of the Investment Securities Regulation (12 CFR 1.3).

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## BUSINESS DEVELOPMENT CORPORATIONS

OCTOBER 1, 1965.

This in reference to your letters dated September 7, 1965, to this Office. You are researching business development corporations and their relationships with National banks. You seek any information this Office may be able to provide on the subject of business development corporations, the legal basis for such corporations, and the advisability of participation or investment in such corporations by National banks.

As is stated in paragraph 7480 of the "Comptroller's Manual for 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. However, to the extent that such an investment does not qualify as an "investment security" within the meaning and requirements of sections 1.3(b), 1.5, and 1.6 of the Investment Securities Regulations (12 CFR 1.3(b), 1.5, and 1.6) and 12 U.S.C. 24, it must be charged off as a business expense and not carried as part of the bank's assets.

National banks may also lend funds to corporations, which are organized to further the physical, economic, and social development of their communities. Such extensions of credit are subject to the usual statutory lending limits of 12 U.S.C. 84. In appraising the credit quality of these loans, however, our examiners take into consideration the publicly beneficial purpose of such commitments.

It would be inappropriate for this Office to express any views with respect to the legal basis for business development corporations except to note that such corporations are permitted under the laws of many states.

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## CERTIFICATES OF DEPOSIT

JUNE 28, 1966.

*To the Presidents of All National Banks:*

For several months now the competition for deposits among all financial institutions has been particularly intense. As a result of this competition some financial institutions have been tempted and in several cases have, in fact, resorted to advertising campaigns which may have misled some members of the public. We have been aware of such campaigns on the part of certain savings and loan institutions.

I am pleased to report that in the National banking system there has never been, and there is not now, any significant problem of misleading advertisements.

Occasionally, however, an extremely small number of banks have been tempted to offer their certificates of deposit in a manner which was not in keeping with the best interests of their own institution and the fine image that is deservedly enjoyed by the commercial banking industry. These isolated cases have been dealt with by our Office on an individual basis and, in

all instances where corrective action was suggested, immediate steps were taken by the bank to avoid the possibility of any further criticism.

It may be useful, however, to have before you an illustration of the kinds of representation that we feel are not in keeping with the customary high standards of prudence displayed in the National banking system: A National bank should avoid offering its certificates of deposit with a representation that the purchaser would receive a "25 percent profit" on his investment or deposit. It would be preferable to state the dividend income on an annual basis such as "5 percent per annum" and to refrain from using the term "profit" to refer to the interest payments. Similarly, if a bank is offering its certificates on which the bank will not reduce the interest rate during the term of the instrument, no representation should imply that there is a guarantee by any third party.

Should you have any questions with regard to any proposed advertisement, the appropriate regional administrator of National banks may be consulted, thus, avoiding possible criticism by other government officials who have expressed their interest in this area.

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## DATA PROCESSING AFFILIATE

MARCH 11, 1966.

This is in reply to your letter of February 25, 1966, wherein you request the advice of this office with respect to the purchasing by the subject bank of \$150,000 worth of securities in a data processing company. You state that the total investment would be divided between two classes of stock resulting in the bank holding a majority of the shares entitled to vote. You further state that the name of the company would identify it with the subject bank and the company's services would be sold as bank services. It is our understanding that there will be a contract between the bank and the data processing company on terms which would prohibit a discriminatory denial of bank services to a competitor of the subject bank.

It appears from the information set forth in your letter that if such a proposal is consummated, the data processing company will be an affiliate of the bank within the meaning of 12 U.S.C. 221a(b)(1) and, as such, would be subject to supervision and regulation by this Office, such as, 12 U.S.C. 481 (examinations) and 12 U.S.C. 161 (reports of condition).

Concerning the authority of a National bank to purchase corporate stock, your attention is directed to 12 U.S.C. 24(7). It is the opinion of this Office that the proscriptions against the investing or dealing



in securities by a National bank contemplates securities which are unrelated to its banking business. However, the subject bank's proposal to purchase corporate stock of a data processing company which will provide banking services to the subject bank and independent customers is clearly incidental to the banking business and this Office will interpose no objection to the proposed purchase of stock as outlined in your letter of February 25, 1966.

## DEFINITION OF DEPOSITS

FEBRUARY 23, 1966.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM,  
Washington, D.C.:

On January 26, 1966, the Board published in the "Federal Register" a notice that it is considering the amendment of its Regulation D: Reserves of Member Banks and Regulation Q: Payment of Interest on Deposits. The notice invites comments to be submitted in writing to be received not later than February 25, 1966.

The Board proposes to amend regulations D and Q by redefining the term "deposit" to include any indebtedness arising out of a transaction in the ordinary course of business with respect to (1) funds received or (2) credit extended by the bank. Excepted from this definition are—

- (1) Indebtedness due to a Federal Reserve bank;
- (2) Certain interbank indebtedness;
- (3) Indebtedness arising from repurchase transactions involving direct obligations of the United States; and
- (4) Indebtedness subordinated to the claims of depositors and general creditors which has an original maturity of more than 2 years.

### *Authority for Regulation D*

Both regulations D and Q purport<sup>1</sup> to be issued pursuant to the authority of section 19 of the Federal Reserve Act. Section 19 prescribes the minimum reserves which banks are required to maintain against

<sup>1</sup> The Board exceeded the authority granted by sec. 19 when it defined "savings deposits" by the character or general purposes of the depositor (thereby prohibiting corporate savings accounts). Law Department Memorandum, 101st Annual Report, Comptroller of the Currency, p. 472. The Board also has exceeded the powers granted it by sec. 13 of the FRA by permitting the financing of security dealers, thus, extending the privileges of member banks to nonmembers.

their demand and time deposits and authorizes the Board to change by regulation the reserve requirements "in order to prevent injurious credit expansion or contraction." The regulations thus authorized and others relating to reserve requirements are contained in regulation D.

### *Authority for Regulation Q*

In 1933, section 19 was amended (act of June 16, 1933), to prohibit the payment of interest on demand deposits and to authorize the Board to prescribe by regulation the rate<sup>2</sup> of interest which may be paid by banks on time and savings deposits. The regulations relating to the payment of interest on deposits are contained in regulation Q.

### *Authority To Define Deposits*

Thereafter, the Board requested authority to define "deposits and related terms for reserve and interest requirements respecting deposits." The reasons for this request were explained by Mr. O'Connor, Comptroller of the Currency, then a member of the Federal Reserve Board in his testimony before the Senate Banking and Currency Committee:

We had a number of discussions in the Federal Reserve Board, gentlemen, after the passage of the 1933 act when you eliminated the interest on demand deposits, as to what constituted a demand deposit, a time deposit or a savings deposit. We found great difficulty in applying definitions that were in the act, and we found some of the banks attempting to circumscribe the prohibitions; and we wanted, when we found those evasions to keep correcting the definition until they could not evade it.<sup>3</sup>

The authority requested was granted by an amendment of section 19 (act of Aug. 23, 1935, 49 Stat. 712) to authorize the Board "for the purposes of this section" to define the terms "demand deposits," "gross deposits," "deposits payable on demand," "time de-

<sup>2</sup> An unlimited rate could and should be prescribed in some circumstances. The authorizing paragraph enumerates a number of factors that form the basis for differing rates. The conclusion is inescapable that the Board has a duty to exercise its authority so as to prescribe rates appropriate to the circumstances. Some situations, considered elsewhere in this letter, would require a rate free to move with the market.

<sup>3</sup> Hearings before Subcommittee of Senate Committee on Banking and Currency on S. 1715, Banking Act of 1935, 74th Cong., 1st sess., p. 168. Sec. 19 originally contained the following statutory definition of demand and time deposits:

Demand deposits within the meaning of this act shall comprise all deposits payable within 30 days and time deposits shall comprise all deposits payable after 30 days and all savings accounts and certificates of deposit which are subject to not less than 30 days' notice before payment.

posits," "savings deposits," and to "prescribe such rules and regulations as it may deem necessary to effectuate the purposes of this section and prevent evasions thereof."

It is apparent that the Board was granted the authority to define deposits to enable it to distinguish between demand deposits, time deposits, and savings deposits because of the differing reserve requirements applicable to such deposits and because the payment of interest on demand deposits was prohibited and the interest rate on time and savings deposits is subject to such regulation as may be necessary and appropriate in the circumstances. There is no suggestion or basis in the statute or its history that the Board has been, or is authorized to broaden and drastically change the historic deposit concept in the manner in which it now proposes.<sup>4</sup>

#### *Promissory Notes*

The Board states that its proposed amendments are intended principally to bring promissory notes within the definition of deposits. The Board ruled (12 CFR 217.138, 29 F.R. 13604) in September 1964 that since promissory notes "constitute borrowings, they are not subject, under present law and regulation, to the interest rate limitations or reserve requirements prescribed for deposits by the Board." The proposed amendments say, in fact, that borrowing not subject by law to interest rate limitations or reserve requirements can by fiat expressed in a mere change in regulation be transformed into deposits subject to such limitations and requirements.

An interest bearing note with a maturity of less than 30 days, thus arbitrarily transformed, would become a demand deposit upon which the payment of interest would be prohibited. Banks would, thus, effectively be proscribed from utilizing such notes to secure funds available at interest for less than 30 days.<sup>5</sup> Further, since banks possess the broadest and most effective range of money market contacts and are the prime mobilizers of short-term money balances, the proposed action would so reduce the scope of money market operations as to impair this vital function. Such action is not only unwise, it is plainly beyond the scope of the Board's present authority.

While the proposed action would not prohibit the sale of notes with maturities of more than 30 days, it

would subject them to reserve requirements and deposit insurance premiums, which would increase the bank's borrowing costs, and to interest rate limitations, which would limit the ability of banks to compete effectively with unregulated borrowers. This transformation, reducing the effectiveness of what is now a useful tool in a lawful market, would for the same reason require additional statutory authority.

#### *Deposits Do Not Include All Bank Indebtedness*

The proposed amendments would define nearly all bank indebtedness as deposits subject to reserve requirements and interest limitations. Such action would not prevent any alleged evasion of law, but is itself a distortion of concepts long recognized by the National banking laws and in banking history itself going back to the law merchant. Section 82 of title 12 of the United States Code (R.S. 5202) limits the indebtedness of a National bank and lists 10 exceptions to the limitation prescribed. The second exception is for moneys deposited with and collected by the association. This is the class of indebtedness which Congress has chosen to regulate in section 19 of the Federal Reserve Act and which is the proper subject of Regulations D and Q.

#### *Notes—A Separate Class*

The first exception in 12 U.S.C. 82 is for notes of circulation. While circulating notes are no longer in use, the promissory note which the Board now proposes to classify as a deposit would be more correctly classified as a demand in the nature of a note of circulation. Its modern usefulness lies in the fact that it is an appropriate instrument for the money market and cannot under present law be regulated in the same manner as deposits.

#### *Certificates of Deposits as Money Market Instruments*

Demand and time deposits as presently regulated by section 19 and Regulations D and Q have not in recent years provided sufficient funds to the major banks for their banking operations. The negotiable certificate of deposit represents an effort on the part of the banking industry to obtain funds in the money market within the deposit regulations. The negotiable certificate of deposit is a time contract with respect to the bank but its negotiability and the availability of a market make it equivalent to a demand instrument with respect to the holder. It has been regarded as subject to the reserve requirements and the

<sup>4</sup> See note supplement to this letter dealing with the historical distinction between deposit and borrowing.

<sup>5</sup> Regulation Q classifies deposits payable in less than 30 days as demand deposits on which the payment of interest is prohibited.

interest rate limitations. The developments during 1963 through 1965 have made apparent both the usefulness and limitations of the negotiable certificate of deposit as a money market instrument.

When the interest rates in the money market approached the ceiling imposed by Regulation Q, the Board was faced in December 1965 with the dilemma of raising the ceiling for the benefit of the major banks which had outstanding large sums in certificates of deposit which would not be renewed unless a higher interest rate could be paid, or keeping it at the level appropriate to regulate the normal deposit business of the great majority of small banks. The Board resolved this dilemma by raising the ceiling, thereby creating serious problems for the smaller banks. The Board had a responsibility in these circumstances to eliminate the ceiling, thus allowing the rate to move with the market for the certificates of deposit used as money market instruments. If such action had been taken, the smaller banks would not have been subject to a compulsion to offer a ceiling rate. This episode clearly indicates that money market transactions now necessary to modern banking are basically different in form, concept, and law from deposit transactions and cannot be treated by the Board as deposits subject to deposit regulation without further congressional authority, if at all. In fact, it is not seen how Congress itself can lawfully change borrowings into deposits or deposits into borrowings. It should be noted that the application of deposit regulations to money market transactions cannot regulate this market, in which unregulated lenders and borrowers participate, but can only deny banks access to the market. When banks must compete with unregulated borrowers for a source of needed funds, they cannot succeed if they are forbidden to pay interest for short-term borrowings or are forbidden to pay the going rate for borrowings of a longer term.

#### *Repurchase Transactions*

The Board suggests that the proposed amendments are limited in their application to promissory notes. The specific exception applicable to indebtedness arising from repurchase transactions involving direct obligations of the United States makes it appear, however, that the indebtedness arising from other repurchase transactions is intended to be treated as a deposit. The sale of securities with an agreement to repurchase them at a stated time and price is another useful and suitable tool for obtaining funds in the money market. While these money market transactions have been used by banks as a means of obtaining funds, this affords

no statutory basis for treating the obligation arising out of a contract to purchase a security, as a deposit subject to deposit regulation.<sup>9</sup>

#### *Bankers Acceptances*

The extended definition appears also to apply to bills accepted by banks on behalf of their customers. The acceptance of a bill of exchange represents a credit extended by a bank in the ordinary course of business and results in a liability limited by 12 U.S.C. 372 and excepted by the fourth exception from the limitation imposed by 12 U.S.C. 82 on the indebtedness of National banks. It would thus represent a deposit within the definition proposed by the Board. Although no funds have been received and the bank has only a contingent liability to make any payment, reserves and deposit insurance premiums would be required which would greatly increase the cost of this most useful and economical banking instrument. These ordinary banking transactions have not been used as a means of evading laws or regulations. They are not deposits and they need no further regulation. Again, there is no statutory basis for defining such transactions as deposit transactions.

#### *Subordinated or Capital Notes*

Assuming for the purposes of this paragraph the Board possesses the authority to define and regulate promissory notes as deposits, the treatment by the proposed amendment of subordinated or capital notes would present serious practical problems. The proposal would except from the definition of deposit, "indebtedness subordinated to the claims of depositors and general creditors that has an original maturity of more than 2 years." In illustration, the Board applies

<sup>9</sup> Indeed, if it is to be classed as a deposit, it would be a secured deposit and banks are authorized to give security only for deposits of public money (12 U.S.C. 90). Accordingly, if repurchase transactions are now lawful, they are not deposit transactions and there is no statutory authority for the Board to define them as deposits.

The distinction between loan and deposit has become important in a number of cases dealing with the question of whether or not a bank has the power to pledge its assets as security for deposits. In *Divide County v. Baird*, 55 N.D. 45, 212 N.W. 236, 51 ALR 296, the court noted that while a bank may pledge its assets to secure a loan to it, it has no implied power to pledge its assets to secure a private deposit. The court said:

There is such a distinction between a deposit and a loan of money that no helpful analogy can be drawn, with respect to the power to pledge paper to secure a deposit, from the fact that the assets of a bank may be pledged to secure a loan.

this exception to debentures or notes subordinated to the claims of depositors and all other creditors. This is intended to except the so-called capital note or capital debenture from the reserve requirements and interest rate limitations. However, the exception, as worded, would require changes in the language currently used in capital notes. While all capital notes are subordinated to the claims of depositors, few of them are subordinated to all other creditors of the bank. Capital note instruments commonly provide that they are not to be subordinated to other capital notes or other types of long-term debts. There are also some capital note issues which are subordinated only to those liabilities carried on the balance sheet of the bank under the item of deposits. While issues outstanding on January 20, 1966, are to be excepted by proviso, there remain the problems of how such issues may be renewed and whether such extensive subordination is necessary. If it is not, this represents another example of the careless denial to the bank of a legitimate tool which they have found useful.

#### *Secured Notes*

In an illustration of a transaction not "in the ordinary course of the bank's business," the Board observes that where a "member bank borrows funds on its note, secured by a mortgage on the bank premises, and uses the proceeds to pay for renovations," such a transaction would not constitute a deposit. This illustration raises more questions than it answers. Suppose the bank borrows in a similar manner to obtain additional working funds for use in general banking: It is unclear whether the use of the proceeds determine the status of the obligation. The vagaries inherent in the quoted illustration would present serious interpretative problems.

#### *Summary*

The Board has no authority to define as deposits, transactions which are outside the historic deposit concept. The Board's authority to define deposits is limited to distinguishing between different classes of deposits.

There is no statutory authority, no case law, or other precedent which justifies this attempt by the Board to apply deposit regulation to promissory notes or other money market transactions. In addition, such a definition, by denying banks access to funds available in the money market, would be a positive hindrance to the ability of the banking system to serve a modern and expanding economy.

This issue is of great importance to the efficient functioning of the National banking system and is, therefore, a valid concern of this Office. We do not believe that the Board can or should proceed as it has proposed, without at least obtaining an opinion of the Attorney General as to the legality of its proposed rule. Should the regulation be issued, this Office would have to give consideration to the manner in which the question can best be presented to the courts for final determination.

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#### NOTE SUPPLEMENT DEALING WITH HISTORICAL DISTINCTION BETWEEN DEPOSIT AND BORROWING

Numerous courts, as well as leading banking law authorities, have drawn a clear distinction between bank borrowings and bank deposits. In his treatise on banking, Zollman states ("Zollman on Banks and Banking," sec. 3154 at pp. 153-154):

The main purpose of a loan is investment. The main purpose of a deposit is safe-keeping. A deposit is clearly not a loan pure and simple. The depositor deals with the bank not merely on the basis that it is a borrower, but that it is a bank subject to the provisions of law relating to the custody and disposition of the money deposited and that the bank will faithfully observe such provisions. The loan in effect is on condition that the use conform to the safeguards provided by law. The acceptance of such deposit implies that the bank and its directors agree to conform to the conditions named \* \* \*.

The bank is not required to hunt up the depositor and pay him the money, as an ordinary lender is bound to do with his creditor. It is not an ordinary debtor. Its breach of its obligations has very serious public consequences. It is quasi public in its nature.

And at section 4823 (p. 310), the same writer declares:

Loans and deposits are essentially dissimilar. A loan is a contract by which one delivers money to another who agrees to return an equivalent sum at a future time. The property in the sum loaned passes to the borrower. The loan is presumptively made on interest. The contrary is true of a deposit. The depository must generally deliver the deposit on demand and need not pay interest unless interest is specifically stipulated. A deposit is primarily for the benefit of the depositor, while a loan is primarily for the benefit of the borrower.

To the same effect is the following passage from another leading authority, "Michie on Banks and Banking" (ch. 9, sec. 3 at p. 21):

The recognized differences between a "loan" and a "deposit" are that a loan is primarily for benefit of bank, but a deposit is primarily for benefit of depositor, a loan is not subject to check, but a deposit ordinarily is, a loan usually arises from necessities of borrowing bank, but a deposit from

the confidence of depositor in its strength, and a loan ordinarily is sought by bank for its own purposes, but a deposit is ordinarily made by depositor for purposes of his own.

The immediately foregoing excerpt is quoted with approval by the U.S. Court of Appeals for the Fourth Circuit in *Schumacher v. Eastern Bank & Trust Co.*, 52 F. 2d 925, 927 (1931).

In *McCormick v. Hopkins*, 287 Ill. 66, 122 N.E. 151, 153, the Supreme Court of Illinois said:

Deposits are made in a bank in accordance with universal commercial usage, which becomes a part of the law of the transaction. They are neither loans, nor bailments, in the strict sense of the term. A deposit is a transaction peculiar to the banking business, and one that the courts should recognize and deal with according to commercial usage and understanding. \* \* \* An ordinary deposit in the usual course of business, while it creates the relation of debtor and creditor, is not a loan to the bank. *Officer v. Officer*, 120 Iowa, 389, 94 N.W. 947, 98 Am. St. Rept. 365; *Hunt v. Hopley*, 120 Iowa, 695, 95 N.W. 205. The word "deposit," according to its commonly accepted and generally understood meaning among bankers and by the public, includes not only deposits payable on demand and subject to check, but deposits not subject to check, for which certificates, whether interest-bearing or not, may be issued, payable on demand, or on certain notice, or at a fixed future time.

To the same effect is the following quotation from the Court's decision in *Texas & P. Ry. Co. v. Pottorff*, 63 F. 2d 1, 4 (4th Cir. 1933):

We agree with this view that a deposit does indeed create a debt, but it creates something more. That a deposit is one thing, a loan another. "The striking fact remains \* \* \* that a real difference between a deposit and a loan has always been assumed, as a matter of custom, in the banking business itself, and in all legislation dealing with the subject."

The distinguishing characteristics between deposit and borrowing were discussed at length in 42 Columbia Law Review at page 1030 et seq. At page 1037, the author states:

Perhaps the most significant distinctive feature of a bank deposit is what may be called its monetary or currency aspect, in the sense that the deposit itself is, to the depositor, money; "bank money" or "deposit currency" in economic terminology. This currency aspect with the attendant element of negotiability is one reason why a transfer of money is required to be at the basis of the deposit. What the depositor does in placing his money in the bank is in effect to transform "hard money" and paper money into bank money, a transaction similar to an exchange of specie for redeemable paper money. What the depositor wants and expects, when he places his money in the bank, is that it be ready for his use as soon as he needs or wants it. This is true, not only of demand deposits, but of time and savings deposits as well, since in practice both types of deposits are subject to payment upon demand; for a bank to insist upon its right to notice would create disastrous doubts as to its solvency. The depositor, then, does not consider the deposit in terms of a chose in

action, nor of the bank's debt to him, but as "my money at my banker's." For accounting purposes bank deposits are, particularly in America, often included in the depositor's financial statement as "cash on hand." And in the interpretation of bequests of "money," "ready money," and "cash on hand," bank deposits are practically always construed to be included.

Closely connected with this currency feature of the deposit is the safekeeping aspect; the depositor assumes that his money is safer in the bank than in his own pocketbook, home or office. This safekeeping idea is also one of the distinctive roots of the deposit relation; as is borne out by the etymology of the word deposit itself. Though the fungible character of money was instrumental in changing the obligation of the depositor from one requiring the returning in kind into a duty to return a like amount, the safekeeping aspect of the deposit remained untouched; sound banking practice and legislative regulation up to and including the Federal Deposit Insurance Law have contributed to preserve and emphasize this aspect. It can no longer be said, as did the court in *Foley v. Hill* (9 Eng. Rept. R. 1002 (1848)), that a bank has unrestricted dominion over funds deposited with it. The restrictions inherent in the reserve requirements of the Federal Reserve System and in the regulations of State banking authorities, make such a position untenable.

To summarize: Bank deposits are characterized by their monetary aspect and by the element of safekeeping, both of which are absent in the loan relation, the basis of which is the supplying of credit.

In his text, "Money in the Law, National and International" (1950), Professor Nussbaum writes at page 105 et seq., as follows:

A bank deposit is not a loan to the bank. "A loan is primarily for the benefit of the bank, a deposit is primarily for the benefit of the depositor." The distinction was well in ancient Roman law where the "depositum irregulare" was contrasted with the "mutuum." The former was not a feature peculiar to banking, but a broad concept applying to fungible things conveyed by the "depositor" to the "depository." As at present, special legislative restrictions upon loans did not apply to "irregular deposits." Canon law was at a later date concerned with this problem, since there was much discussion of whether the scriptural prohibition of interest applied to interest allowed by depositary bankers. Modern civil law has on the whole adopted the Roman doctrine. Recently in the United States the introduction of the Federal Deposit Insurance, which does not apply to loans, has given the distinction between "loan" and "bank deposit" a novel and highly practical significance. \* \* \*

The bank deposit (or "bank account") is connected with the money concept first, by its being a "debt," that is an obligation to be discharged in money. In addition, there is another relation between a bank deposit and money peculiar to the former and distinguishing it from an ordinary debt. Bank deposits are themselves dealt with as money to a certain extent. Like money, they serve as stores of value. The depositor "has his money in the bank." The bank is supposed to be safe, able and willing to disburse the money, partly or entirely, at any time on demand, provided there is no stipulation to the contrary. The risk of the bank's becoming insolvent is not too seriously contemplated by the

depositor who desires first of all to escape the risk involved in keeping the money at home. In "depositing" it with a bank he feels certain that this bank at this time is positively trustworthy. That trend has been strengthened in the United States by enforcement of reserve requirements for bank deposits and by the federal insurance of banking accounts up to \$5,000, making such accounts "fungible" and thereby more money-like. Interest being of secondary concern to the depositor, the interest rate will remain considerably below the loan interest rate or disappear entirely.

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## DEPOSITS IN SAVINGS AND LOAN ASSOCIATIONS

MAY 26, 1966.

Your question was whether a National bank may deposit its own funds with a savings and loan association.

In order to reach an answer to this question, it is necessary to analyze the nature of the claim which the bank would have against the savings and loan association after such a transaction. It seems clear, from the nature of the regulations and laws governing the manner in which savings and loan associations are bound to pay claims upon them, that funds invested with such an association may not be considered as cash upon the balance sheets of the bank. The only other categories in which such an investment could be carried would be as a permissible investment security or as a loan. It seems clear that the transaction would not represent a loan as that term is defined for the purposes of National bank accounting and reporting. The only remaining category of asset to be considered, therefore, is that of a permissible investment security. If the obligation of the savings and loan is considered to be an equity security, as courts and commentators usually describe such obligations, it would not under most circumstances be a permissible asset for a National bank. This Office expresses no opinion at this time as to whether or not all equity securities are per se, impermissible investments for National banks. We do not feel, however, that an equity security issued by a savings and loan association is a legal investment for a National bank. Such obligations are not usually readily marketable within the requirements of the investment securities regulation and generally do not meet the standards of an eligible investment security for a National bank.

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## DIRECTORS' EXAMINATIONS

JUNE 14, 1965.

In your letter of June 13, 1966, and by the attached letter from an accounting firm, dated June 10, 1966,

you inquire whether the directors of a National bank may employ certified public accountants to conduct audits of the bank on a rotating departmental basis and whether such rotating departmental audits, coupled with the banks own internal audits, are sufficient to meet the requirements of this Office.

Paragraph sixth of 12 U.S.C. 24 vests in the board of directors of a National bank discretionary authority to conduct the affairs of the bank as the board deems necessary and expedient to discharge its common law duty of ordinary care and prudence owed to the shareholders, depositors, and creditors of the bank. There are no statutory or regulatory requirements governing directors' examinations, and the proposed schedule contained in paragraph 41 of "Duties and Liabilities of Directors of National Banks," a copy of which is attached hereto, is suggestive and not mandatory. Therefore, if the board of directors of a National bank wishes to employ a certified public accounting firm to conduct a program of rotating departmental audits, it may do so with the understanding that the directors do not thereby relieve themselves of their lawful duty to supervise the conduct of the bank. In this connection, your attention is directed to paragraphs 38, 39, and 40 of the above-mentioned "Duties and Liabilities of Directors of National Banks."

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## EDUCATIONAL LOANS—HIGHER EDUCATION ACT OF 1965

MAY 26, 1966.

Thank you for the opportunity to express the views of this Office with respect to the treatment of educational loans under title IV, part B of the Higher Education Act of 1965, Public Law 89-329.

The program to be developed under title IV, part B was impelled by the concern for financing the spiralling college costs of all who have a legitimate need. Accordingly, the statute provides, in part, for the next 3 years, a Federal program of insurance of loans to students who are attending eligible institutions as defined therein. A program of advances of not less than \$25,000 per State is provided to assist the States in establishing or strengthening the reserve funds of student loan programs which meet specified minimum standards roughly comparable to the standards embodied in the Federal loan insurance program. In addition to a plan for insuring the principal of the loan, the program provides for Federal payments to reduce student interest costs. There are detailed provisions setting forth the procedures by which an eligible lender may obtain insurance on a student loan.

Section 431 of the act establishes a student loan insurance fund which shall be available without fiscal year limitation for making payments in connection with the default of loans insured under part B. Such insurance fund will be funded with amounts received as premium charges for insurance and as receipts, earnings, or proceeds derived from any claim or other assets acquired by the Commissioner of Education in connection with operations under part B. In the event that the insurance fund does not have sufficient money to make payments, the Commissioner of Education has the authority to obtain additional money by issuing to the Secretary of the Treasury notes or other obligations. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

This Office believes that National banks should participate fully in this worthwhile program to aid the college student in meeting the increasing costs of education. It is good government and prudent banking to aid, in this manner, the educational needs of this generation. National bank examiners will be instructed to treat student loans properly made under title IV, part B of the Higher Education Act of 1965 in a manner similarly accorded to FHA title I loans.

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#### COMPOSITION OF THE FDIC BOARD

MARCH 2, 1966.

HON. ABRAHAM J. MALTER,  
*Subcommittee on Bank Supervision and Insurance,*  
*House of Representatives, Washington, D.C.:*

I greatly appreciate your letter of February 23, 1966, inviting this Office to present its views on H.R. 12904 (89th Cong., 2d sess.). This bill would amend the Federal Deposit Insurance Act to remove the Comptroller of the Currency from the Board of Directors of the Federal Deposit Insurance Corporation.

The FDIC was created in 1933 to provide deposit insurance out of a fund to be established through assessments upon insured banks. It was also intended that the FDIC use the insurance fund to assist weakened insured banks. In addition, the FDIC was empowered to act as receiver of certain closed banks and to prescribe rules and regulations for the implementation of its various functions. Each of these functions obviously affects National banks. Therefore, it was considered necessary for the Comptroller of the Currency to be a director of the FDIC.

From its beginning, the FDIC has evolved into a bank supervisory agency, with great power over State banks. This has resulted from statutory grants of broad power over State banks, which over the years have greatly eroded the dual banking system, and from the practice of State bank supervisors in requiring FDIC insurance as a condition of chartering new banks; thus, making the FDIC, in effect, the Federal chartering agency for State banks. Consequently, now the FDIC is not only an examiner and insurer, but is also the supervisor of State nonmember banks and, in reality, the charterer of new State banks.

This Office has indicated that it is not appropriate for the Comptroller of the Currency to take part in the FDIC's exercise of its supervisory powers over State banks. Accordingly, to the extent that H.R. 12904 seeks to relieve this Office of the burden of participating in these chartering, examining, and supervisory powers over State banks, we do not object to the bill.

However, in its role as insurer of bank deposits, the actions and policies of the FDIC bear critically upon National banks and State member banks, as well as State nonmember banks. This Office would be remiss in the performance of its statutory duties if we did not point out the need for preserving, at least in the Comptroller with respect to National banks, an authoritative voice in those functions of the FDIC which directly and fundamentally affect all banks.

Specifically, we refer to: (1) Interpretation and application of the statutory definition of deposits; (2) determination of what constitutes an insured deposit; (3) determination of classification of time, savings, and demand deposits; (4) regulations for enforcement of assessments; (5) the use of the FDIC funds for the assistance of weakened banks; and (6) supervision of National bank receiverships.

The necessity for this Office having a voice in such matters is underlined by the fact that National banks represent 33 percent of the banks and approximately 50 percent of the deposits insured by the FDIC and about 50 percent of the assessments paid to the FDIC.

We believe that H.R. 12904 is defective in its present form. It should be amended so that the consent of the Board of Governors of the Federal Reserve System and Comptroller of the Currency would be required for changes in existing rules, regulations, or policies of the FDIC with respect to the foregoing matters, including adoption of new rules and regulations or amendment of present rules or regulations. In this way, the interests of all banks would be protected and the dual banking system would be preserved and fostered. Personnel of this Office are available to work

with members of your staff to develop the appropriate statutory language.

We also suggest that your hearing on H.R. 12904 presents an appropriate opportunity to inquire into the scope of the FDIC's responsibility to lend financial assistance to weakened banks, including the narrow policy which the FDIC has adopted in this basic area.

The issues underlying H.R. 12904 are of great importance to the National banking system. It is hoped that this letter will dispel misconceptions concerning our position in this matter.

The views herein expressed are those of the Office of the Comptroller of the Currency. The expression of these views has been authorized by the Secretary of the Treasury.

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## INDEPENDENT AUDITS

SEPTEMBER 10, 1965.

HON. WRIGHT PATMAN,  
*Committee on Banking and Currency,*  
*House of Representatives,*  
*Washington, D.C.:*

This is in reply to your letters of June 8, 1965, wherein you request to be furnished a report on H.R. 123 and H.R. 40, bills to require audits, at the expense of the bank, by independent certified public accountants or independent licensed public accountants, of each bank insured by the Federal Deposit Insurance Corporation.

As you know, this Office is required by law to examine every National bank at least three times in every 2 years. The scope and depth of our procedures are such that a National bank examination includes most auditing functions. Banks, other than National banks, are regularly examined by the appropriate Federal or State supervisory authorities, or a combination thereof. In addition, many banks maintain, as an integral part of their overall banking operations, internal auditing departments which are staffed by qualified and experienced personnel. These audit departments, which are under the direction of an officer who is responsible only to the board of directors, perform a continuing daily audit of the bank's affairs. The bylaws of National banks provide for an examining committee comprised of members of the board of directors whose designated duties are to make, or cause to be made, periodic examinations into the affairs of the bank, and to report the results of such examinations, in writing, to the board of directors at its next regular meeting. Such reports encompass all aspects of the bank's condition, including

particularly, whether adequate internal audit controls and procedures are being maintained.

This Office, at the time of each examination, reviews and appraises the adequacy of the bank's audit procedures and internal controls. If such procedures are found to be deficient, this matter is brought to the attention of the board of directors for corrective action. For your information, pages 13 and 14 of the "Report of Examination" which deal specifically with internal controls and audit procedures are enclosed.

We are unable to find, after long observation and careful study, any substantive advantages which would be gained to justify the additional cost to the banks if either of the subject bills were enacted.

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## INTEREST RATES—STATE LAWS

APRIL 29, 1966.

This is in reference to your letter of April 11, 1966, requesting a ruling from this Office that your bank may change interest at the maximum rate permitted by the Arizona Small Loan Act for advances of credit up to \$1,000 and it will not be subject to other provisions of that act relating to total indebtedness, licensing, class, or size of such loans.

The making of loans is a lawful exercise of a power of a National bank specifically granted by Congress in paragraph seventh of 12 U.S.C. 24. National banks make loans under that authority alone, and the only limitations with respect to the interest charged on such loans are contained in the provisions of 12 U.S.C. 85, which to some extent, incorporate State law as a measuring rod in determining maximum interest rates. Under applicable law and relevant court decisions, a National bank clearly may charge interest at the maximum rate permitted by applicable State law to any competing State institution; where State law permits a higher rate on specified classes of loans, a National bank may lawfully make loans at this higher rate subject only to those limitations relating to the classification of loans which are material to the determination of the rate of interest. A National bank may lawfully charge the highest rate permitted to any competitor in the State in which it is located, including a lender licensed under a State regulatory or small loan act, irrespective of whether the National bank is similarly licensed. Any provision in State legislation which purports to prevent a National bank from the exercise of these or other rights under Federal law (12 U.S.C. 24 and 85) is inoperative and ineffective.



Accordingly, your bank may charge interest at the maximum rate permitted by the Arizona Small Loan Act for advances of credit up to \$1,000 and it will not be subject to other limiting provisions of that act.

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## INTERNATIONAL OPERATIONS

MAY 17, 1966.

HON. A. WILLIS ROBERTSON,  
*Committee on Banking and Currency,*  
*U.S. Senate, Washington, D.C.:*

In our review of the committee print bill of the Senate Banking and Currency Committee, dealing with proposed amendments to the Bank Holding Company Act of 1956 and related statutes, we have noted that the committee will consider an amendment of section 25 of the Federal Reserve Act to authorize National banks to apply to the Board of Governors of the Federal Reserve System for permission to make direct investments in foreign banks not engaged in activities in the United States.

This Office has long advocated the application of the principle of direct investment for conducting the international and foreign business of American banks. We are pleased to see that the committee will be considering statutory recognition of this principle.

We have also been concerned that the responsibility for supervising the international and foreign activities of National banks has been divided between the Board of Governors of the Federal Reserve System and the Comptroller of the Currency. At this time, when National banks are operating 95 percent of the foreign branches and conducting a preponderance of the international and foreign business of American banks, it seems inappropriate to add still another responsibility in this area to the Board of Governors.

We believe that the committee should give consideration at this time to a simple revision of section 25 of the Federal Reserve Act, as amended, to authorize National banking associations to file application with the Comptroller of the Currency for permission to exercise the powers therein described, including the new power to make direct investments in foreign banks. Appropriate language for the amendment of section 25 is enclosed herewith.

If section 25 were thus revised, the third paragraph of section 9 of the Federal Reserve Act which already contains provisions for the establishment of foreign branches of State member banks could be amended to authorize such banks to file applications with the Board of Governors of the Federal Reserve System for

permission to exercise their powers to make direct and indirect investments in international or foreign banks.

Under present law, it is the Comptroller of the Currency who is charged with responsibility for the supervision and regulation of virtually the full range of National bank activities, including the examination of National bank foreign branches. The authority granted to the Board of Governors of the Federal Reserve System by section 25 of the Federal Reserve Act (which applies directly only to National banks) results in an undesirable and unnecessary fragmentation of supervisory authority over National banking associations. It materially dilutes the power of the Comptroller to achieve optimum supervision of National banks which operate foreign branches and which conduct international and foreign business. This is of increasing concern to this Office in view of the recent and marked acceleration of the international and foreign operations of National banks. The law, as it now stands, is but a remnant of a former supervisory scheme in which the Secretary of the Treasury and the Comptroller of the Currency were members of the Board of Governors of the Federal Reserve System and thereby exercised a voice in decisions on matters affecting the international and foreign activities of National banks. The Secretary and the Comptroller are, of course, no longer members of the Board.

While we do not at this time propose any changes in section 25(a) of the Federal Reserve Act which provides for federally chartered foreign and international banking corporations (Edge corporations), we are studying the establishment, operation, and supervision of these corporations and expect to have a report and suggested legislation for presentation to the next Congress.

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## LEASING OF PUBLIC FACILITIES

SEPTEMBER 24, 1965.

This is in reference to your letter of August 13, 1965, addressed to the Deputy Regional Comptroller of the Currency which has been forwarded to this Office for reply, and your telephone conversation of September 15, 1965, with a member of our legal staff. Your inquiry concerns the possibility of a National bank, possibly in conjunction with another National bank, constructing and financing the acquisition of airport facilities for two cities which presently own the land upon which the facilities are to be constructed. It is anticipated that the two cities would have authority to pay rental either out of general or special funds in an

amount sufficient to fully amortize the cost of the facilities within a period of years, probably not to exceed 15, at which time ownership of the facilities would be transferred to the cities. Such facilities would be subleased by the cities during the term of their lease to an airport authority which is in the process of being formed. You question the adequacy of the revenues which would come from such authority to retire any obligations incurred.

A National bank may, under paragraph seventh of 12 U.S.C. 24, finance the acquisition of airport facilities by several municipalities. As an incident to such financing, the bank may contract the facilities, retain title thereto, and lease the facilities under a lease agreement, at the expiration of which the municipalities will become the owners of the facilities and under the terms of which the commitment of the municipalities to make the requisite payment of lease rentals is supported by a power to levy a tax sufficient to produce annually the necessary funds to pay the lease rental. An opinion of the bank's counsel should be obtained with respect to whether the cities possess the requisite power to enter into such a lease agreement and to levy the requisite taxes.

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#### LENDING LIMIT—PARENT COMPANY AND SUBSIDIARY

JANUARY 3, 1966.

This is in reply to your letter of October 18, 1965, and your recent telephone conversation with a member of our legal staff, with respect to loans to a company and its wholly owned subsidiary. The lending limit of your bank is \$70,000, and the bank has extended direct, unsecured credit to the subsidiary in the amount of \$60,000. You have requested the opinion of this Office as to whether the bank may extend direct, unsecured credit to the parent company in the amount of \$60,000.

Although the provisions of 12 U.S.C. 84 concerning loans to parent and subsidiary corporations generally requires that such loans be combined in computing the bank's lending limit of 10 percent of the bank's unimpaired capital stock and unimpaired surplus funds, as those terms are defined in paragraph 1100 of the "Comptroller's Manual for National Banks," in light of the history and purpose of 12 U.S.C. 84, loans to two corporations where one such corporation is a majority owned subsidiary of the other corporation need not be combined if: (1) each such corporation conducts its own separate business operations; (2)

each such corporation has earnings and net worth which adequately supports that credit, and upon which the bank relies in extending credit to it, independent of and apart from its investment in or subsidiary relationship to the other corporation; (3) the credit extension to each corporation is for the purpose of supplying working capital or other financial requirements of that corporation and not those of its parent or subsidiary; (4) neither corporation guarantees or otherwise assumes any liability or responsibility for the loans to the other; and (5) the credit extension to each corporation is separate from and not related to the extension of credit to the other corporation. In the absence of any of these circumstances, loans to a parent and its majority owned subsidiary must be combined in determining the 10 percent lending limit.

In the situation outlined by you, a substantial portion of the assets held by the wholly owned subsidiary consists of loans discounted by the parent. The loan paper originates upon the sale of goods by the parent in consideration of which the consumer executes a note payable to the parent. As the need for funds arises, the parent company discounts a specified amount of the paper with its subsidiary. Such a discounting arrangement imposes a financial relationship between the two corporations such as to require a combining of loans to a parent corporation and its wholly owned subsidiary in applying the 10 percent limitation of 12 U.S.C. 84. Accordingly, loans made by your bank to the parent company and its subsidiary must be combined in applying the 10 percent limitation of 12 U.S.C. 84.

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#### LOANS FOR PURCHASE OF CONVERTIBLE BONDS

MAY 27, 1966.

This is in reply to your letter of May 23, 1966, in which you inquire whether a National bank is precluded by 12 CFR 221 from lending money for the purpose of purchasing convertible bonds and whether the bank may advertise loans for the purpose of purchasing convertible bonds. You request my comment on the proposed advertisement attached to your letter.

Title 12 CFR 221 is applicable only to equity securities and does not apply to debt securities, even to those with a convertible future. Accordingly, a National bank may lend money for the purpose of purchasing convertible bonds and said convertible bonds may be pledged to secure the loan. At such time as the bondholder elects to convert the bonds into stock, and said

stock is registered on a national securities exchange, then the provisions of 12 CFR 221.3(r) are applicable. Since a National bank may lend money for the purpose of purchasing convertible bonds, it may, as a necessary incident thereto, advertise this service to the public. This Office finds nothing objectionable in the proposed advertisement attached to your letter.

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## LOANS SECURED BY UNITED STATES' OBLIGATIONS

NOVEMBER 22, 1965.

### *To the Presidents of all National Banks:*

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 17, 1965, 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, but limited loans which are secured by obligations which are fully guaranteed both as to principal and interest by the United States to 25 percent of a bank's capital and surplus. This revised regulation removes any lending limitation based upon capital and surplus with regard to loans secured by obligations fully guaranteed both as to principal and interest by 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 or face value) of either direct obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, shall not be subject to any limitation based upon capital and surplus of the association.

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## LOANS TO WHOLLY OWNED AFFILIATE

JANUARY 11, 1966.

Reference is made to your letter of December 3, 1965, which was forwarded to this Office for reply by our Regional Comptroller. You state that your bank is considering the formation of a wholly owned corporation to provide equipment lease and other types of financing for its depositors and prospective

customers. You request the advice of this Office as to whether the bank's investment in the affiliate is limited to 10 percent of the bank's capital and surplus; whether there is a minimum investment requirement; whether there are limitations as to the type of loans this affiliate may make and discount with the bank; whether the affiliate may make loans or leases secured by equipment and/or other assets, including real estate equities, and whether there are any limitations on the amount of such loans; and whether the bank, in making loans to the affiliate secured by chattels and leases on equipment, may make loans in the amount of the actual cost of the equipment or whether a margin must be maintained, and if so, how much margin need be maintained.

The bank's investment in the proposed wholly owned affiliate would be limited by 12 U.S.C. 371c to 10 percent of the bank's capital and surplus. There is no minimum investment requirement.

Loans made by the subsidiary, whether or not discounted with the bank, should conform to the laws and other requirements applicable to loans made by a National bank. Under 12 U.S.C. 371c, loans made by the affiliate and discounted by the bank with recourse must be included in determining the bank's investment in such affiliate and in applying the limitation on such investment of 10 percent of the bank's capital and surplus. Loans to such an affiliate by the bank must, under 12 U.S.C. 371c, be secured by collateral in the form of stocks, bonds, debentures, or other such obligations, including chattels and leases on equipment, having a market value at the time of making the loan or extension of credit of at least 20 percent more than the amount of the loan or extension of credit. Where, however, a loan is purchased from such affiliate without recourse, these limitations of 12 U.S.C. 371c are not applicable. The provisions of 12 U.S.C. 84 are applicable to loans made by the affiliate, including such loans as are secured by equipment leases and/or other assets. Loans to the same borrower by the bank and by the affiliate must be combined for purposes of applying the limitations of 12 U.S.C. 84.

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## MAIL SERVICE

SEPTEMBER 9, 1965.

This is in reply to your letter of August 4, 1965, in which you ask the opinion of this Office as to the feasibility of providing mail messenger service to a prospective customer of your bank. Such service would be offered in an effort to attract to the bank

a customer who picks up his mail in downtown Bridgeport.

As is stated in paragraph 7490 of the "Comptroller's Manual for National Banks," 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 an agent of the customer rather than of the bank. Moreover, a National bank may service others with the excess capacity of the armored-car messenger service it provides primarily for its own customers. A bank which has such excess capacity may, in accordance with applicable postal regulations and under an appropriate agreement, also provide mail delivery service to prospective customers.

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MARCH 8, 1966.

This is in response to your letter of March 3, 1966, in which you request our advice concerning the operation in the proposed branch of your bank of a postal contract station for the post office department. You inquire whether it would be possible for a postal facility to be serviced by the bank's employees.

A National bank may, as a customer service, provide postal services and receive compensation therefor. Such services may include meter stamping of letters and packages as well as selling appropriate insurance. National banks may advertise, develop, and extend such postal services for the purpose of attracting new customers to the bank. However, because title 39 U.S.C. 705 and the postal regulations issued in pursuance of that statute authorize the Post Office Department to inspect the books and records of such postal substations, a National bank must take care to insure that such books and records are kept separate from those of its other banking operations.

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#### MECHANICAL RECEIPT OF FUNDS

JULY 2, 1965.

This is in reply to your letter of April 1, 1965, requesting the opinion of this Office regarding the installation by a National bank of a machine formerly called a speed depositor, now called a saving planner, in shopping centers near the location of the bank. The machine, as described in a brochure attached to your letter and examined recently by members of the staff of this Office, is an electrical machine which is operated by the customer, who inserts checks, currency, and coins, and a numbered duplicate transaction slip

into the machine. A photographic record is made on microfilm of each receipt and insert item. The machine then issues to the customer a duplicate transaction slip which provides evidence of the transaction and states that the transaction will become a deposit upon verification and crediting at the bank premises. It is expected that banks which install the machine will assume responsibility for providing adequate insurance protection under its own insurance bonding program.

It is the opinion of this Office that a placement of a "saving planner" off the premises of a bank does not come within the scope of 12 U.S.C. 36(c) inasmuch as the bank would not accept deposits until they reach the banking premises. A bank should, however, take measures to insure adequately the money received in the machine and should make clear on the transaction slip that the transaction only becomes a deposit upon its arrival at the banking house. Of course, the machine should be placed in the locations and under the circumstances which are consonant with the dictates of physical security.

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#### MORTGAGE COMPANY LOAN SOLICITATION

MARCH 28, 1966.

Reference is made to your letter of February 24, 1966, in which you state that your bank is considering a proposal from a mortgage investment company to solicit personal loans from its customers on behalf of the bank. You request a ruling from this Office in regard to certain questions relating to the above mentioned proposal in light of your State's branch banking laws.

Your first question is whether the mortgage company, with five scattered offices in your State, may solicit unsecured personal loans from its mortgage loan customers on behalf of the bank as its various offices. Because every loan application would be submitted to the bank for approval, the mortgage company's offices would not be making loans. Accordingly, the proposal would not be in contravention of the branch banking laws applicable to National banks. Moreover, it would be permissible for the mortgage company to maintain a supply of credit applications and note forms of the bank in its offices.

Question two relates to the submission by mortgage company employees of credit applications to the bank for approval or disapproval. If approved, promissory notes running directly to the bank would be filled out

by the mortgage company's employees for the signatures of the borrowers and submitted fully executed to the bank. Upon receipt in satisfactory form, the bank would then disburse the loan proceeds directly to the borrowers. As stated in the reply to question one, since the loan applications would be submitted to the main office of the bank for approval, the mortgage company's offices would not be making loans and, therefore, the processing of such applications by employees of the mortgage company would not constitute a violation of the branch banking laws.

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#### NATIONAL BANK AS GUARANTOR

MAY 5, 1966.

This refers to your letters of April 8, 1966, and the enclosed materials relating to a request by your bank for permission to issue privilege cards to employees of a corporate customer so that such employees may cash payroll checks up to the amount of \$250 at various supermarkets and retail stores which are also customers of the subject bank. The privilege card to be issued to the employees of the corporate customer would bear the corporate title of the customer, the employee's name, and the corporate account number. Under the proposed plan, the bank would, in essence, act as a guarantor of the payroll checks drawn by its corporate customer and cashed by employees at participating stores.

You were advised in our conference of April 8, 1966, that the inquiry would be referred to the Comptroller's Office in Washington, D.C., for final determination. This Office has been notified by the Comptroller's legal department and, as is stated in paragraph 7010 of the "Comptroller's Manual for National Banks," a National bank generally may not lend its credit or become a guarantor on an obligation or bind itself as surety to indemnify others in the event of loss, unless it has a substantial interest in the performance of the transaction involved. It is the opinion of the Comptroller's Office that a National bank has a sufficient interest in facilitating the cashing of checks drawn on it by its customers so that it may, under its corporate powers as enumerated in paragraph seventh of 12 U.S.C. 24, enter into agreements with various supermarkets and retail stores to guarantee checks drawn upon it and cashed in accordance with established procedures such as outlined in your letters, with enclosures, of April 8, 1966.

#### NATIONAL BANK STOCK SALES—BYLAWS

MAY 27, 1966.

In your letter of May 26, 1966, you advise that a State-chartered bank has incorporated on the face of its stock certificates a provision that the stock must be transferred on the books of the corporation by the holder thereof upon surrender of the stock certificate properly endorsed and in compliance with the conditions contained in a certain bylaw of the bank. You advise me that the said bylaw requires the holder of the stock to offer it to certain officials of the bank for sale before offering it to the public. You inquire whether a National bank may adopt bylaws governing the transfer of stock in this manner and whether such bylaws may be incorporated by reference on the face of the stock certificate.

Paragraph sixth of 12 U.S.C. 24 empowers a National bank "to prescribe, by its board of directors, bylaws not inconsistent with law, regulating the manner in which its stock shall be transferred \* \* \*." Moreover, as evidenced by 12 U.S.C. 52, a National bank has broad discretionary authority to specify the rights, powers, limitations, and restrictions of classes of stock. However, the broad discretionary authority to specify the rights, powers, etc., of stock ownership and to prescribe bylaws governing the procedure for transferring stock is not absolute, but is subject to the rule that the bank may not impose procedures which are unreasonable or which place an unreasonable restraint on the right of alienation. In this connection, your attention is directed to Fletcher Cyclo-pedia Corp. section 4191 and the cases contained in the annotations under 12 U.S.C.A. 51, footnote 8. Construing your inquiry in the light of the above general considerations of law, I conclude that a National bank may prescribe in its bylaws and incorporate on the face of its stock certificates a provision requiring the holder of the stock to offer it to the management of the bank before offering it to the public. Such a provision, in this Office's opinion, is neither an unreasonable restraint on the alienation of personality nor inconsistent with law.

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#### PREEMPTIVE RIGHTS

JULY 26, 1965.

This is in reply to your letter of June 25, 1965, in which you inquire about the best procedure to follow in order to sell shares in your bank to new stockholders. You further inquire if newly issued stock, subject to the preemptive rights of shareholders and

not subscribed to by the shareholders entitled to them, must be reoffered to those shareholders who did exercise their preemptive rights, before the shares may be sold to the public. Moreover, you suggest that paragraphs 7.6 and 14.2 of the Comptroller's regulations would permit the bank to avoid the preemptive rights of stockholders by the execution of an agreement to this effect, between the bank's directors and the Comptroller of the Currency.

It is general corporate law that the shareholder must be given a reasonable time within which to exercise his preemptive right. At the end of such time, such right is extinguished and the bank is free to sell the shares to other persons. It is not necessary for the unclaimed shares to be offered to other stockholders.

Paragraph 7.6 of the Comptroller's regulations provides that approval of two-thirds of the voting stock is necessary for a National banking association to adopt articles of association or extend existing articles of association in order to modify or eliminate preemptive rights. Paragraph 14.2 of these regulations provides that authorized but unissued stock may be issued for such purposes as may be approved by the board of directors of the bank and by the Comptroller. However, it is necessary to acquire a favorable vote of two-thirds of the voting stock before stock may be issued without recognition of existing stockholders' preemptive rights.

If it is believed that the shares which would become available as a result of the failure of stockholders to exercise their preemptive rights are not sufficient to satisfy the needs of the bank in furtherance of its goal of acquiring new stockholders, we suggest that you amend your articles of association pursuant to paragraph 7.6, so as to partially or totally waive preemptive rights on sufficient authorized shares to meet your needs.

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JULY 27, 1965

Reference is made to your letter of June 17, 1965, in which you inquire as to the basis for this Office's interpretation, as expressed in regulation 7.6, that any article of association, or amendment thereto, which modifies or eliminates preemptive rights of stockholders must be approved by the holders of two-thirds of the voting stock of a National banking association. You ask that this provision be reconciled with 12 U.S.C. 21a which provides that the articles of association of a National bank association may be amended by the approval of a majority of the voting stock of associations.

Prior to the issuance of ruling 7.6, it had been the position of this Office that the articles of association could not be amended so as to eliminate or modify the preemptive rights of existing shareholders. In the absence of any Federal statutes on the subject, similar to those contained in most State corporation laws, this Office has since taken the position that the rights of existing stockholders would be adequately protected by a requirement for a two-thirds affirmative vote of any amendment effecting their preemptive rights. This is consistent with provisions such as 17 U.S.C. 57 and 59 which require a two-thirds vote for other amendments which affect the rights of stockholders.

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#### PROMISSORY NOTES

DECEMBER 16, 1965.

HON. WRIGHT PATMAN  
*Committee on Banking and Currency,*  
*House of Representatives,*  
*Washington, D.C.:*

This is in reference to your letter of November 19, 1965, challenging our position that unsecured short-term notes issued by National banks pursuant to paragraph 7530 of the "Comptroller's Manual for National Banks," constitute excepted indebtedness under 12 U.S.C. 82.

It is apparent to us from a careful reading of the legislative history and the decided cases under 12 U.S.C. 82, that the intent of the section is to except from the ceiling on indebtedness, obligations incurred by a bank in the ordinary course of its banking business. The exception of such obligations is, of course, dictated by commonsense considerations. Obviously, a bank could not conduct business if it were limited on the total amount of deposits it could take to an amount equal to its capital and half of its surplus. Similarly, it would be disabled from carrying on normal banking functions if the other excepted categories of obligations, such as bills of exchange, obligations to Federal Reserve banks, or short-term notes were restricted by such a ceiling.

When this Office first recognized the power of National banks to issue short-term unsecured notes in September 1964, it could not have been said that such notes represented an ordinary-course-of-business banking instrument. It was, therefore, our position, as contained in paragraph 7530 of our manual, that the total of such notes issued by any one bank, when added to other outstanding known excepted indebtedness, could not exceed the statutory limitation. In the 16

months following the issuance of our ruling, the short-term note has received wide acceptance as a money-market instrument and is now generally regarded in banking circles as an ordinary-course-of-business instrument.

Contrary to the statement contained in your letter that the courts have traditionally strictly construed 12 U.S.C. 82, our reading of these cases indicates that the courts which have been called upon to construe this section, have liberally interpreted it, so as to promote and not to impede the normal method of operation of banks. See *Weber v. Spokane National Bank*, 64 Fed. Rep. 208.

Accordingly, we have revised paragraph 7530 for the Comptroller's Manual to indicate that negotiable or nonnegotiable promissory notes issued by a National bank in the ordinary course of its banking business for the purpose of obtaining working funds to be used in making loans and the performance of other ordinary banking functions, represent liabilities of the nature excepted from the provisions of 12 U.S.C. 82 and that such notes may be issued without regard to the overall ceiling on indebtedness contained in that section.

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## STATE ESCHEAT LAWS

MARCH 17, 1966.

Receipt is acknowledged of your letter dated March 8, 1966, in which you enclosed a copy of an excerpt from a recently enacted New Hampshire statute which requires financial organizations, including National banks located in New Hampshire, to notify and pay over to the State, deposits held by the bank and presumed to be abandoned. You state that it was the bank's impression that a National bank was not subject to State statutes concerning the custody and escheat of unclaimed property.

Your attention is directed to *Anderson National Bank et al. v. Lockett, Commissioner of Revenue, et al.*, 321 U.S. 233, U.S. Supreme Court decision of 1944, in which it was held, concerning a State statute which appears to be analogous to the recently enacted New Hampshire legislation, that the State statute (referred to in the aforementioned cited case) did not deprive the depositor of the bank of property without due process of law. The Court further stated that the deposits are debtor obligations of the bank, incurred and to be performed in the State where the bank is located, and hence subject to the State's dominion. The Supreme Court held that, apart from legal questions which may arise under the National banking laws in the case of

National banks, it is no longer open to doubt that a State, by a procedure satisfying constitutional requirements, may compel surrender to it of deposit balances when there is substantial ground for belief that they have been abandoned or forgotten.

However, since the *Anderson* decision, *supra*, this Office has refrained from expressing its opinion as to whether an escheat statute of a particular State is binding upon a National bank situated in such State. Consequently, the board of directors of your bank must determine, with advice of counsel, whether the New Hampshire statute is binding upon the bank.

If it is concluded that the New Hampshire statute is binding upon your bank, then under the *Anderson* decision, *supra*, the State of New Hampshire may require the bank to file reports concerning its abandoned accounts. It should be noted, however, that such requirement is not tantamount to a right of the State of New Hampshire to also examine the records of a National bank as to its abandoned accounts. Such a right is vested solely in the Office of the Comptroller of the Currency as provided in 12 U.S.C. 484 and as is stated in paragraph 6025 of the "Comptroller's Manual for National Banks."

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## STATE TAXES ON NATIONAL BANKS

DECEMBER 17, 1965.

In your letter of December 14, 1965, you state that your bank is compelled to pay the following State taxes:

(1) A documentary stamp tax; i.e., the placing of documentary stamps on each note received from your borrowing customers;

(2) A 3-percent sales tax charged to the bank by the State for various purchases;

(3) A mortgage intangible tax charged to the bank by the State on every mortgage that the bank records; and

(4) A display tax on any billboards that the bank erects. You state that the bank's shareholders are already subjected to a lawful intangible personal property tax on the bank shares that they own, and you are of the opinion that the above-enumerated taxes are in contravention of 12 U.S.C. 548. You request this Office's opinion.

Title 12 U.S.C. 548 permits a State (or political subdivision thereof) to tax a National bank on its real estate to the same extent, according to its value, as other real estate is taxed, and in addition thereto, in only one of the following four manners, to wit:

(1) A tax on the shares of the bank; or (2) a tax on the dividends derived from the bank's shares included in the taxable income of the owner or holder of such shares; or (3) a tax on the net income of the National bank; or (4) a tax according to or measured by the bank's net income. Therefore, any State taxes levied on and collected from a National bank, which do not comply with those specifically enumerated in 12 U.S.C. 548 are in contravention of the Federal statute and unconstitutional. In this connection, your attention is directed to the numerous cases cited in the annotations contained in 12 U.S.C.A. 548, footnotes 31, 32, 33, 34, 35, 38, 61, 62, and 63.

With respect to the various State taxes levied on and collected from your bank, it has been the understanding of this Office that such taxes were in reality levied on the bank's customers and collected by the bank and remitted to the State by the bank as the customers' agent. This Office is advised, however, that this understanding may be incorrect. It appears that section 201.01 of the Florida statutes imposes liability for taxes on notes and other evidences of debt on the person who makes, signs, executes, issues, sells, etc., such notes and evidences of debt as well as on the person for whose benefit or use the same are made, signed, executed, etc. Apparently the State can collect the tax from the maker or from the holder of notes and other evidences of debt. In such a case, the bank as holder could be held liable for the tax. This interpretation may be supported further by section 201.11 of the Florida statutes which purports to vest in State officials authority to enter on the premises of National banks as taxpayers to inspect the books and records for evidence of payment of taxes. Section 212.01 et seq. of the Florida statutes imposes sales and use taxes on the sale, rental, or transfer of certain property; section 212.07 makes the sales or use tax the debt of the purchaser or consumer. It seems that the bank, therefore, can be treated as liable for the payment of such sales and use taxes. Section 199.11 of the Florida statutes imposes intangible personal property taxes on mortgages and prohibits the recording of a mortgage unless such tax is paid. Whether the tax is imposed on the mortgagor or the bank as mortgagee is not clear.

Although the foregoing opinions represent the best judgment of this Office, they are not binding upon the State of Florida. If the State continues to impose these taxes upon your National bank and the bank, on the advice of legal counsel, resists the same

and claims refunds for taxes previously paid, the question of liability for the tax must be resolved in the Federal courts as a Federal issue. With respect to claiming tax refunds from the State, the procedures and statutes of limitations of State law may be applicable. See U.S.C.A. 548, footnotes 301-314, 341-349. Regarding the question of paying taxes alleged to be due and to filing for tax refunds, the board of directors should seek legal counsel's advice as to the directors' liability, if any, to shareholders for the payment of unlawful taxes and the failure to demand tax refunds. In the event of litigation in this matter of State taxation of National banks, please advise this Office, and, at that time, we will consider whether or not to intervene or otherwise appear in the action.

If, however, notwithstanding the foregoing, your National bank desires to pay certain State taxes, alleged to be due, as a civic gesture, your attention is directed to paragraph 7480 of the "Comptroller's Manual for National Banks." If the board of directors of your National bank determines, in the exercise of prudent banking judgment, that it wishes to pay certain State taxes, alleged to be due, as a contribution to community development, the Office would not object to its doing so. It is, however, suggested that if payment is made, appropriate steps should be taken to preserve the rights of the bank under 12 U.S.C. 548 for future use, if necessary or desirable.

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## STOCK OPTION AND PURCHASE PLANS

DECEMBER 31, 1964.

### *To the Presidents of All National Banks:*

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 nonqualified 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 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 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.

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## 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 1, title 12 of the Code of Federal Regulations of the United States of America is amended by revising section 13.1 to read as follows:

Section 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.

## SURPLUS FUNDS—DEFINITION FOR DIVIDEND PURPOSES

SEPTEMBER 21, 1965.

Reference is made to your letter of August 11, 1965, in which your bank requests the permission of this Office to consider the words "surplus fund" in 12 U.S.C. 60, relating to payment of dividends, as having the same meaning as the phrase "unimpaired surplus funds" described in the "National Banking Review" (Sept. 1964, p. 93). The policy underlying our interpretation of the phrase "unimpaired surplus funds" for purpose of 12 U.S.C. 24, 36(c), 82, 84, 371, and 371c does not warrant an extension of such an interpretation to include situations involving payment of dividends by a National bank. Accordingly, the amount of a National bank's surplus fund for purposes of 12 U.S.C. 60 must be computed without regard to, among other things, unearned income, valuation reserves for loans and securities, reserves for contingencies, other capital accounts to the extent subject to known specific charges, and paid-in surplus in the case of new banks.

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## TRUST ACTIVITY—STATE LICENSING

JUNE 29, 1966.

It has been brought to our attention that the Florida Securities Commission is attempting to impose the licensing requirements of chapter 517 of the Florida statutes on the trust department of a National bank in Florida in reference to the bank's investment advisory services rendered in connection with its investment management agency accounts. You allege that such investment advisory services may not be performed by said bank until it is properly registered to act as an investment adviser under State law.

It is a fundamental proposition of constitutional law that the instrumentalities of the Federal Government are immune from the interferences of State and local governments and that National banks as Federal instrumentalities are necessarily subject to the paramount authority of the United States. It follows that an attempt by the State to define National banks' duties or control the conduct of their affairs is absolutely void, whenever such attempted exercise of authority expressly conflicts with the laws of the United States or either frustrates the purpose of Federal law

or impairs the efficiency of National banks to discharge the functions for which they were created.<sup>1</sup>

A National bank derives its authority to engage in the trust business from 12 U.S.C. 92a, subsection (a) of which reads as follows:

The Comptroller of the Currency shall be authorized and empowered to grant by special permit to National banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor \* \* \* or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with National banks are permitted to act under the laws of the State in which the National bank is located.

The U.S. Supreme Court has construed the words "when not in contravention of State or local law" to mean that whatever may be the State law, National banks having the permit of the Federal Government may act in whatever fiduciary capacity a State bank, trust company, or other competing corporation may act in.<sup>2</sup> Since a State bank may act in the fiduciary capacity of investment management agent under section 660.01 of the Florida statutes and can secure the permit to offer investment advice in connection therewith by registering under chapter 517 of the Florida statutes, the Federal statutory and regulatory requirements are met and a National bank need not obtain any additional license from the State to so act, its sole license being the permit granted by this Office under 12 U.S.C. 92a. Even if a State bank were not permitted to render investment advisory services under State law, this Office would deem such services to be a necessary incident to operating a trust department and permissible for a National bank under its incidental powers provided for in paragraph Seventh of 12 U.S.C. 24.

In order that our position may be clearly understood, we wish to advise that this Office will assist National bank trust departments in Florida to resist the imposition of State licensing requirements in contravention of the paramount Federal law and has undertaken to advise National banks in Florida of this position.

<sup>1</sup> *Davis v. Elmira Savings Bank*, 161 U.S. 283 (1896). *First National Bank v. California*, 262 U.S. 368, 369, 370 (1923). *Anderson National Bank v. Lockett*, 321 U.S. 248 (1944). *Mercantile National Bank v. Langdeau*, 371 U.S. 558, 559 (1963). See also *Sperry v. Florida Bar*, 373 U.S. 383, 384, 385 (1963).

<sup>2</sup> *Burnes National Bank v. Duncan*, 265 U.S. 17 (1924).

## TRUST OFFICES AND BRANCH LAWS

MAY 16, 1966.

This is in reply to your letter of April 29, 1966, wherein you inquire whether a National bank with trust powers may establish an office solely for the purpose of conducting trust business in a community where such National bank has no other banking facility.

You state that there is a savings bank and a commercial bank located in the community where your bank proposes to establish the aforementioned office and because of the provisions of your State, which provide "home office protection," you have reservations whether the establishing of such an office would be legal.

In addition, if such operation is permissible, you solicit our advise as to the form, method, and procedure of application.

It is the determination of this Office that the proposed trust office would not be a separate branch pursuant to 12 U.S.C. 36(f) which defines a branch to include any branch bank, branch office, branch agency, additional office, or any branch place of business at which deposits are received, or checks paid, or money lent. This determination is based on the facts related in your letter of April 29, 1966, which clearly states that the proposed office would be established for the conducting of trust business only and it should not be assumed that this Office is granting permission to the bank to exercise any of the powers enumerated in 12 U.S.C. 36(f) at the proposed office.

## TRUST SERVICES—BANKS AND BAR ASSOCIATIONS

DECEMBER 22, 1965.

*To the Presidents of All National Banks:*

Within recent weeks, the attention of this Office has been directed to agreements between and among banks and local bar associations adopted generally under pressure from bar associations, which relate to the division of services in the administration of trusts and estates.

Agreements of this nature tend to restate or to define more clearly the law of the State pertaining to alleged unauthorized practice of law by bank trust departments and trust companies or their officers, and they are generally unobjectionable to the extent that they tend to eliminate the probability of interprofessional lawsuits and the concurrent expense which can

represent an unnecessary drain on a bank's resources; and they can benefit the recipient of trust services by preventing duplication of tasks and charges.

However, it must be emphasized that no agreement or understanding may be entered into by any National bank with one or more other banks, or bar association or similar group of lawyers, which binds a bank to a common set of fees or charges, or to any arrangement or understanding which is aimed at or has the effect of unreasonably restraining the free and competitive exercise of fiduciary functions of National banks. Any such agreement is in clear violation of the foregoing rule.

The existence of such fee-fixing and other types of restrictive agreements by National banks is in violation of the regulation promulgated in 12 CFR 7.2, which, although relating specifically to service charges, makes clear that any charge made by a bank must be determined as a result of unilateral action by the bank, set forth in a corporate resolution of record and complied with in full. It is, therefore, incumbent on the board of directors of each National bank to reexamine its fees and charges for trust services, to be certain that they have been arrived at independently and without agreement, arrangement, consultation, or understanding, with any other bank. It should be equally clear that a bank has no right to bind its customers to the fee schedule of another profession. In the next and subsequent examinations, examiners are instructed to see to it that these instructions are complied with fully.

Any National bank which has entered into agreements of the type described herein may, if doubt exists as to their legality, submit them to this Office for an opinion. If violative of the regulation, they should be expressly disavowed of record by action of the board of directors.

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## TIME DEPOSIT COMPETITION

FEBRUARY 2, 1966.

HON. WRIGHT PATMAN,  
Joint Economic Committee,  
Washington, D.C.:

You have requested in your letter of February 1, 1966, that this Office supply the Joint Economic Committee with a legal opinion as to the propriety of commercial banks issuing negotiable certificates of deposit, their treatment of the funds received thereby as time deposits, and the issuance of promissory notes.

Section 24, title 12 of the United States Code (par. seventh) empowers National banks to engage in the

business of banking, including specifically the receipt of deposits. National banks for over 100 years have exercised this authority by receiving deposits and issuing evidences of such receipt in the form of transferable and negotiable certificates. Indeed, even in these times this is the only form of evidence of time deposits issued by National banks and other commercial banks in certain areas of this country. To our knowledge, the authority for National banks to issue such instruments has never been seriously contested.

Similarly, there is no question that some received by the bank for a time certain and net withdrawable at the demand of the depositor are time deposits. The fact that the certificates of deposits are negotiable does not change the character of the time deposit contract with the bank.

With respect to the issuance of promissory notes, we again refer to section 24, title 12 of the United States Code (par. seventh) and also to Congress recognition of the power of National banks to incur indebtedness in 12 U.S.C. 82. Since the inception of the National banking system it has been recognized as a "necessary incident" to the business of banking that banks have the authority to borrow money. See for example: *Aldrich v. Chemical National Bank*, 176 U.S. 618, 20 S. Ct. 498, 44 L. Ed. 611 (1900); *National Bank of Commerce v. National Bank*, Fed. Cas. No. 18, 310 (Mo. 1878); *Charlotte First National Bank v. National Exchange Bank*, 92 U.S. 122, 23 L. Ed. 679 (1875); *Western National Bank v. Armstrong*, 152 U.S. 346, 14 S. Ct. 572, 38 L. Ed. 470 (1894).

In the case last cited, Mr. Justice Shires, speaking for the court, set forth the derivation of a National bank's right to incur indebtedness and issue notes evidencing such indebtedness as follows:

The power to borrow money or to give notes is not expressly given by the Act. The business of the bank is to lend, not to borrow, money: to discount the notes of others, not to get its own notes discounted. Still, as was said by this court, in the case of *First National Bank of Charlotte v. National Exchange Bank of Baltimore*, 92 U.S. 127 (23: 681). Authority is given in the Act to transact such a banking business as is specified, and all incidental powers necessary to carry it on are granted. These powers are such as are required to meet all the legitimate demands of the authorized business, and to enable a bank to conduct its affairs, within the scope of its character, safely and prudently. This necessarily implies the right of a bank to incur liabilities in the regular course of its business as well as to become the creditor of others.

One of the primary purposes of the National Currency Act which created the National banking system was to provide for the issuance of circulating bank

notes issued by such banks. Indeed, the historic basis for the borrowing power of American banks may be found in the practice of the English banks prior to the origination of the National banking system.

The very first banking in England was pure borrowing. It consisted in receiving money in exchange for which promissory notes were given payable to bearer on demand, and so essentially was this banking as then understood, that the monopoly given to the Bank of England was secured by prohibiting any partnership of more than six persons "to borrow, owe, or take up any sum or sums of money on their bills or notes payable at demand."

*Auten v. U.S. National Bank*, 174 U.S. 125, 142.

In conclusion then, it is unquestionably within the power of National banks to issue promissory notes as evidence of their borrowing, to issue negotiable certificates of deposits, and to treat the sums received therefore as time deposits.

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JUNE 2, 1966.

HON. WRIGHT PATMAN,  
*Committee of Banking and Currency,*  
*House of Representatives,*  
*Washington, D.C.:*

We appreciate the opportunity to comment on these proposals. As you know, I have opposed all legislation in this area on the grounds that there is no danger or problem of sufficient magnitude to justify the additional restrictions which these measures would impose. It simply does not seem wise to continue to protect the savings and loan industry from the competitive pressures of other financial institutions. In addition, if the Congress judgment is that we should subsidize the housing market, I believe there are ways which are more direct and efficient, and which would provide more assurances that funds would flow into those specific kinds of housing which we wish to expand. Since it is not clear that these proposals will accomplish anything worthwhile, and since it is abundantly clear that they will further impair the efficiency of our financial system, I remain opposed to this kind of market interference.

The first proposal specified in your letter—to raise the reserve requirements on time deposits—would not accomplish anything other than making time deposits less profitable to commercial banks. Banks would still accept time deposits and interest rates would still be determined by the market. Banks, just like savings and loan associations, would still have to compete for funds with other financial institutions, as well as with various money market instruments. Savings and loan associations already possess artificial advantages, such

as tax benefits, in this competition. It would not seem to be in the public interest to saddle commercial banks with additional disadvantages, which they will have to live with forever after, in order to solve a temporary problem of the savings and loan industry.

In addition, the level of reserve requirements does not, of course, have anything to do with bank solvency. The sole function of reserves is to facilitate monetary policy, and the correct level of reserves is a function of economic conditions and monetary policy objectives. Thus, this proposal would have the further drawback of confusing monetary policy tools and objectives with the competitive relationships among financial institutions. This kind of confusion is exactly the problem the Federal Reserve encountered in December when it raised the Regulation Q ceiling. By raising reserve requirements on time deposits we will create even more confusion and uncertainty than exists now. Increased reserves on time deposits will also immobilize a larger part of bank assets and, therefore, restrict their lending capability, which will reduce the volume of loans and tend to increase interest rates.

Not many years ago, in fact, the Commission on Money and Credit recommended just the opposite of this proposal:

The Commission believes it is unnecessary to require statutory reserves against savings and time deposits in banks and competing institutions. \* \* \* The Commission recommends that existing statutory reserve requirements on time and savings deposits be repealed, \* \* \*

I believe that the Commission was correct and, therefore, am against raising reserve requirements on time and savings deposits.

The second proposal you advance is not entirely clear to me. If it would simply impose a minimum maturity on time deposits and would not interfere with the negotiability of these deposits, it would have some impact on the CD market, but would probably not wipe out this market.

On the other hand, if the second proposal is intended to make all time deposits nonnegotiable for at least 6 months, it would virtually abolish the negotiable CD. No investor will wish to buy a CD which he cannot liquidate for 6 months. As money market instruments go, 6 months without liquidity is a very unattractive investment. This proposal, therefore, will eliminate an attractive money market instrument for investors and, as a result, make it increasingly difficult for banks to meet their liquidity needs. Banks will lose the flexibility which they need to meet vicissitudes in market conditions.

The third proposal—to provide a maximum rate

of 4½ percent on time deposits of less than \$100,000—is just another variation of Regulation Q, except that it would aggravate the existing discrimination against small savers. As you know, I have on many occasions expressed my opposition to using Regulation Q to regulate competition among financial institutions. This proposal is even worse in that it allows discrimination on the basis of the depositor's wealth in regulating prices banks can pay.

One important aspect of all these proposals must be noted. If these proposals are successful in relieving savings and loan associations from competitive pressure, they can do so only by encouraging the outflow of funds from commercial banks, particularly funds invested in CD's. While I am confident that the liquidity position of National banks is very sound, allowing the banks to face even abnormal attrition of deposits, some of the proposals that have been advanced would have very drastic effects on bank liquidity and money market conditions. If, for example, negotiable CD's were outlawed and a 6-month minimum maturity for time deposits imposed, literally billions of dollars of CD's could not be renewed and this outflow would greatly reduce bank reserves. Not only would the effect on many banks be drastic, but conditions in the money and credit markets would become extremely tight and chaotic. The financial structure of this country is strong and resilient. It can withstand even sizable shocks, but there is, of course, some limit beyond which we cannot safely go. The effects of some of these proposals could be very serious. I strongly urge that the committee consider these possible effects carefully before taking action. This is an area in which hasty, ill-considered action can have drastic repercussions—the side effects of the medicine may be much worse than the disease.

In regard to housing, if the Congress decides that the traditional processes of a competitive market place should not decide what amounts of funds should be allocated to each sector of the economy, but decides that housing should receive special consideration, I would favor a plan which would encourage all financial institutions equally to allocate more funds into housing. For example, we could allow commercial banks to have a "tax-free loan loss reserve" on real estate loans similar to that now enjoyed by savings and loan associations. If commercial banks, instead of a 2½ percent "reserve" account, could keep a "reserve" account of 12 percent of real estate loans, as do savings and loan associations, banks would be encouraged to put a larger volume of their funds into the housing market. This kind of solution would at

least avoid the pitfall of "overbuilding" which could result from an indiscriminate flow of funds into savings and loan associations.

In summary, I am opposed to all three proposals on the grounds that they represent unnecessary interferences with competitive market processes, thereby reducing the efficiency of our financial system and hindering the efficient allocation of our resources.

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## UNDERWRITING

JANUARY 27, 1966.

Hon. PAUL H. TODD, JR.,  
*U.S. House of Representatives,*  
*Washington D.C.:*

This is in reply to your letter of December 3, 1965, in which you request a nontechnical analysis of the statutory authority under which this Office issued its authorization for National banks to deal in, underwrite, and purchase for their own account bonds issued by the Port of New York Authority.

Under the provisions of paragraph seventh of 12 U.S.C. 24, National banks are empowered to deal in, underwrite, and purchase without limitation those securities which constitute general obligations of a State or political subdivision of a State. The Investment Securities Regulation (12 CFR 1), which was issued under the provisions contained in 12 U.S.C. 24, and which became effective September 12, 1963, restates and clarifies the authority of National banks to purchase investment securities and to deal in, underwrite, and purchase general obligation bonds. Under this regulation, the term "political subdivision of any State" is defined to include a county, city, town, or other municipal corporation, a public authority, and, generally a publicly owned entity which is an instrumentality of a State or of a municipal corporation, and the phrase "general obligation of any State or of any political subdivision of a State," is defined as "an obligation supported by the full faith and credit of the obligor," and includes an obligation payable from a special fund when the full faith and credit of a State or any political subdivision thereof is obligated for payments into the fund of an amount which will be sufficient to provide for any required payments in connection with the obligation.

The Investment Securities Regulation, consistent with the provisions contained in paragraph seventh of 12 U.S.C. 24, does not require that a bond be supported by general powers of taxation possessed by the obligor of the bond in order that a bond may con-

stitute a public security. Neither the legislative history of the provisions of paragraph seventh of 12 U.S.C. 24, nor any relevant judicial decisions warrants the imposition of such a requirement. In the case of the bonds about which you inquire, the Port of New York Authority has, as authorized by applicable law, pledged its full faith and credit for the payment of principal and interest thereon. Such bonds are thus direct and general obligations of the Authority. 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.

#### VALUATION RESERVES AND LENDING LIMITS

NOVEMBER 2, 1965.

This is in reply to your letter of October 19, 1965, in which you inquire as to the extent to which a reserve for bad debts may be utilized for computing a borrower's legal lending limit. It is your understanding that a State bank has recently converted to a National bank in order to avail itself of the use of this reserve in the computation of its lending limit. You further inquire whether the elimination of such a reserve would be subject to corporate income taxation.

Paragraph 1100(c) of the "Comptroller's Manual for National Banks" defines the term "unimpaired surplus fund," as used in 12 U.S.C. 84, as excluding "Internal Revenue formula bad debt reserve to the extent taxable." Revenue Ruling 65-92 permits a bank to deduct additions to its reserve for bad debts until the reserve equals 2.4 percent of loans outstanding at the close of the taxable year. Any deductions in excess of this percentage would be subject to taxation. Moreover, an elimination of the reserve would be subject to taxation to the extent that the deductible portion has not materialized in worthless loans and the establishment of the reserve has resulted in a tax benefit.

Accordingly, a bad debt reserve within this 2.4 percent limit recognized by the Internal Revenue Service may be used in determining the bank's "unimpaired surplus fund." In addition, any amount in the bank's bad debt reserve in excess of this 2.4 percent limit may also be used in determining the bank's "unimpaired

surplus fund" to the extent that such additional amount is not subject to any further tax; i.e., the amount allocated to the bad debt reserve from income on which tax has been paid and is, therefore, subject to no further taxation.

#### WINDOW DRESSING

OCTOBER 14, 1965.

HON. DANTE B. FASCELL,  
*Legal and Monetary Affairs Subcommittee of the Committee on Government Operations, House of Representatives, Washington, D.C.*

This is in reply to your letter of September 13, 1965, requesting information on the actions of this Office which accord with pertinent recommendations made in the committee's report entitled, "Window Dressing in Bank Reports."

Our original proposal to eliminate "Window dressing" in bank reports was the utilization of the surprise call. The first yearend surprise call since 1916 was December 28, 1962. This date was proposed by the Comptroller of the Currency and accepted by the Federal Reserve and the Federal Deposit Insurance Corporation. As you know, the law provides for call dates which shall be selected by the Comptroller of the Currency, 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.

While we maintain the belief that genuine surprise dates for call reports are the most effective method for dealing with the problem of "window dressing," we, nevertheless, have explored with the Federal Reserve and the Federal Deposit Insurance Corporation alternate means of solution. For the past 2 years, a series of meetings have been held with representatives of the other bank regulatory agencies regarding the call report. As a result, beginning with the fourth call for 1965, the forms used by the three agencies will be basically uniform and will preserve the statistical and supervisory value of the report. The reporting banks will be required to furnish average deposit and average loan figures for fifteen calendar days prior to, and including, the call date. We believe the averaging method will to a large degree discourage "window dressing." In addition, our examiners are on the alert to uncover this deceptive practice both in call reports and voluntary statements. In cases where abuses are observed, this Office will take supervisory measures as deemed appropriate.

In closing, we wish to thank your committee for its assistance in dealing with this problem.

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