Minutes for January 14, 1957

To: Members of the Board

From: Office of the Secretary

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

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

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	x WM	
Gov. Szymczak		x MS
1/ Gov. Vardaman		x
Gov. Mills	x	
Gov. Robertson	x R	
Gov. Balderston	x CCB	
Gov. Shepardson		x CNS

1/ The attached set of minutes was sent to Governor Vardaman's office in accordance with the procedure approved at the meeting of the Board on November 29, 1955. The set was returned by Governor Vardaman's office with the statement (see Mr. Kenyon's memorandum of February 12, 1957) that hereafter Governor Vardaman would not initial any minutes of meetings of the Board at which he was not present. Therefore, with Governor Shepardson's approval, these minutes are being filed without Governor Vardaman's initial.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 14, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Hackley, Associate General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Thompson, Supervisory Review Examiner, Division of Examinations

Messrs. O'Kane, General Counsel, Einzig, Assistant Vice President, and Galvin, Chief Examiner, Federal Reserve Bank of San Francisco.

In a letter dated January 12, 1956, the Board requested the Federal Reserve Bank of San Francisco to undertake to obtain information with respect to (1) the nature and extent of banking competition in the relevant area before the acquisition by Arizona Bancorporation of stock of The Bank of Douglas, Douglas, Arizona, and other banks, and before the acquisition of stock of Southern Arizona Bank and Trust Company, of Tucson, by Transamerica Corporation; and (2) the effect of those acquisitions upon competition in the area generally as well as upon competition among the enumerated banks. With its letter of November 23, 1956, the San Francisco Reserve

Bank transmitted copies of a two-volume study of the same date entitled "Investigation of Banking in Arizona". The first part of the study consisted of an over-all picture of the State of Arizona, a discussion of credit facilities available in that State, and a discussion of the sources of credit available to particular types of borrowers. The second section consisted of a study of individual areas in the State, including the sources of borrowed funds for the residents of each area, while the third section drew conclusions as to the availability of alternative sources of credit in different localities, the competitive situation between banks, and the specific changes in bank competition which had occurred as a result of the acquisitions referred to in the Board's letter. The fourth section presented the legal aspects of the foregoing material. At the meeting of the Board on December 14, 1956, it was agreed that it would be helpful to have representatives of the Reserve Bank meet with the Board to summarize and highlight the conclusions drawn from the study, and Messrs. O'Kane, Einzig, and Galvin were present at this meeting for that purpose.

Mr. Galvin reviewed the existing banking facilities in Arizona and Mr. Einzig outlined the areas where the respective banks were found to have been in competition. Mr. O'Kane's remarks were addressed principally to the legal conclusions which had been drawn from the study in the light of the Clayton Act.

Following a discussion of various questions raised by members of the Board with respect to different phases of the situation in Arizona, as described in the study, reference was made by Governor Robertson to reports of an understanding between the Valley National Bank of Phoenix and General Motors Acceptance Corporation to the effect that consumer financing terms would not be changed by either organization independently.

Mr. O'Kane stated that without more information than was now available concerning the reported arrangement, a definite opinion on the legal aspects could not be drawn.

In response to a further question by Governor Robertson as to whether a report on the matter should be sent to the Department of Justice, Mr. O'Kane expressed the view that perhaps a report should be made for whatever action the Justice Department might want to take.

When Mr. Einzig commented that such a transmittal might reduce the willingness of General Motors Acceptance Corporation to make information available to the Board in the future, Mr. O'Kane suggested that perhaps the broad responsibilities of the Board were such as to override that consideration. Mr. Einzig added the explanatory comment that information in the San Francisco study regarding the operations of General Motors Acceptance Corporation was taken from information received by the Board, presumably on a confidential basis.

Chairman Martin said that the Board was very much impressed by the quality and scope of the study and that, although the study presented questions which the Board would have to consider further, the work done by the Reserve Bank was useful and constructive.

Messrs. O'Kane, Einzig, and Galvin then withdrew from the meeting along with Messrs. Fauver, Thomas, Hostrup, Hexter, and Thompson; and Messrs. Johnson, Controller and Director, Division of Personnel Administration, Horbett, Associate Director, Division of Bank Operations, Noyes, Adviser, Division of Research and Statistics, and Sprecher, Assistant Director, Division of Personnel Administration, entered the room.

The Board then gave consideration to a memorandum from the Division of Personnel Administration dated January 10, 1957, regarding a request by the Federal Reserve Bank of Kansas City for approval of upward adjustments in the employees' salary structures at the head office and branches, effective January 1, 1957. The memorandum brought out that the percentage increases in the top grades of the structure originally submitted had been reduced by the Reserve Bank following discussion of questions raised by the Board's staff. The staff had felt that the proposed grades were too high in relation to those of the other Reserve Banks to be realistic and pointed out to the Kansas City Bank that the structure would have the effect of necessitating adjustments in the officers' salary structure, the lowest grades of which are based on the top of the nonofficial structure line. The memorandum recommended that the modified proposal, which would place the Kansas City Bank's structure third highest in the System, be approved.

Following comments by Mr. Johnson on the original proposal and the modifications approved by the Bank's directors as a result of discussions between the Board's staff and the Reserve Bank, Mr. Johnson went on to say that the Division of Personnel Administration had received this morning certain information concerning a survey made by the National Industrial Conference Board of positions in the Kansas City area which appeared to show, in all nine cases where somewhat comparable positions were involved, salary levels lower than those indicated by the Reserve Bank's survey. He thought that it would be difficult to raise a question with the Reserve Bank concerning the adequacy of its wage survey, but on the other hand he questioned whether any survey in Kansas City could justify a salary structure, particularly in the higher grades, above any other Reserve Bank structure, a result which would have followed from adoption of the original proposal. In this connection, he pointed out that because of difficulty in locating comparable positions in the higher grades, the determinations of the ranges for those grades are made principally by extending the salary lines applicable to positions in the lower grades. While he thought that the revised proposal of the Kansas City Bank would not be greatly out of line with the structures of the other Banks and could be approved, he felt at the same time that the Board should continue to look carefully at the Kansas City Bank's wage surveys.

In a discussion of various aspects of the matter, including the relationship between Reserve Bank official and nonofficial salary structures, Governor Balderston commented that the sample of jobs included in the Kansas City Bank's survey was relatively small. According to the Reserve Bank, a sample survey of other companies had been made which indicated that inclusion of such companies in the Bank's wage survey would not have changed the results substantially. Nevertheless, he felt that if the Board approved the current proposal, the Kansas City Bank should be encouraged to enlarge its sample in the future.

Governor Balderston also expressed concern that the projections made for the higher grades in a Reserve Bank's salary structure might in some cases lead to unsound results. Inasmuch, however, as a substantial amount of time had elapsed since the original Kansas City proposal was submitted, and since the Reserve Bank management had been cooperative in revising the proposal so that the salary structure would be more in line with those of other Reserve Banks, it was his opinion that the proposed revised structure could be approved by the Board.

Thereupon, unanimous approval was given to a letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, in the following form:

In accordance with your letters of November 29, 1956, January 8, and January 10, 1957, the Board of Governors approves the following minimum and maximum salaries for the respective grades at the Head Office and Denver, Oklahoma City, and Omaha Branches, effective January 1, 1957:

Head Office and Denver Branch

Grade	Minimum Salary	Maximum Salary
1	$ 2100	$ 2700
2	2220	3000

Grade	Minimum Salary	Maximum Salary
3	$ 2460	$ 3300
4	2700	3660
5	3060	4140
6	3420	4620
7	3840	5160
8	4260	5760
9	4740	6420
10	5340	7200
11	5940	7980
12	6540	8820
13	7320	9840
14	8160	10980
15	9120	12240
16	10140	13680

Oklahoma City Branch

1	2100	2640
2	2160	2880
3	2340	3120
4	2580	3480
5	2880	3840
6	3180	4260
7	3540	4740
8	3960	5340
9	4440	6000
10	4980	6720
11	5520	7440
12	6180	8280
13	6900	9240
14	7680	10320
15	8580	11520
16	9540	12840

Omaha Branch

1	2100	2640
2	2160	2880
3	2340	3120
4	2640	3540
5	2940	3960
6	3300	4440
7	3660	4920

Grade	Minimum Salary	Maximum Salary
8	$ 4080	$ 5520
9	4560	6180
10	5100	6900
11	5700	7680
12	6360	8580
13	7140	9600
14	7980	10740
15	8880	12000
16	9960	13440

The Board understands that these adjustments in structure will not result in salary expenditures in such an amount as to exceed the funds provided for in the Reserve Bank's 1957 budget.

The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is understood that all employess whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than April 1, 1957.

Messrs. Johnson and Sprecher then withdrew from the meeting.

Reference was made to a memorandum from Mr. Horbett dated January 10, 1957, concerning a request from the Federal Reserve Bank of Kansas City for a Board ruling on the question whether member banks in Kansas City, Kansas, could obtain termination of their reserve city status before the end of the next three-year review period if they now voted to continue it for the three-year period beginning March 1, 1957. It appeared that the two reserve city banks in Kansas City, Kansas, would be willing to give up the reserve city designation, effective March 1, 1957, except that the laws of the State of Kansas do not permit the deposit of active State funds in a bank located in a nonreserve city. It also appeared that efforts were being made to obtain legislation at the current session of the State Legislature to change this requirement. The memorandum, copies of which had been sent to the members of the Board, brought out that a somewhat similar question was raised by the Kansas City Bank in 1954 on behalf of member banks in St. Joseph, Missouri, at which time the Board concluded that it would not be warranted in approving the request.

Mr. Horbett expressed the opinion that if the Board wished to change the position taken in 1954 the best course of action probably would be to make a change in the existing formula covering the designation of reserve cities. He pointed out that the making of exceptions might encourage various kinds of requests from banks in reserve cities.

Following a discussion of the matter, unanimous approval was given to a telegram to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

Referring Mr. Woolley's January 10 telegram, Board does not believe it would be warranted in approving under the existing formula a request for termination of reserve city designation of Kansas City, Kansas, other than at established triennial review dates, and that it would be inadvisable to amend and publish a new formula to permit such a procedure. You will recall that Board took same position in February 1954, on a request from member banks in St. Joseph, Missouri.

There had also been circulated to the members of the Board a memorandum from Mr. Horbett, dated December 28, 1956, relating to a recommendation by the Federal Reserve Bank of Cleveland that the Board deny the request of Western Pennsylvania National Bank, McKeesport, Pennsylvania, for permission to maintain the reserve requirements applicable to banks located in nonreserve cities instead of those applicable to reserve city banks. Pursuant to the provisions of Regulation D, Reserves of Member Banks, the subject bank became a reserve city bank on December 1, 1956, when it established a branch in Pittsburgh at the location of a bank which it absorbed. The Reserve Bank had also recommended the waiver of certain penalties incurred by the subject bank because of reserve account deficiencies early in December 1956. Mr. Horbett's memorandum expressed concurrence in both recommendations but called attention to actions taken by the Board in the past in somewhat similar situations which might have a bearing on the Board's decision.

In discussing the matter, Mr. Horbett reported that the area where the branch is located might be redeveloped in the next year or two and that the branch therefore might be moved. He pointed out that if a change in location was made, the member bank could of course ask for a review of the matter by the Board in the light of the changed circumstances.

Following the discussion, unanimous approval was given to a letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

This refers to your letter of December 14 with regard to the application of the Western Pennsylvania National Bank, McKeesport, Pennsylvania, for permission to maintain the reserve requirements applicable to banks located in nonreserve cities, instead of those applicable to reserve city banks to which the bank became subject early in December when it established a branch in Pittsburgh.

The Board has given careful consideration to the pertinent facts contained in the letter sent by Mr. Cancelliere, president of the subject bank, to Chairman Martin under date of December 1, and to those contained in your letter of December 14 and accompanying exhibits. It has also had a review made of Board actions in the past on applications for reduction in reserve requirements in similar circumstances.

The Board concurs in your view that the Pittsburgh branch of the Western Pennsylvania National Bank is not located in an outlying district of the city of Pittsburgh, and that there is considerable question whether the type of business which will be transacted in Pittsburgh by the Western Pennsylvania National Bank will be typical of that transacted by banks located in outlying districts of reserve cities that have permission to carry reduced reserves. Accordingly, and pursuant to your recommendation, the Board denies the subject bank's application.

Also pursuant to the recommendations in your letters of December 14 and January 2, the Board authorizes your Bank to waive the penalties totaling $932.01 incurred by the subject bank early in December.

Please advise the member bank of the Board's actions.

Messrs. Sherman and Horbett then withdrew from the meeting and Mr. Young, Assistant Counsel, Legal Division, entered the room.

Under date of January 2, 1957, Senator Sparkman, Chairman of the Subcommittee on Housing of the Senate Banking and Currency Committee, wrote to the Board requesting its views on the question of appropriate interest rates for Federally underwritten mortgages. With a memorandum dated January 10, 1957, from Mr. Young, Director of the Division of

Research and Statistics, there had been sent to the Board copies of a proposed reply. This reply would suggest leaving the rate of interest on individual mortgages to the discretion of the Commissioner of the Federal Housing Administration or the Administrator of the Veterans Administration at the time the mortgage was submitted for insurance or guaranty. It was suggested that this would insure needed rate flexibility by area and that individual mortgages should bear a rate of interest which was fair and reasonable, considering the general state of mortgage and capital markets, the location of the property mortgaged, and other specific factors relating to each individual transaction.

At the conclusion of the discussion of the draft, it was understood that the letter would be redrafted on the basis of comments made at this meeting and that the matter then would be considered further by the Board.

Reference then was made to a memorandum dated January 8, 1957, from Mr. Young, Director, Division of Research and Statistics, recommending that the Board authorize entering into a contract with the Bureau of the Census, at a cost of $25,000, to continue the arrangement for obtaining information on charge account and instalment receivables held by retail dealers in connection with the Bureau's annual survey of retail trade. The memorandum stated that the budget of the Census Bureau for the fiscal year 1958 was reported to include a request for funds to collect credit data in connection with the 1957 survey, to be conducted early next year. If the budget should be approved, the memorandum pointed out, it would not be necessary for the Board to defray the cost of collecting the retail receivables data next year and probably in subsequent years.

Following a statement by Mr. Young, the recommendation contained in his memorandum was approved unanimously.

Under date of January 9, 1957, the Bureau of the Budget requested the Board's views with respect to a draft bill which would authorize a four-year program of Federal assistance to States and communities to enable them to increase public elementary and secondary school construction. A draft of proposed reply was submitted to the Board with a memorandum from Mr. Young, Assistant Counsel, dated January 10 which stated that the draft bill represented a revision of an earlier draft on which the Board reported to the Budget Bureau by letter dated January 5, 1956. The January 1956 reply did not comment with respect to the main provisions of the bill but raised a question as to the exemption of State obligations issued to finance school construction from the restrictions of section 5136 of the Revised Statutes of the United States. This exemption was not contained in the current draft bill.

Mr. Hackley stated that last Friday, January 11, the Budget Bureau asked by telephone whether it might have at least an informal response from the Board today.

Following a brief discussion, unanimous approval was given to a letter to Mr. Roger W. Jones, Assistant Director for Legislative Reference, Bureau of the Budget, reading as follows:

This is in response to your communication of January 9, 1957, in which you request the views of the Board with respect to a draft bill, "To authorize a four-year program of Federal Assistance to States and communities to enable them to increase public elementary and secondary school construction."

The draft bill would authorize the Federal Government to purchase obligations issued by local educational agencies to finance school construction where such obligations cannot otherwise be marketed upon reasonable terms; provide for Federal grants to States to finance urgently needed school facilities; provide support by the Federal Government, with the participation of the States, of obligations issued by State school-financing agencies established to finance construction of school facilities; and provide for Federal grants to the States to assist them in meeting their administrative expenses in the development and initiation of State programs designed to promote efficiency in, and to increase, public school construction.

The provisions of the draft bill do not fall directly within the scope of the Federal Reserve System's monetary and supervisory responsibilities, and the Board has no comment to offer with respect to them.

Mr. Carpenter stated that the President had signed a bill to excuse Government workers on January 21, 1957, in observance of Inauguration Day.

Thereupon, it was agreed unanimously to excuse on that date all employees of the Board except those required to be present by the nature of their duties.

The meeting then recessed and reconvened at 2:30 p.m. with the same members of the Board present along with Messrs. Carpenter, Kenyon, Vest, Hostrup, Hexter, and Thompson of the staff.

In accordance with arrangements made by Governor Robertson pursuant to the understanding at the meeting on January 11, 1957, the following persons also were present to state reasons in support of the application of Marine Midland Corporation to acquire the voting shares of The Lake Shore National Bank of Dunkirk, Dunkirk, New York: Bayard F. Pope, Chairman of the Executive Committee of Marine Midland Corporation; Baldwin Maull, President of the Corporation; E. C. Gruen, Financial Officer of the Corporation; Charles Teschner, Chairman of the Board of Chautauqua National Bank of Jamestown, Jamestown, New York; and Harvey H. Beebe, President of The Lake Shore National Bank. Under the proposal the Lake Shore bank would be merged with the Jamestown institution, which would establish a branch at the location of the Lake Shore Bank in Dunkirk.

Mr. Beebe began the discussion by covering local aspects of the matter. He said that he had started negotiations with Marine Midland representatives in June of last year, that the results of the negotiations were satisfactory on both sides, that a formal application was submitted in August, and that additional information subsequently was furnished by him and Marine Midland representatives in a discussion with members of the Board's staff in November and later in a letter that he sent to the Board. He also stated that personally he would not be anxious to see a hearing ordered on the matter because he felt that the reasons might be misunderstood in a small community like Dunkirk, with repercussions detrimental to the bank. In addition, he felt that just about all of the information pertinent to the case had been furnished.

Mr. Beebe went on to say that news of the proposal was published in a banking publication in December, following which various questions were raised in the community and representatives of Manufacturers and Traders Trust Company of Buffalo, New York, indicated to him that that institution would be desirous of acquiring the Lake Shore Bank and establishing a branch in Dunkirk, where it has one branch already in operation. He did not know whether Manufacturers and Traders would have in mind discontinuing its present branch, situated in a less desirable location than the Lake Shore Bank, or whether it would operate both offices. He pointed out, however, that in any event Manufacturers and Traders would have a considerably larger banking operation than the remaining independent bank in Dunkirk. Mr. Beebe indicated that at first he felt Manufacturers and Traders would not be in a position to make an offer because supervisory approval was not likely to be forthcoming. However, he had since been informed by representatives of the Buffalo bank that the matter had been taken up informally with persons in the office of the State Superintendent of Banks and that this might be distinguishable from certain applications recently denied because of the presence of the local independent bank and the fact that Manufacturers was already represented in Dunkirk.

Turning to the local competitive situation, Mr. Beebe said he did not believe that Dunkirk would be as well served from the competitive standpoint with only two banking offices. He felt that Manufacturers was apt to make an attractive offer for the Lake Shore Bank, but he said that it would be difficult to enter into such an arrangement because of the competitive history between the Lake Shore Bank and the Manufacturers branch. On the other hand, there had been a long history of friendly relations between his bank and the Marine Midland bank in Buffalo. Another deterrent, he said, was that stock of Marine Midland Corporation, for which shares of the Lake Shore Bank would be exchanged, has a definitely ascertainable market value while stock of Manufacturers and Traders is not so widely traded. For these and other reasons, he did not feel that an offer by Manufacturers and Traders would be so well received by the Lake Shore Bank's officers, directors, and stockholders. From the point of view of bank personnel, he thought that the advantages lay in the direction of accepting the Marine Midland offer.

In further comments, Mr. Beebe reviewed the number and size of commercial banks and savings and loan associations which, along with a branch of a personal loan company, operate in the Dunkirk-Fredonia area. It was his opinion that the independent banks in those cities would not be damaged if the Lake Shore Bank became a branch of the Chautauqua National Bank.

Mr. Teschner then discussed the location, size, branches, and history of the Chautauqua National Bank. In telling of the types of business handled, he expressed the view that the wider range of services that could be offered by a branch in Dunkirk, as compared with the services available through the Lake Shore Bank, would be helpful to the community. He felt that the operation also would be more profitable as a branch bank and that in general the consolidation would be beneficial to the whole area. Employees of Lake Shore, he said, would be in a position to receive all of the benefits available to employees of a Marine Midland bank. Mr. Teschner then reviewed various occasions over a period of years when his bank had extended loans or other assistance to commercial businesses in the Jamestown area in such a way as to contribute to the area's business development. In several of these cases, he stated, the loan requests had been turned down by competing independent banks.

Mr. Maull summarized steps taken thus far by Marine Midland Corporation in an effort to obtain supervisory approval of the current application and stated reasons why a decision at the earliest time possible would be appreciated. It was only because Lake Shore desired an exchange of shares, he said, that the transaction came within the purview of the Bank Holding Company Act. He expressed the view that the implications of this particular transaction bore only a remote relationship, if any, to the objectives of the Act. Mr. Maull then discussed the status of Marine Midland Corporation in relation to its controlled banks, stating that principally it acts to assure good management and directors, to supply capital funds when needed, and to supply those services that can be performed best on a "pool" basis. Following a description of such services, he said that through the establishment of regional banks with branches, the number of banking institutions in the group had been reduced from 133 to 13 over the years and that this development in New York State was not confined to the Marine Midland group. More important than the size of the banks, he asserted, were the characteristics of location. Mr. Maull then went on to state reasons why he considered a regional bank setup more beneficial to the business development of the various areas than the operation of smaller unit banks. On the question of competition, he thought that wherever there was strong competition between rival banking organizations the public would be well served, and that there was such competition in all areas where Marine Midland banks operate, including competition from other types of financial institutions and from metropolitan banks located in New York City and elsewhere. In fact, he said, the competition and the credit needs of the areas were such as to indicate that perhaps the regional banks should be larger.

Mr. Pope said that Marine Midland had tried to look at this case within the framework of the standards set forth in the Bank Holding Company Act, that it could see nothing in the situation in Dunkirk, in Chautauqua County, in the Ninth New York Banking District, or in the State of New York which would constitute good reason for denial of the application, and that the considerable degree of existing competition would continue. After referring to the efforts of Marine Midland to work closely with the Board in the past, he mentioned the current competition for savings accounts as an example of the keen nature of competitive rivalry. He also spoke of the extent to which Marine Midland had supplied capital funds over the years to the banks in its group. As to local autonomy, he said that in most cases Marine has no direct representative on the board of directors of the group bank, and that the directors of each institution "run the bank". As to concentration, he said that Marine's coverage in no case approached undue concentration in relation to the number of the banking offices in the particular area. He believed that a Marine Midland bank office in Dunkirk could serve better than the local bank the welfare of the people who do business in the area, and he added that Marine had never "gone in the back door" to acquire a bank.

Governor Robertson inquired of Mr. Pope where, if he were in the Board's place, he would draw the line beyond which bank acquisitions by a holding company group should not be permitted.

Mr. Pope responded that he would draw the line at a point where the acquisition would be damaging to competition and said that he did not think the Marine Midland acquisitions previously approved by the Board had disrupted competition. Mr. Pope also said that he did not believe any rule could be laid down which would be applicable in all parts of the country, that there must be consideration of the territory involved and an application of common sense, and that the question could not be answered in dogmatic terms through fixing percentages.

In reply to a question by Governor Balderston regarding Marine Midland concentration in Niagara County, Mr. Maull said that the concentration in the county was heavy, that this was an older location for Marine Midland, and that he thought Marine must have served the area satisfactorily or others would have come into the territory.

Chairman Martin then inquired of Mr. Beebe as to his intentions if supervisory approval of a sale of the Lake Shore Bank to Marine Midland or Manufacturers and Traders could not be obtained.

Mr. Beebe replied that it was his intention to retire from the banking business, that his principal associates in the bank were older men, that other top management was not available within the bank, and that he would have to cast around for some other solution. He also said that the bank's stock, formerly owned by an estate, had been placed largely in the hands of persons that he had interested in the bank, that most of the earnings had been retained for addition to capital funds, and that the dividend rate therefore had been low. In substance, he felt that the stockholders' interests would best be served by exchange of their stock for stock of Marine Midland Corporation.

Chairman Martin concluded the meeting by stating that the Board would endeavor to reach a decision as soon as possible.

The meeting then adjourned.

Secretary's Note: The Board having been informed that Dr. Philip G. Davidson would accept appointment, if tendered, as a director of the Louisville Branch, Federal Reserve Bank of St. Louis, the following telegram was sent to Dr. Davidson today pursuant to the Board's action on January 10, 1957:

Board of Governors has appointed you director of Louisville Branch of Federal Reserve Bank of St. Louis for remainder of term expiring December 31, 1957. Your acceptance by collect telegram would be appreciated.

It is understood that you are not director of any bank and do not hold public or political office. Should situation change in these respects during your tenure please inform Chairman St. Louis Bank.

We should like to know how you wish your name and position to be shown in Board's announcement and publications.

S R Carpenter
Secretary