

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, December 27, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Nelson, Assistant Director, Division of Examinations
Mr. Hooff, Assistant Counsel

Discount rates. Unanimous approval was given to telegrams to the following Federal Reserve Banks approving the establishment without change by those Banks on the dates indicated of the rates on discounts and advances in their existing schedules:

Minneapolis	December 20
Atlanta	December 23
St. Louis	December 23
San Francisco	December 23
Cleveland	December 26
Richmond	December 26
Chicago	December 26
Kansas City	December 26
Dallas	December 26

Application of Baystate Corporation for voting permit (Item No. 1).

There had been circulated to the members of the Board a file relating to the application of Baystate Corporation, Boston, Massachusetts, for a general voting permit entitling it to vote the shares of stock which it owns or controls of Union Trust Company of Springfield, Springfield, Massachusetts. By order dated November 7, 1957, the Board had authorized

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Baystate Corporation to acquire up to 60 per cent of the stock of Union Trust Company, and it was understood at the time that the bank holding company intended to merge Union Trust Company with the Springfield National Bank, which it already controlled, to form a new bank known as the Valley Bank & Trust Company. The Division of Examinations recommended that the general voting permit be granted at such time as Baystate Corporation became a holding company affiliate of Union Trust Company.

Pursuant to the recommendation of the Division of Examinations, unanimous approval was given to a telegram to the Federal Reserve Agent at the Federal Reserve Bank of Boston authorizing the issuance of the requested voting permit upon receipt of advice from Baystate Corporation that it had become a holding company affiliate of the Union Trust Company of Springfield. A copy of the telegram is attached hereto as Item No. 1.

Application to organize a national bank at Garden City, New York (Item No. 2). At the meeting of the Board on December 3, 1957, consideration was given to the recommendation to be made to the Comptroller of the Currency with respect to an application to organize a national bank at Garden City, New York. It was noted that about a year previously the New York Reserve Bank had suggested a favorable recommendation concerning a similar application, that the Board had recommended favorably, but that the application had been denied by the Comptroller of the Currency. Since the recommendation of the Reserve Bank on the current

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application was unfavorable, it was decided to request the Bank to supply for the record a statement concerning the reasons for the change in its original position. This information, which had now been received, indicated that findings of the Comptroller of the Currency, not uncovered in the original investigation by the Reserve Bank, tended to cast some doubt on the standing and reputation of the organizers. In addition, the New York Bank concluded that there had been some change in the status of Garden City as a trading center for its area and that there appeared to be no real need at the present time for the establishment of an additional bank. The file on the matter, with the additional information included, had been recirculated to the members of the Board.

Governor Robertson said that he would go along reluctantly with an unfavorable recommendation to the Comptroller of the Currency. He felt that the material in the file did not give strong support to such a recommendation, and it still seemed strange to him that the position of the Federal Reserve Bank of New York should have changed so greatly within a period of one year. He pointed out that the only existing bank in the community was of a substantial size, having deposits in excess of \$60 million, which made it difficult to believe that there was not room for another bank in the city. On balance, however, he found nothing in the file which would warrant a recommendation to the Comptroller of the Currency other than the one that had been suggested by the Reserve Bank and the Division of Examinations.

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Mr. Masters commented that the area in question was quite heavily banked at present, there being 12 commercial banking offices within a three-mile radius of Garden City, and that, as the information from the Reserve Bank indicated, there appeared to have been some change in the economy of the area and the banking situation since the previous application was filed. Garden City had lost some of its importance as a trading center and there had been five additional branch banking offices established in the area.

In this connection, Governor Robertson mentioned that during the past year the deposits of the existing bank in Garden City had increased even beyond the increase attributable to a merger which had taken place.

Governor Mills said that he agreed with the recommendation of the Reserve Bank and the Division of Examinations. If the organizers of the proposed bank had had a better standing in the community, he said, he would have felt more favorably disposed toward the application.

Governors Szymczak and Shepardson then expressed concurrence in the proposed unfavorable recommendation. Accordingly, unanimous approval was given to the letter to the Comptroller of the Currency of which a copy is attached hereto as Item No. 2, with the understanding that a copy would be sent to the Federal Reserve Bank of New York.

At this point Mr. Molony, Special Assistant to the Board, entered the room.

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Application of The Marine Trust Company of Western New York to absorb The Citizens Bank, Attica, New York (Item No. 3). At the meeting on December 3, 1957, consideration was given to the application of The Marine Trust Company of Western New York, Buffalo, New York, for prior consent under section 18(c) of the Federal Deposit Insurance Act to its absorption of The Citizens Bank, Attica, New York, and for permission to establish a branch in Attica at the location of The Citizens Bank. It was understood to be the intention of the applicant bank to consolidate this branch after a certain period of time with its existing branch in Attica. Since the Board was disposed to deny the application, it was decided to ask the Federal Reserve Bank of New York, which had recommended favorably, whether it wished to submit any additional information or comment. This information had now been received and the file had been recirculated, with additional memoranda from the Division of Examinations and the Legal Division. The former Division continued to recommend that the application be approved. The memorandum from the Legal Division pointed out that the results envisaged by the proposal could be substantially achieved through alternative procedures for which the Board's approval would not be required and that there might be some possible legal question regarding denial of an application under section 18(c) of the Federal Deposit Insurance Act on grounds other than the inadequacy of capital. It was pointed out, however, that over the years the Board had taken into account factors other than the adequacy of

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capital in considering such applications and that this policy had been made known by the Board. Submitted with the file was a draft of letter to the Federal Reserve Bank of New York which might be used if the Board should decide to deny the current application.

Mr. Masters commented that this was perhaps a borderline case, but in the view of the Division of Examinations it was one where approval of the application seemed warranted. In the case of this small community, it appeared to the Division that it might be better to think in terms of the service that could be provided by one strong bank more than in terms of continuing to provide banking competition. Furthermore, the existing independent bank had made no provision for management succession and the owners were desirous of selling. It seemed doubtful, he said, whether any independent banking interests would want to go into the community and there was the possibility that the existing bank would be liquidated if it were not sold.

Mr. Hackley expressed the view that the application presented a close question of policy. After pointing out that the Clayton Act was not applicable because there would be no stock acquisition, he said it was the personal feeling of the legal staff that, while the proposed transactions might result in a substantial lessening of competition, they probably would not be regarded as resulting in an undue lessening of competition in view of the circumstances mentioned by Mr. Masters.

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Mr. Hooff then developed the legal points covered in his memorandum, following which Governor Mills said he continued to feel that the application should be disapproved, since to him the principle involved was more important than the circumstances relating to factors such as population or earnings. A reading of the original file on the matter gave him the impression, he said, that the existing independent bank was operating on a reasonably satisfactory basis, and it occurred to him that the New York Reserve Bank might have inadvertently stressed certain weak points in its second report in an effort to support its recommendation. The practical difficulty, he pointed out, was that the owners of the independent bank were desirous of selling, which made it rather hard for a supervisory authority to stand in the way of completion of the transactions. On balance, however, and recognizing that a very close decision was involved, he believed that the Board should deny the application.

Governor Robertson concurred, stating that he saw nothing in the file which would warrant favorable action. He pointed out that the town of Attica has a population of 3,000, that the existing bank and branch each have deposits of approximately \$4,000,000, and that there was no evidence to indicate that these banking offices had not been meeting the needs of the area. Against this, there was nothing but an unverified statement of belief that a combined bank could render better service, and in the long run it is actually competition which makes banks provide

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service. In these circumstances, he felt that it would be unwise for the Board to overlook its responsibility to maintain competition wherever possible. The fact that the proposed transactions could be carried out in a manner obviating the necessity for Board approval did not carry weight with him. If the interested parties wished to carry out the transactions in such a manner, they could of course do so, but that would not involve having the Board take a position simply on the basis that the results could be achieved through some other means.

Governor Shepardson said that theoretically there appeared to be a point favoring denial on the basis that local competition would be eliminated. From a practical point of view, however, he thought that the situation was as outlined by Mr. Masters, and accordingly he would favor granting the application.

There followed a discussion during which Mr. Hackley referred to the question whether, under section 18(c) of the Federal Deposit Insurance Act, the Board is entitled to consider any factors except the adequacy of capital. As indicated in Mr. Hooff's memorandum, he said, the Board had in fact followed a policy of taking into account various considerations relating to the public interest. At the same time, the Board had recommended an amendment to the law under which it would be specifically required to consider and weigh factors other than the adequacy of capital. This recommendation had given rise to some difference of opinion between the Federal bank supervisory agencies and the Department of Justice,

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with the Department insisting that the language of the Clayton Act should be followed and that consideration of applications should be on the basis of whether a substantial lessening of competition would result. The Board, however, had expressed the view that consideration of such matters should be on the basis of whether an undue lessening of competition would result, and that this should be weighed against factors such as the needs of the community and the competence of management. Mr. Hackley said that he merely mentioned these points to suggest that if section 18(c) were amended in line with the Board's recommendation, more weight could perhaps be given to factors such as had been mentioned by Mr. Masters in this case which would offset the lessening of competition.

With respect to Mr. Hackley's comments, Governor Mills said it had always been his reasoning that the effort being made by the three Federal bank supervisory agencies to amend the present law had as its essential purpose a strengthening of the authority which was always considered to have been vested in those agencies. More particularly, he referred to the authority of the agencies in determining merger applications to take into account the various factors that would be expressed specifically in the recommendation which was now a part of the proposed Financial Institutions Act.

Governor Robertson concurred and went on to say that it was not the intent, when section 18(c) was enacted in its present form, that a supervisory agency would look only at the adequacy of capital.

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Thereupon, it was voted to deny the application of The Marine Trust Company of Western New York, Governor Shepardson dissenting from the decision for the reasons he had stated. A copy of the letter to the Federal Reserve Bank of New York which was approved pursuant to this action is attached hereto as Item No. 3.

Secretary's Note: In the light of developments following the meeting which indicated the likelihood of further consideration of the matter by the Board, it was decided, following discussion between Governors Szymczak and Robertson, to withhold the actual mailing of the approved letter.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the recommendation contained in a memorandum dated December 26, 1957, from Mr. Young, Director, Division of Research and Statistics, concerning payment of fees and expenses incurred by Dr. Harry Ernst, Consultant, during the period November 21 to November 27, 1957. A copy of the memorandum is attached as Item No. 4.

Governor Shepardson also approved today on behalf of the Board the following items:

Memoranda from appropriate individuals concerned recommending the following actions affecting the Board's staff:

Appointment

Garland R. Gaines as Messenger, Division of Administrative Services, with basic annual salary at the rate of \$2,690, effective the date he assumes his duties.

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Salary increases

Manros A. Nickens, from \$2,945 to \$3,045 per annum, effective December 29, 1957, with a change in title from Messenger to Mail Clerk, Division of Administrative Services.

Abner Thompson, from \$3,470 to \$3,619 per annum, effective December 29, 1957, with a change in title from Mail Clerk to Xerox Operator, Division of Administrative Services.

Acceptance of resignation

Nita Fay Hobbs, Clerk-Typist, Division of Personnel Administration, effective December 28, 1957.

Letter to the Federal Reserve Bank of Cleveland approving the appointment of Dominic Mario Bruno as assistant examiner. A copy of the letter is attached as Item No. 5.

Memorandum from the Division of Personnel Administration dated December 13, 1957, recommending that meritorious salary increases be granted to 53 members of the Board's staff, as follows, effective January 12, 1958:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Iola B. Morgan, Secretary		\$4,620	\$4,755
Nancy B. Kelly, Secretary		4,970	5,105
<u>Office of the Secretary</u>			
Betty P. Long, Records Clerk		3,500	3,585
Elizabeth G. Stephenson, Records Clerk		3,500	3,585
Edna L. Stoll, Records Clerk		3,500	3,585
<u>Research and Statistics</u>			
Donald C. Miller, Chief, Government Finance Section		12,150	12,690
Stanley J. Sigel, Economist		10,750	10,965
Maurice H. Schwartz, Economist		9,420	9,635
Lyndall C. McCloud, Economist		8,000	8,215
James C. Byrnes, Economist		6,605	6,820
Frank de Leeuw, Economist		6,390	6,605

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Salary increases, effective January 12, 1958 (continued)

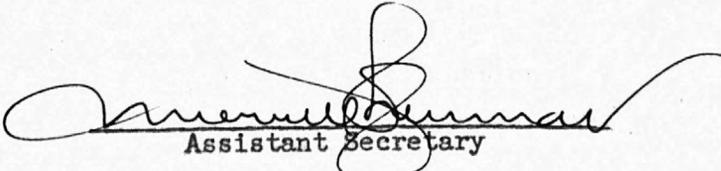
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Edward Manookian, Economist		\$6,390	\$6,605
Dorothy M. Bujno, Secretary		4,350	4,485
Dorothy G. Drake, Editorial Clerk		3,805	3,940
Margaret V. Hastings, Research Assistant		3,670	3,805
Bernice T. Mann, Secretary		3,940	4,075
Shirley A. Barham, Clerk-Stenographer		3,500	3,585
Joyce Meyer, Clerk-Stenographer		3,500	3,585
Carolyn Rison, Editorial Clerk		3,585	3,670
Ann Van Eckhardt, Statistical Clerk-Typist		3,585	3,670
<u>International Finance</u>			
Catherine B. Davian, Secretary		4,210	4,345
Patricia C. Fitzmaurice, Clerk		3,415	3,500
Margaret R. Garber, Economist		5,710	5,845
Robert F. Gemmill, Economist		7,570	7,785
John E. Reynolds, Economist		8,990	9,205
<u>Examinations</u>			
Brenton C. Leavitt, Supervisory Review Examiner		10,320	10,535
John T. McClintock, F. R. Examiner		7,570	7,785
M. F. Johnson, F. R. Examiner		6,605	6,820
Travis J. Johnson, F. R. Examiner		7,035	7,250
Andrew S. MacKenzie, Asst. F. R. Examiner		6,605	6,820
John P. Donovan, Asst. F. R. Examiner		5,575	5,710
Francis D. Dargo, Asst. F. R. Examiner		4,795	4,930
Carl A. Zimmerman, Asst. F. R. Examiner		4,525	4,660
Anna S. Courtney, Secretary		4,350	4,485
M. Patricia McShane, Training Assistant		4,485	4,620
Patricia R. Baker, Stenographer		3,585	3,670
Joyce L. West, Stenographer		3,415	3,500
<u>Bank Operations</u>			
John N. Kiley, Jr., Technical Assistant		8,990	9,205
J. C. Franzoni, Technical Assistant		8,000	8,215
Theodore A. Veenstra, Jr., Technical Assistant		6,605	6,820
Charles W. Bryson, Analyst		4,215	4,350

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Salary increases, effective January 12, 1958 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Personnel Administration</u>			
Jane Donohoe, Secretary		\$4,350	\$4,485
Jeanette E. Devlin, Personnel Records Clerk		4,075	4,210
John C. Brennan, Personnel Assistant		7,035	7,250
Harold L. Emerson, Personnel Assistant		6,390	6,605
<u>Administrative Services</u>			
Albert C. Bain, Telegraph Operator		4,210	4,345
Joan C. Bell, Clerk-Stenographer		3,585	3,670
Abraham Rose, Cafeteria Laborer		2,830	2,915
Gertrude H. Price, Cafeteria Helper		2,600	2,675
Henry L. Edmonds, Cafeteria Laborer		2,830	2,915
Edith C. Hartzell, Charwoman		2,900	2,975
<u>Office of the Controller</u>			
Sampson H. Bass, Chief, Fiscal Section		9,420	9,635
John Kakalec, Accountant		6,390	6,605


 Assistant Secretary

TELEGRAM
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 1
12/27/57

December 27, 1957

SPRAGUE - BOSTON

KEBJE

- A. Baystate Corporation, Boston, Massachusetts.
- B. Union Trust Company of Springfield, Massachusetts.
- C. Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (FRLS #7190). STOP. Permit authorized herein shall not be issued until you have been notified by Baystate Corporation that it has become a holding company affiliate of bank named herein. Meanwhile, you may assure Baystate Corporation that voting permit will be issued upon receipt of such notification.

(Signed) Merritt Sherman

SHERMAN

KEBJE - The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
12/27/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 27, 1957

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. L. A. Jennings,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated July 19, 1957, enclosing copies of an application to organize a national bank at Garden City, New York, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by representatives of the Federal Reserve Bank of New York indicates that the proposed capital structure of the bank would be adequate for the volume and character of business expected during the first few years of operation. However, the prospects for profitable operation of the institution are only fair and the proposed board of directors is generally unimpressive and lacks individuals who would be considered outstanding in the community. An experienced operating officer has been selected, but there is some question whether the directors would accept his leadership. Garden City has had only 1 commercial bank for about 34 years and, while it might appear that another bank could be justified, it is reported that the 12 commercial banking offices of other institutions operating within a 3-mile radius and 4 savings and loan associations provide substantial competition in the area. It is reported that existing banking facilities in the community are satisfactory and evidence of need for the proposed new bank seems to be lacking. On the basis of the information available, the Board of Governors does not feel justified in recommending approval of the application.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 3
12/27/57



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 27, 1957

Mr. H. H. Kimball, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Kimball:

Reference is made to your letters of October 31, 1957, and December 12, 1957, regarding the application of The Marine Trust Company of Western New York, Buffalo, New York, for (1) the Board of Governors' consent to its absorbing, by merger, The Citizens Bank, Attica, New York, and (2) permission by the Board to establish a second branch in Attica.

As brought out in your letters, the banking facilities in Attica now consist of The Citizens Bank and a branch of The Marine Trust Company of Western New York (the applicant). Consequently, the proposed merger would result in the absorption of one of these competitors by the other, leaving only one banking institution represented in the town. In view of the circumstances, the Board of Governors has denied the application on the ground that the proposed merger would unduly diminish banking competition in the town of Attica and its vicinity. Please advise the Trust Company accordingly.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.

(This letter was not mailed. See letter dated January 14, 1958, which was sent over the signature of Mr. Carpenter.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 4
12/27/57

Office Correspondence

Date December 26, 1957

To Governor Shepardson

Subject: Fees and Expenses of Dr. Ernst

From Ralph A. Young

in Period November 21 to 27, 1957

In accordance with our understanding concerning the development of the work on the electric power data project, I recommended, in my memorandum of November 21, addressed to the Board, the reappointment of Dr. Harry Ernst, Professor of Economics, and Director, Institute of Economic Research, Tufts University, as a Consultant, effective upon approval by the Board and until December 31, 1958, on a contractual basis with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington or outside the city, plus a per diem in lieu of subsistence for the amount of time spent in travel status in connection with his assignments and transportation in accordance with the Board's travel regulations. This memorandum was approved and entered in the Board Minutes on November 27, 1957. (Dr. Ernst's previous appointment expired September 30, 1957.)

It now appears, on the basis of expense vouchers recently submitted, that Dr. Ernst worked in the period November 21 to 27. This situation was brought about through misunderstanding of his appointment status. Therefore, my present memorandum is submitted as a request for clarification of the problem. It is recommended that payment of the fees and expenses incurred by Dr. Ernst during the period November 21 to 27, 1957, be approved.

R. A. Young

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 5
12/27/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 27, 1957



Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of December 20, 1957, the Board approves the appointment of Dominic Mario Bruno as an assistant examiner for the Federal Reserve Bank of Cleveland.

Please advise us as to the date upon which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.