

Minutes for June 17, 1958

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 <u><i>mm</i></u>	_____
Gov. Szymczak	x <u><i>ms</i></u>	_____
Gov. Vardaman <u>1/</u>	_____	x _____
Gov. Mills	<u><i>[Signature]</i></u>	_____
Gov. Robertson	x <u><i>R</i></u>	_____
Gov. Balderston	_____	x <u><i>CCB</i></u>
Gov. Shepardson	_____	x <u><i>LES</i></u>

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, June 17, 1958. The Board met in the Special Library at 9:15 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Mills  
Mr. Robertson

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

Request of Old Kent Bank and Michigan Trust Company. On May 23, 1958, the Board denied the application of Old Kent Bank and Michigan Trust Company, Grand Rapids, Michigan, to establish seven branches in the area incident to the proposed merger of that bank with Peoples National Bank of Grand Rapids. Following further consideration of the matter at the request of the interested parties, the Board reaffirmed its decision on May 28. Under date of June 11, the President of the Old Kent Bank addressed a letter to the Board in which he stated that the directors of that bank and the Peoples National Bank had decided that it was in the best interest of both banks and the public to consummate the consolidation even though it might be necessary to give up all of the branches in question. However, the directors felt that it was not in the public interest to terminate the operation of the branches located at Rogers Heights and at Wealthy-Lake Drive. Resolutions of the respective banks' directors directing the officers of Old Kent Bank and the Peoples National Bank to make every effort to continue the operation of these two branches were enclosed with the letter. In addition, it had been decided to relocate the existing branch of the Old

6/17/58

-2-

Kent Bank at 111 Pearl Street to the site now occupied by the main office of Peoples National Bank. It was suggested that such relocation would be within the immediate neighborhood and would not affect any change in the nature of business or customers served. A conference with the Board of Governors, or available members thereof, to discuss these matters was requested. Copies of the letter and its attachments had been distributed to the members of the Board.

Supplementing the information contained in the letter, Governor Robertson said that he understood that after the Board made its decision, representatives of the two Grand Rapids banks visited President Allen of the Federal Reserve Bank of Chicago and then decided to effect the consolidation even if permission could not be obtained for the merged institution to operate the branches of the Peoples National Bank. However, the Grand Rapids banks also concluded that the public interest was so great that efforts should be made to continue to operate the two branches referred to in the letter. One of these branches is in the southern part of Grand Rapids, where there is a population of about 5,000 and where there are no competing branches, while the other is on the eastern side of the city. There are other banking facilities in the latter area but the branch of the Peoples National Bank is a long-established office. With regard to the proposal to move an existing branch of the Old Kent Bank to the site of the head office of the Peoples National Bank, Governor Robertson said that the Grand Rapids bankers apparently had been encouraged by the staff of the Federal Reserve Bank of Chicago to think that this move could be made,

6/17/58

-3-

pursuant to the provisions of the Board's Regulation H, on the basis of relocating an existing branch. This, he felt, was somewhat questionable, since the nature of the business of the existing branch apparently would be changed.

Governor Robertson said that representatives of the Old Kent Bank were in Washington today and that, if agreeable to the Board, he would offer to meet with them this afternoon. He would tell them that the Board's position was exactly as expressed previously, because the current proposal did not change the basic situation. In this connection, he said under the original plan it was intended to terminate four of the existing branches of the Peoples National Bank following the merger, so that in effect the current proposal would involve the operation of only one less branch than originally contemplated. Furthermore, there would be no substantial effect on the percentage of banking offices controlled by the merged institution and there would be no effect on the percentage of controlled deposits.

Governor Robertson went on to say that apparently the Old Kent interests were apprehensive that a competing bank would apply for a branch in the southern part of the city if the existing branch of Peoples National Bank in that area should be discontinued. It was his feeling that if the merger took place and if the merged institution should then apply for a branch at any of the sites of existing branches of the Peoples National Bank, the proper procedure would be for the Board to consider any such applications along with applications which might be made by other banks in Grand Rapids for branches in those particular areas. As to the existing

6/17/58

-4-

branch in the eastern part of the city, he said that he would favor attempting to discourage a proposal to continue in that location because there are other banking facilities in that part of the city. On the proposal to move an existing branch of Old Kent Bank to the site of the head office of Peoples National Bank, he would merely indicate doubt as to whether this move could actually be made as a relocation of an existing branch. Governor Robertson further indicated that in talking with the Grand Rapids bankers this afternoon he would be guided in the scope of his remarks by the questions which might be raised by the visitors.

In further discussion Mr. Masters suggested that Governor Robertson might wish to clarify this afternoon what seemed to be a misunderstanding on the part of the applicant bank, namely, that the basis for the Board's decision was the number of branches applied for rather than the over-all competitive effect of the proposed merger.

Mr. Hackley concurred in the view that the current proposal seemed to make no substantial change in the situation previously considered by the Board. As Mr. Masters had pointed out, the difficulty lay in the competitive effects of the proposed merger and not in the number of branches. From a recent article in the "American Banker" the interested institutions seemed to feel that the Board's authority in this matter was questionable as a matter of law. Mr. Hackley felt that they were in error on that point, and that the Board's action had a sound legal basis.

6/17/58

-5-

Thereupon, it was agreed unanimously that Governor Robertson would offer to meet with the representatives of the Old Kent Bank this afternoon, at which time he would make such statements as he deemed appropriate in the light of the discussion at this meeting.

The meeting then adjourned.

Secretary's Notes:

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on June 13, 1958, the following items affecting the Board's staff:

Salary increases, effective June 15, 1958

Ramsay Wood, Economist, Division of Research and Statistics, from \$11,395 to \$11,610 per annum.

J. Frank Holahan, Supervisory Review Examiner, Division of Examinations, from \$11,395 to \$11,610 per annum.

Salary increases and title changes in the Division of Administrative Services, effective June 15, 1958

<u>Name</u>	<u>Change in title</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
J. Frank Bell	From Head Chauffeur to Supervisor, Motor Transport Unit	\$4,480	\$4,620
Elizabeth L. Carmichael	From Chief, Publications Section, to Administrative Assistant and Chief, Publications Services	7,465	7,785
Sven E. Johnson	From Foreman of Laborers to Inspector-Foreman	4,830	5,065
Harry E. Kern	From Chief, Procurement Section, to Chief, Office Services	6,390	7,570

6/17/58

-6-

Salary increases and title changes in the Division of Administrative Services,  
effective June 15, 1958 (continued)

<u>Name</u>	<u>Change in title</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
Franklin Taylor	From Supervisor, Duplicating & Mail Section, to Supervisor, Duplicating, Mail, Messenger and Supply Section	\$6,802	\$7,010
Herbert W. Young	From Mechanical Superintendent to Building Superintendent	6,739	7,176

Acceptance of resignation

Arthur H. Lang, Chief Federal Reserve Examiner, Division of Examinations, effective June 30, 1958.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Robertson, acting in the absence of Governor Shepardson, approved on behalf of the Board on the dates indicated the following items affecting the Board's staff:

June 13, 1958

Salary increase

Charles W. Bryson, Analyst, Division of Bank Operations, from \$4,350 to \$4,525 per annum, effective June 15, 1958.

June 16, 1958

Appointments

David Ryerson Hull, Jr., as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$4,660, effective the date he assumes his duties.

Paul R. Johnson as Economist, Division of Research and Statistics, with basic annual salary at a rate not less than \$7,000 but within the range of Salary Group U (presently \$6,390 - \$7,465) with the understanding that a recommendation regarding the specific rate of salary would be submitted to the Board for approval before the date on which Mr. Johnson assumes his duties.

6/17/58

-7-

Mary E. McCarthy as Clerk, Division of International Finance, with basic annual salary at the rate of \$3,175, effective the date she assumes her duties.

On June 16, 1958, Governor Robertson, acting in the absence of Governor Shepardson, also approved on behalf of the Board a telegram to the Federal Reserve Bank of Boston approving the designation of Mordecai Fisherman as special assistant examiner. A copy of the telegram is attached as Item No. 1.

Governor Robertson today approved on behalf of the Board a letter to the Federal Reserve Bank of Richmond approving the designation of Oscar Davis Williams, Jr., as special assistant examiner. A copy of the letter is attached as Item No. 2.

Governor Robertson also approved today on behalf of the Board the recommendation contained in a memorandum dated June 11, 1958, from Mr. Young, Director, Division of Research and Statistics, that permission be granted to Edward J. Kane, Research Assistant in that Division, to accept a part-time position with William Hahn and Company.

  
Secretary

T E L E G R A M  
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTONItem No. 1  
6/17/58

June 17, 1958

KING - BOSTON

Reurlet June 11, 1958, Board approves designation of Mordecai Fisherman as special assistant examiner for the Federal Reserve Bank of Boston to participate in examinations of State member banks only.

(Signed) S. R. Carpenter

CARPENTER

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

Item No. 2  
6/17/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 17, 1958

Mr. N. L. Armistead, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Armistead:

In accordance with the request contained in your letter of June 11, 1958, the Board approves the designation of Oscar Davis Williams, Jr., as a special assistant examiner for the Federal Reserve Bank of Richmond.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.