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.

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Minutes of the Board of Governors of the Federal Reserve System

on Tuesday, March 24, 1959. The Board met in the Board Room at 2:00 p.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Shay, Legislative Counsel
Mr. Nelson, Assistant Director, Division
of Examinations

Bank merger legislation. In a letter dated March 21, 1959, Chairman Robertson of the Senate Banking and Currency Committee noted that bill S. 1062 would authorize the bank supervisory agency having jurisdiction over a proposed bank merger to request the opinion of the Attorney General. In the course of the hearings on the bill, the suggestion had been made that this provision be amended to require the agency to obtain the opinion of the Attorney General in every case, and Senator Robertson indicated that he would appreciate having the Board's views as promptly as possible.

With a memorandum from Mr. Hackley dated March 24, 1959, there had been distributed to the Board a draft of possible reply. While indicating that in the view of the Board permissive authority to request the opinion of the Attorney General would be adequate, the draft would further state that if, in the judgment of the Banking and Currency Committee, the banking agencies should be required to seek the
Attorney General's views regarding the competitive aspects of proposed bank mergers, the Board would not be disposed to object to such a requirement provided (1) that its applicability not extend to cases where the combined capital accounts of the merging institutions were below a specified amount (for example, $10 million) or to such other cases or categories of cases as might be agreed upon by the Attorney General and the respective bank supervisory agencies, and (2) that whenever a bank supervisory agency or the Attorney General was asked for an expression of views, such views must be submitted within 30 days from the date of the request. Submitted with the draft of letter was a draft of possible amendment to S. 1062.

Governor Robertson commented that at the recent hearings on S. 1062, Senator Sparkman noted that the banking agency having jurisdiction over a proposed merger would be obliged to seek the views of the other Federal bank supervisory agencies, which led him to inquire why the permissive authority for seeking the opinion of the Attorney General should not likewise be made mandatory. This question was not answered to Senator Sparkman's satisfaction, and subsequently the Committee staff apparently had been considering the whole idea. After expressing the opinion that a similar question would be raised in any hearings before the Senate or House Judiciary Committees regarding proposed bank merger legislation, Governor Robertson reviewed the draft of reply to Senator Robertson and explained why various provisions had been included in it.
Governor Mills commented that the inclusion in S. 1062 of a permissive approach to the Attorney General on the part of the three bank supervisory agencies in effect represented a concession, one which in hindsight he believed was in error. Rather than to compound that error, he felt that the Board should stand on the position already taken with respect to S. 1062. After indicating how the draft of reply might be revised to reflect a position such as he would favor, he went on to say that to differentiate between mergers on the basis of the capital of the merging institutions would tend automatically to stigmatize size. Regardless of other factors, an arbitrary separation would be made between mergers that would pass relatively unnoticed and those that would be subjected to inspection by the Attorney General. This would remove from the bank supervisory agencies a discretionary authority that should be vested in them pursuant to their responsibilities under S. 1062.

Governor Robertson responded that although he recognized the danger involved in using a cut-off figure, he had been unable to think of a better way to limit the number of cases on which the opinion of the Attorney General would be required. If concessions such as indicated in the proposed letter were made, he felt that there was some chance of obtaining legislation along the general lines of S. 1062. Otherwise, legislation might be in the form of amendments to the Clayton Act, as proposed in bills pending before the Judiciary Committees. An
alternative might be to suggest an exception pursuant to which the opinion of the Attorney General would not be required in categories of cases defined by the Attorney General and the bank supervisory agency, but he would not like to rely upon an exception of that kind.

At this point Governor Robertson noted that the draft of possible amendment to S. 1062 submitted with Mr. Hackley’s memorandum unintentionally failed to provide for discretionary referral to the Attorney General of any proposed bank merger coming before a bank supervisory agency. Mr. Hackley then indicated how the draft amendment could be changed to provide for referral of any case at an agency’s discretion.

Further discussion related principally to the question whether it would be preferable, as Governor Mills had suggested, to stand for the time being on the Board’s stated position and reserve for future consideration any concessions that might be deemed necessary, or whether, as Governor Robertson had suggested, it might be advisable to offer at this point the compromise that the Board considered least undesirable. The discussion concluded without any decision having been reached, and it was understood that the matter would be considered further at another meeting of the Board.

In order to ascertain whether the other Federal bank supervisory agencies had received similar letters and to obtain their thinking on the question, it was understood that Governor Robertson would enter into discussion with them.
Application of Marine Trust Company. With reference to the tentative decision of the Board last Friday to deny the application of The Marine Trust Company of Western New York, Buffalo, New York, for permission to establish a branch in the Town of Tonawanda, the Secretary stated that Mr. Russell Clark, Superintendent of Banks for the State of New York, would like to discuss the case with the Board.

Arrangements had previously been made for Mr. Clark and his associate, Mr. William Brennan, to have lunch with the members of the Board at the Federal Reserve Building next Thursday, March 26, and it was agreed that discussion of the application at such time would be appropriate. It was understood that representatives of the Division of Examinations and the Legal Division would be present.

In this connection, Mr. Nelson reported having advised Assistant Vice President Crosse of the New York Reserve Bank of the Board's tentative decision. Mr. Crosse, he said, indicated that the Reserve Bank considered the application borderline in nature, expressed doubt whether the Reserve Bank would want to submit any further views or information, and stated that the matter would probably be pursued, if at all, by the State banking authorities.

The meeting then adjourned.

Secretary's Notes:

Governor Shepardson today approved on behalf of the Board a letter to the Department of Justice (attached Item No. 1) relating to certain aspects of the Board's claim for damages against Wegematic Corporation.
Governor Shepardson also approved today on behalf of the Board letters to the Federal Reserve Banks of New York and Dallas (attached Items 2 and 3) approving the appointment of Edwin Leafhill and John P. Fauntleroy as assistant examiners for the respective Banks and a telegram to the Federal Reserve Bank of San Francisco (attached Item No. 4) approving the appointment of Donald C. Smith as assistant examiner.
March 24, 1959.

Mr. George Cochran Doub,
Assistant Attorney General,
Civil Division,
Department of Justice,
Washington 25, D. C.

Re: GCD:RM
77-51-2529

Dear Mr. Doub:

This is in response to your letter of March 13, 1959, with which was enclosed a copy of the United States Attorney's letter of February 26, 1959, concerning the computation of damages in connection with the claim which the Board of Governors has against Wegematic Corporation. It is noted that the United States Attorney proposes to claim damages in a total amount of $244,065 unless you instruct him otherwise.

You inquire particularly about including, for compromise purposes, the 90-day period of delay in the period for which liquidated damages will be claimed. With respect to this matter, it is entirely satisfactory to the Board for the United States Attorney to exercise his own judgment.

You have also raised a question with regard to damages which may have resulted from the possible superior performance of the Alwac 800 over the IBM 650. While reference to the comparative performance of the two computers was made in the Board's letter of February 5, 1959, it was not necessarily for the purpose of increasing the amount of damages to be asserted, but rather to provide your Division with as complete information as possible. The Board, therefore, has no objection if you decide not to claim an additional amount of damages for this factor, which apparently is the inclination of the United States Attorney.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mr. R. B. Wiltse, Vice President,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Wiltse:

In accordance with the request contained in your letter of March 19, 1959, the Board approves the appointment of Edwin Leafhill as an assistant examiner for the Federal Reserve Bank of New York. Please advise as to the date on which the appointment is made effective.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
Mr. L. G. Pondrom, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Pondrom:

In accordance with the request contained in your letter of March 20, 1959, the Board approves the appointment of John P. Fauntleroy as an assistant examiner for the Federal Reserve Bank of Dallas, effective today.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.
March 24, 1959.

SWAN — SAN FRANCISCO


(Signed) Kenneth A. Kenyon

KENYON