

Minutes for April 13, 1960

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, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

M

Gov. Szymczak

MSZ

Gov. Mills

RM

Gov. Robertson

RR

Gov. Balderston

CCB

Gov. Shepardson

SS

Gov. King

JK

Minutes of the Board of Governors of the Federal Reserve System on  
 Wednesday, April 13, 1960. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman  
 Mr. Szymczak  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson  
 Mr. King

Mr. Sherman, Secretary  
 Mr. Young, Adviser to the Board  
 Mr. Shay, Legislative Counsel  
 Mr. Hackley, General Counsel  
 Mr. Noyes, Director, Division of Research  
 and Statistics  
 Mr. Farrell, Director, Division of Bank Operations  
 Mr. Hexter, Assistant General Counsel  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Hostrup, Assistant Director, Division of  
 Examinations  
 Mr. Nelson, Assistant Director, Division of  
 Examinations  
 Mr. Landry, Assistant to the Secretary  
 Mr. Walter Young, Assistant Counsel

Mr. Rudy, General Counsel of the Federal Reserve Bank of Dallas,  
 who assumed duties as a special assistant in the Board's Legal Division  
 effective April 1, 1960, pursuant to agreement with the Dallas Bank  
 approved by the Board on March 2, 1960, was also present.

Items circulated or distributed to the Board. The following  
 items, which had been circulated or distributed to the Board and copies  
 of which are attached to these minutes under the respective item numbers  
 indicated, were approved unanimously:

Item No.

1

Letter to The Connecticut Bank and Trust Company,  
 Hartford, Connecticut, approving the establishment  
 of a branch in Thompsonville.

4/13/60

-2-

|   | <u>Item No.</u> |
|---|-----------------|
| Letter to the Marine Midland Trust Company of Southern New York, Elmira, New York, approving the establishment of a branch in Nimmonsburg.  | 2               |
| Letter to the Montgomery County Bank and Trust Company, Norristown, Pennsylvania, approving the establishment of a branch in Upper Merion Township.   | 3               |
| Letter to Congressman William L. Dawson, Chairman of the Committee on Government Operations, recommending against enactment of H. R. 8302, a bill introduced by Mr. Patman requiring an audit of the Federal Reserve System by the Comptroller General. | 4               |

Letter to the Bureau of the Budget (Item No. 5). There had been distributed a draft of letter to the Bureau of the Budget responding to its legislative referral memorandum of April 5, 1960, requesting the views of the Board as soon as possible on a report prepared by the Bureau of Federal Credit Unions of the Department of Health, Education, and Welfare, entitled "A Study of the Nature and Role of Central Credit Unions and of the Desirability of Providing for Federally-Chartered Central Credit Unions." The proposed reply indicated that the Board, in its letter to the Bureau dated May 12, 1959, commented on H. R. 5777, a bill "To amend the Federal Credit Union Act," to the effect that although Federal Credit Unions served a useful and constructive purpose, they should be limited to the areas of operation for which they were originally authorized. That letter had also stated the belief that credit unions should avoid undesirable commercialism. These views were reiterated in the proposed reply to the Budget Bureau.

4/13/60

-3-

During a discussion of the draft letter, Mr. Shay pointed out that the Board also reported on August 20, 1959, to Chairman Robertson of the Senate Banking and Currency Committee, a copy of which report had been sent to the Bureau of the Budget, commenting on the Senate counterpart to H. R. 5777, placing the Board on record in opposition to the establishment of a central credit union as proposed by the Bureau of Federal Credit Unions.

Mr. Ralph Young reported that Mr. Wallich, a member of the Council of Economic Advisers, had inquired as to whether the Board's position on this legislation had changed since its report last August. Mr. Wallich had indicated, he said, that the Council was opposed to the commercialization of credit union activities or to the establishment of a central credit union.

There followed a discussion of the prepared letter to the Budget Bureau, during which a suggestion for an editorial change was accepted. Unanimous approval was then given to the letter to the Budget Bureau in the form of attached Item No. 5.

Mr. Upshaw, formerly Legal Assistant, Legal Division, entered the room at this point, and Mr. Walter Young withdrew.

Bank acquisition in Arizona (Items 6 and 7). There had been distributed a memorandum dated March 16, 1960, from the Legal Division attaching a study dated March 14, 1960, by Mr. Upshaw entitled "Bank Acquisition in Arizona in the Light of Section 7 of the Clayton Act."

4/13/60

-4-

Mr. Hackley commented on the Legal Division's memorandum, noting that on January 12, 1956, the Board requested the San Francisco Reserve Bank to obtain information regarding banking competition in the State of Arizona with special reference to "the acquisition by Arizona Bancorporation of stock of the Bank of Douglas and other banks" and "the acquisition of stock of Southern Arizona Bank and Trust Company by Transamerica Corporation." The Reserve Bank had submitted its report under date of November 23, 1956, concluding that the evidence was not sufficient to establish a violation of Section 7 of the Clayton Act with respect to Transamerica's acquisition of stock of Southern Arizona Bank and Trust Company, but that a violation could probably be shown as to potential effects on competition if the facts were supplemented by "admissible testimony." As to Arizona Bancorporation's acquisition of stock of the Bank of Douglas, the San Francisco Bank's report expressed the opinion that the Clayton Act probably had been violated.

In commenting on the memorandum from Mr. Upshaw and the history of the Board's consideration of this matter, Mr. Hackley noted that in view of the concurrent jurisdiction of the Justice Department under the Clayton Act, the Board on April 3, 1957, sent a copy of the Reserve Bank's report to that Department. On June 4, 1957, the Department wrote the Board that before giving the matter further consideration it would appreciate "some reflection of the Board's thinking" in order to avoid possible duplication of time and effort, to which the Board replied

4/13/60

-5-

on June 25 that it had not yet reached any conclusion on the matter. Mr. Hackley went on to say that when the Reserve Bank was asked, in January 1956, to make its investigation, the Board indicated that no action would be taken on Transamerica's then pending application for a general voting permit with respect to Southern Arizona Bank and Trust Company until completion of the Board's study. A new application for a general voting permit in this respect was filed with the Reserve Bank in July 1958 by Firstamerica Corporation, as successor to Transamerica, but it had never been submitted to the Board and was being held by the Reserve Bank until completion of the Board's study of banking competition in Arizona. Mr. Hackley said that Mr. Upshaw's memorandum analyzed in detail the competitive effect of banking developments in Arizona as described in the Reserve Bank's report of November 23, 1956, as well as the effect of bank mergers that had taken place since the date of that report, and that the memorandum also contained a thorough consideration of the implications of recent court decisions under the Clayton Act which, while not relating to banks, might have a significant bearing upon the applicability of the Clayton Act to acquisitions of bank stock. The conclusions of Mr. Upshaw's memorandum were:

- (1) The evidence does not establish a violation of the Clayton Act in the case of Firstamerica's acquisition of Southern Arizona Bank and Trust Company;
- (2) It is doubtful that such a violation could be proved with respect to any of the transactions involving Arizona Bancorporation and its affiliated Valley National Bank; and

4/13/60

-6-

(3) The transactions involving Arizona Bancorporation and Valley National Bank might have resulted in an unlawful restraint of trade under the Sherman Act, but enforcement of that Act falls in the jurisdiction of the Department of Justice.

On the basis of these findings, said Mr. Hackley, the Legal Division recommended (1) that the Board advise the San Francisco Reserve Bank that it has concluded (a) that the facts do not warrant institution of a Clayton Act proceeding with respect to Firstamerica's acquisition of stock of Southern Arizona Bank and Trust Company; (b) that, while subject to greater doubt, the stock acquisition by Arizona Bancorporation likewise does not warrant such a proceeding, largely for legal reasons; but (c) that developments in banking in Arizona as reflected by the Reserve Bank's report and by subsequent bank mergers clearly indicate the desirability of careful consideration of the effects upon competition of any proposed mergers or establishment of branches in that State that may hereafter require the Board's approval; (2) that the Board advise the Justice Department substantially to the same effect in view of previous correspondence with Justice regarding this matter, it not being proposed to express any opinion to Justice as to whether any of the transactions might violate the Sherman Act; and (3) that the letter to the Reserve Bank indicate that the Board is now prepared to consider Firstamerica's application for a general voting permit with respect to Southern Arizona Bank and Trust Company. In accordance with these recommendations, Mr. Hackley observed that drafts of proposed letters to the San Francisco Reserve Bank and the Department of Justice

4/13/60

-7-

were attached to the Legal Division's memorandum. Should the Board concur in the Legal Division's recommendations, Mr. Hackley said it would seem desirable to furnish a copy of Mr. Upshaw's memorandum to the San Francisco Reserve Bank and that possibly the Board might also wish to consider whether a copy of the memorandum should be sent to the Justice Department for its information. In addition, since copies of the November 1956 report of the San Francisco Reserve Bank had been sent to all other Reserve Banks, the Board might wish to advise the latter of the Board's decision in this matter and send each a copy of Mr. Upshaw's memorandum. However, he believed, as he had two years ago when a similar question came up in connection with making the Reserve Bank's report available to the Valley National Bank and the First National Bank of Arizona, that the Upshaw memorandum should not be made available to these banks. This was partly because the latter report was not entirely consistent with the Reserve Bank study and also because it seemed unnecessary to furnish these banks with the Board's detailed study of banking competition in the State.

Mr. Molony, Assistant to the Board, joined the meeting at this point and Mr. Noyes withdrew.

Governor Robertson said that he agreed with each of the recommendations made by the Legal Division and that he would suggest certain additional steps. First, he believed the banks in Arizona that were involved should be advised of the Board's position regarding any subsequent

4/13/60

-8-

applications by them for branches or mergers, indicating that they must show a strong evidence of serving the public interest through such actions to gain Board approval. Second, he would like to see copies of Mr. Upshaw's memorandum and of the Board's letters to the Justice Department and the San Francisco Reserve Bank sent to the Comptroller of the Currency and the Federal Deposit Insurance Corporation, because of their interest in the matter. Reference to this fact should be included in the letter sent to Justice. President Mangels of the Federal Reserve Bank of San Francisco should also be supplied with a copy of Mr. Upshaw's memorandum and a statement of the Board's reasons for reaching the conclusions that it did, and all other Reserve Banks should receive a copy for their information. In his estimation giving Justice a copy of the Upshaw memorandum would avoid duplication of effort by a second Government agency concerned with the problems involved.

Mr. Hackley referred to the recommendation he had made that the San Francisco Reserve Bank be advised that the Board was now prepared to consider the application of Firstamerica Corporation for a general voting permit regarding stock of Southern Arizona Bank and Trust Company. He noted that merger legislation was under active consideration in Congress and might be enacted at this session. While issuance of such a general voting permit to Firstamerica would not disturb him from the legal standpoint, Mr. Hackley said that it was conceivable that the Board might be

4/13/60

-9-

subject to criticism if it granted such a permit, which would make possible a merger between Southern Arizona Bank and Trust Company and First National Bank of Arizona while the bank merger bill was pending.

Governor Robertson said that this possibility did not disturb him personally, but in any event he doubted that the application for a general voting permit could be processed and acted upon before the merger bill was disposed of one way or another for this session of Congress. If the bill were enacted soon, any merger of Southern Arizona Bank and Trust Company and First National Bank of Arizona would have to take account of the legislation, and if it were not enacted, the Board could hardly justify delaying indefinitely considering First-america's application for a general voting permit on the grounds that merger legislation might be passed sometime in the future.

Mr. O'Connell then referred to Governor Robertson's suggestion that the Arizona banks be informed that future applications for branches or mergers would have to show evidence of benefiting the public interest. He questioned the desirability of such a statement on the grounds that it could be assumed the Board would require a showing as to public interest in all applications of this type that might come before it for consideration.

Governor Robertson responded that he thought the Board might, nevertheless, admonish the banks in Arizona that there should be "exceptionally strong evidence of public interest shown" to warrant Board approval.

4/13/60

-10-

Governor Szymczak suggested that in lieu of sending a letter to the banks in Arizona regarding this point, it might be preferable for the San Francisco Reserve Bank to advise them informally that the Board would, of course, require full presentation of the public interest as well as other factors in considering any subsequent applications for branches or mergers.

Mr. Hexter suggested that a letter such as Governor Robertson mentioned might be gratuitous and indicate a degree of opposition to an application by the banks concerned before the matter came before the Board. It might be possible, if the Board considered and granted a general voting permit to a company interested in Arizona banks, to bring out that the Board was concerned by the degree of concentration of banking in that State and would look with care at any further tendencies in that direction.

Governor Mills observed that in the light of the clear presentation of this case by Messrs. Hackley and Upshaw, the Board was left in the position of having no solution to the problem presented, although it was disturbed by the developments shown. Since the report prepared by Mr. Upshaw had been developed as an outgrowth of the November 1956 report of the San Francisco Reserve Bank, it had been undertaken with the knowledge of the Valley National and Firstamerica interests. These two banking groups were on notice that the Board was concerned with banking developments in Arizona, from which it could easily be deduced that the Board would look unfavorably on any future attempts of these

4/13/60

-11-

two groups to expand their holdings. Therefore, he believed it unnecessary for the Board to send these banks a letter of the type proposed by Governor Robertson. He went on to say that a "shadow of violation of the antitrust laws" was indicated in the 1956 report of the Reserve Bank but that this was not apparent in Mr. Upshaw's memorandum, although the background of both of these reports evidenced division of the market by two strong banking groups to the exclusion of would-be competitors. He recalled that in its unsuccessful prosecution of the Transamerica Corporation case, settled in 1953, the Board had been required to prove impairment of competition in each fraction of the market but that the Board had found it difficult to criticize restraint of competition in the overall market. He favored making Mr. Upshaw's memorandum available to the Justice Department, which already had a copy of the Reserve Bank's 1956 report, he did not favor sending a letter "uttering warnings" to the banks in Arizona, and he would withhold action on the application of Firstamerica Corporation for a general voting permit until the bank merger bill was passed.

Governor Shepardson said that he agreed largely with the views expressed by Governor Mills. As to Firstamerica's application for a general voting permit, in view of the long delay that had already occurred, he thought there could be no harm in withholding action until it was known what this session of Congress would do on the pending bank merger legislation. He felt that copies of the Upshaw memorandum should be

4/13/60

-12-

furnished to the Department of Justice and other Government agencies mentioned and to the Reserve Banks, and he concurred in the other recommendations of the Legal Division. He would not favor a letter such as Governor Robertson had mentioned warning the Arizona banks on future branch or merger applications, but he could see no harm and there might be benefit if the San Francisco Reserve Bank were, in the course of its contacts with those banks, to call attention to the problem that had developed because of the concentration of banking in Arizona, which would mean that any moves toward further concentration would be studied especially carefully.

Governor King said that he would not favor sending a letter of warning to the Arizona banks since he considered they had been on notice right along. If they filed additional applications and the circumstances called for denying them, he would feel no hesitancy in voting to disapprove them. As to the Legal Division's recommendation, he would furnish the memorandum of March 14 to the Department of Justice and the other Government agencies mentioned as well as to the Reserve Banks.

Governor Szymczak said that he agreed substantially with the views expressed by Governor Robertson, except that, as suggested by Governor Mills, he would not write a letter to the Arizona banks regarding future applications, and he would not be inclined to act on Firstamerica's application for a general voting permit until the outcome of pending merger legislation was clearer.

4/13/60

-13-

Governor Balderston inquired why a court might not regard as a subterfuge the indirect acquisition of stock by the Valley National Bank of the Bank of Douglas, First State Bank, and Bank of Flagstaff through the medium of the employees' profit-sharing plan of Valley National.

Mr. Hackley replied that this was possible but that the real difficulty was evidential in nature, that is, the difficulty of establishing this as a fact. In this connection, he recalled that one of the Board's recommendations regarding possible amendment of the Bank Holding Company Act of 1956 was to include the use of such a device as falling within the "indirect acquisition" clause of the Act. This recommendation implied that the Board recognized the use of such a device was not explicitly outlawed by the language of the Holding Company Act.

Governor Balderston then suggested that the point might be made more apparent in the Upshaw memorandum.

Chairman Martin commented that it appeared there was agreement with the recommendations in the memorandum from the Legal Division dated March 16, except that the letter to the Federal Reserve Bank of San Francisco would omit any reference to sending in Firstamerica's application for a general voting permit for stock of Southern Arizona Bank and Trust Company. All members of the Board indicated concurrence in this comment, and unanimous approval was then given to the proposed letters to the Federal Reserve Bank of San Francisco and to the Department

4/13/60

-14-

of Justice, with the understanding that they would be modified in the light of the discussion at this meeting and that copies of the Upshaw memorandum would be sent to the Department of Justice, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the other Federal Reserve Banks. Copies of the letters to President Mangels of the San Francisco Reserve Bank and to Mr. Robert A. Bicks, Acting Assistant Attorney General, Antitrust Division, Department of Justice, are attached to these minutes as Items 6 and 7.

Question was then raised as to what response should be made in the event the San Francisco Reserve Bank inquired whether it should send to the Board Firstamerica's application for a general voting permit, and it was agreed that in that case the Bank should be told to send the application on to the Board's offices.

Mr. Fauver, Assistant to the Board, entered the room during the preceding discussion, and Messrs. Young, Shay, Molony, and Upshaw withdrew from the meeting at this point.

Application of The First Virginia Corporation, Arlington, Virginia.

There had been distributed a memorandum from the Division of Examinations dated March 30, 1960, recommending issuance of a Notice of Tentative Decision granting the application of The First Virginia Corporation, Arlington, Virginia, for prior approval pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 of the acquisition of 3,107 or more shares of the 4,000 voting shares of the Purcellville National

4/13/60

-15-

Bank, Purcellville, Virginia. Attached to this memorandum was a second memorandum of the same date from the same Division and a memorandum dated April 11, 1960, from the Legal Division on this subject.

Noting that the Richmond Reserve Bank and the Comptroller of the Currency recommended that the application be approved, Mr. Hostrup said in his review of the application that it was not clear that the bank's management succession problem could not be solved satisfactorily without its acquisition by The First Virginia Corporation, although it was clear that there was a problem here that needed to be solved. As to the fourth statutory factor required to be considered by the Bank Holding Company Act, namely, the convenience, needs, and welfare of the communities and the area concerned, no strong basis for approving the application was presented. So far as the fifth statutory factor was concerned, namely, consistency with adequate and sound banking, the public interest, and the preservation of competition in the field of banking, there seemed to be such consistency.

Governor Robertson expressed agreement with the recommendation of the Division of Examinations regarding the application. However, he would like to clarify the statement in the memorandum from the Legal Division that "one conception [of the purposes of the Bank Holding Company Act] is, of course, that an expansion [by a bank holding company] should not be approved unless there are at least some positively favorable

4/13/60

-16-

considerations." As had been pointed out by the Division of Examinations, Governor Robertson said, no reasons were suggested for refusing to approve the present application, since all factors were neutral. He felt that the Legal Division memorandum would be clearer if the pertinent part of the statement just quoted were changed to read ". . . an expansion which results in a diminution of competition or in undue concentration of banking resources\* should not be approved unless there are at least some positively favorable considerations."

Mr. Hackley agreed with Governor Robertson's approach as indicated by the words he would insert in the Legal Division's memorandum. He noted that the Legal Division's memorandum had referred to the fact that the Board had approved certain applications where the considerations for and against approval were as neutral as those present in the instant case. He went on to say that, since there would be no lessening of competition resulting from acquisition of the Purcellville National Bank by The First Virginia Corporation, he personally would give some weight to the argument that such acquisition would solve the management succession problem of the bank. However, he thought that it would be unwise to insert a statement to that effect in the Board's Tentative Decision, since it would serve as a precedent, and Governor Robertson agreed.

Governor Mills stated that, on balance, he would approve the application. His reasoning was somewhat different from the approach of Governor Robertson, Mr. Hackley, or the Division of Examinations. His

\*Underscored words added.

4/13/60

-17-

approval rested upon the consideration that the part of Virginia within which the Bank was located was not strongly banked, being characterized by small banks in rather indifferent economic areas. Consequently, the entrance into such an area of a bank holding company with its resources, added strength to the banking situation there.

Unanimous approval was then given to the issuance to The First Virginia Corporation of a Notice of Tentative Decision granting its application, with the understanding that the Legal Division would prepare a draft of such Notice for consideration by the Board.

All of the members of the staff except Messrs. Sherman and Fauver then withdrew from the meeting.

Appointment of director at Little Rock Branch. Before this meeting there had been distributed a memorandum from Mr. Fauver dated March 31, 1960, giving biographical information concerning two individuals who might be considered for appointment by the Board to fill the vacancy on the board of directors of the Little Rock Branch of the Federal Reserve Bank of St. Louis for the remainder of the term expiring December 31, 1960.

Governor King commented on the names of the persons suggested and the basis upon which he had brought these suggestions to the Board. After a discussion, it was agreed that the usual steps should be taken to ascertain whether Mr. Fred P. Blanks, a farmer of Parkdale, Arkansas, was eligible and would accept the appointment, if tendered, and, if so, to make the appointment.

4/13/60

-18-

Secretary's Note: It having been ascertained that Mr. Blanks was eligible and would accept the appointment, if tendered, a telegram making the appointment was sent to him on April 15, 1960.

Letter to group of Senators in reply to their letter of March 12, 1960. Chairman Martin referred to the draft of proposed letter to 21 Senators in reply to the letter that had been sent to him under date of March 12, 1960. Copies of the draft had been sent to the Presidents of all Federal Reserve Banks following the meeting of the Board on Friday, April 8, and an editorial change had been suggested by Mr. Deming, President of the Federal Reserve Bank of Minneapolis, when he was in Washington on April 12. Chairman Martin suggested that, no other proposals for change having been made, the letter be prepared for transmittal individually to the 21 Senators who had signed the letter to him on March 12, with a view to sending it to them promptly.

This suggestion was approved unanimously.

Thereupon the meeting adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson approved on behalf of the Board on the dates indicated the following actions affecting the Board's staff:

On April 12, 1960:

Appointment

Arnold M. Katz as Economist in the Division of Research and Statistics, with basic annual salary at the rate of \$7,030, effective the date he assumes his duties.

4/13/60

-19-

Extension of leave without pay

Arthur L. Broida, Economist, Division of Research and Statistics, for the period September 1, 1960, through June 30, 1961.

On April 13, 1960:

Transfers

Catherine B. Davian, from the position of Secretary in the Division of Research and Statistics to the position of Secretary in the Division of International Finance, with no change in her basic annual salary at the rate of \$5,390, effective the date she assumes her new duties.

Daisy L. Polk, from the position of Stenographer in the Division of Examinations to the position of Secretary in the Division of Bank Operations, with an increase in her basic annual salary from \$4,135 to \$4,340, effective the date she assumes her new duties.

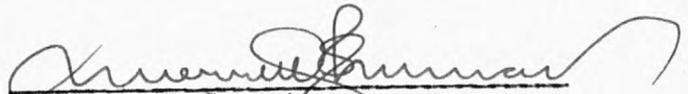
Acceptance of resignation

Hallie A. Desmond, Secretary, Legal Division, effective April 11, 1960, with the understanding that her advance of sick leave amounting to approximately 21 days need not be repaid.

Leave without pay

Daviette H. Stansbury, Research Assistant, Division of Research and Statistics, authorized to take leave without pay each business day from 3:15 to 5:15 p.m. for a period of six months, effective April 17, 1960.

Secretary's Note: On April 12, 1960, Governor Shepardson noted on behalf of the Board the application for retirement of Beverly A. Carter, Senior Mail Clerk, Division of Administrative Services, effective May 1, 1960.

  
Secretary

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

Item No. 1  
4/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1960

Board of Directors,  
The Connecticut Bank and Trust Company,  
Hartford, Connecticut.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 890-900 Enfield Street, Thompsonville, Connecticut, by The Connecticut Bank and Trust Company, provided the branch is established within one year from the date of this letter, and the existing office at 10 Prospect Street is discontinued simultaneously.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 2  
4/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1960

Board of Directors,  
Marine Midland Trust Company  
of Southern New York,  
Elmira, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by the Marine Midland Trust Company of Southern New York, Elmira, New York, of a branch at 1137 Front Street, in the unincorporated village of Nimmonsburg, Town of Chenango, Broome County, New York. This approval is given provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

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

Item No. 3  
4/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1960



Board of Directors,  
Montgomery County Bank and Trust Company,  
Norristown, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch in the Valley Forge Shopping Center, Upper Merion Township, Montgomery County, Pennsylvania, by Montgomery County Bank and Trust Company, Norristown, Pennsylvania. This approval is given provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 4  
4/13/60

OFFICE OF THE CHAIRMAN

April 13, 1960.

The Honorable William L. Dawson, Chairman,  
Committee on Government Operations,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Chairman:

Your letter of July 22, 1959, requested a report on H.R. 8302, which would direct the Comptroller General to make an audit of the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, and the Federal Open Market Committee for the period December 23, 1913 to December 31, 1958.

The proposed legislation, except for the period covered, is similar to H.R. 2643, introduced in the 84th Congress, upon which the Board has previously expressed its views in a letter to your Committee dated March 18, 1955. The Board also had previously reported to your Committee by letter dated March 30, 1954, on H.R. 7602, a similar bill introduced in the 83rd Congress and concerning which I testified in a hearing before your Committee on June 2, 1954.

As stated in the above-mentioned reports and as emphasized in my statement to your Committee, the Board of Governors recognizes the importance of budgetary, accounting, and auditing procedures that will make for effective, efficient, and proper operations throughout the Federal Reserve System. The Board, however, believes that fully effective procedures are being followed.

As an agent of Congress and as directed in the Federal Reserve Act, the Board of Governors conducts annual examinations of the Federal Reserve Banks and branches, and of the System Open Market Account. A staff of examiners versed in the operations of the Federal Reserve Banks is maintained exclusively for this work, and the Board is confident that its examination procedures meet the highest standards of the accounting profession. In order to be assured that such standards are maintained, the Board has for a number of years retained public accounting firms

The Honorable William L. Dawson

-2-

of recognized reputation to accompany the examiners on one Federal Reserve Bank examination each year for the purpose of reviewing and observing the adequacy of the procedures and practices.

Nationally known public accountants also are retained to audit the Board's books. The auditor's certificate is published each year in the Board's Annual Report, and copies of the audit report are sent to the Senate and House Banking and Currency Committees.

No restrictions or limitations are placed upon the public accounting firms either as to their audit of the Board's accounts or their review of the procedures followed by the Board's examiners at Federal Reserve Banks.

The Board, of course, stands ready at all times to furnish the appropriate committees of Congress upon request full information concerning the accounts and operations of the System. In this connection, it may be noted that the Board has made available to the House Banking and Currency Committee the reports of examinations made by the Board's examiners of the 12 Federal Reserve Banks and their 24 branches covering the years 1949 through 1958 and the reports of examinations of the System Open Market Account for the years 1939 through 1958.

Should your Committee or any subcommittee hold hearings with respect to H.R. 8302, we would appreciate an opportunity to be heard.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 5  
4/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1960



Mr. Phillip S. Hughes, Assistant Director  
for Legislative Reference,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Hughes:

This letter is in answer to your legislative referral memorandum of April 5, 1960, requesting the views of the Board of Governors on a report prepared by the Bureau of Federal Credit Unions of the Department of Health, Education and Welfare entitled, "A Study of the Nature and Role of Central Credit Unions and of the Desirability of Providing for Federally-Chartered Central Credit Unions." Enclosed with your communication was a copy of the report.

The position of the Board regarding the establishment of central credit unions was stated in the enclosure with the Board's letter to you dated August 20, 1959, commenting on certain bills to amend the Federal Credit Union Act then under consideration by the Senate Banking and Currency Committee. While recognizing that Federal credit unions serve a useful and constructive purpose, that letter stated the Board's belief that credit unions should be restricted to the areas of operation for which they were originally authorized; and that, in view of the special privileges accorded them because of their nonprofit and cooperative character, the activities of credit unions should be required at all times to conform to such character and to avoid undesirable commercialism. The Board questioned the need for chartering central credit unions on the ground that they would not contribute to the soundness or stability of credit unions that are operating in their proper sphere and in some instances might tend to encourage undesirable promotional activity. The availability of the additional credit facilities that would be provided by central credit unions would involve the potential danger of undue expansion of credit union activities in a manner inconsistent with their basic purposes.

Very truly yours,  
  
(Signed) Merritt Sherman  
  
Merritt Sherman,  
Secretary.

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

Item No. 6  
4/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1960

Mr. H. N. Mangels, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Mangels:

On January 12, 1956, the Board requested your Bank to obtain information regarding banking competition in the State of Arizona, with particular reference to the effect of the acquisition by Transamerica Corporation in 1955 of stock of Southern Arizona Bank and Trust Company, and the acquisition by Arizona Bancorporation of stock of the Bank of Douglas and other banks. A Report regarding this matter was submitted by you to the Board in November 1956.

On the basis of your Bank's Report and after a careful review of all the facts, and later events, in the light of the antitrust laws, the Board has concluded that Transamerica's acquisition of stock of Southern Arizona Bank and Trust Company did not result in a substantial lessening of competition within the meaning of section 7 of the Clayton Act; and that bank stock acquisitions by the Employees' Profit Sharing Plan of the Valley National Bank of Phoenix and the subsequent acquisition of such stock by Arizona Bancorporation, while perhaps resulting in a substantial lessening of competition, would probably not be within the reach of the Clayton Act. In the latter connection, it has been noted that the Profit Sharing Plan is not a corporation; that any lessening of competition probably occurred prior to the acquisitions by Arizona Bancorporation; and that, in any event, Clayton Act proceedings have probably been foreclosed with respect to certain stock acquisitions by reason of the subsequent mergers of the banks involved. For your information, there is enclosed a copy of a memorandum regarding this matter prepared in the Board's Legal Division.

In the light of all the facts and the legal considerations involved, the Board has decided that it would not be warranted in instituting proceedings under section 7 of the Clayton Act. However, it appears that, as a result of the transactions described in your Bank's Report, as well as bank mergers that have occurred since the date of that Report, control of banking resources in Arizona has become almost entirely concentrated in two dominant banking groups. For this reason, the Board will be disposed to consider unfavorably any



Mr. H. N. Mangels

-2-

future applications involving either of such groups for the approval of branches or mergers in that State that may require the Board's approval under the law, in the absence of strong evidence that such transactions are in the public interest.

Inasmuch as a copy of your Bank's Report was furnished by the Board to the Department of Justice on April 3, 1957, the Board is advising the Department of its conclusions in this matter and is furnishing the Department with a copy of the enclosed memorandum.

A copy of this letter and the enclosed memorandum are being sent to the Presidents of all Federal Reserve Banks and to the Comptroller of the Currency and the Federal Deposit Insurance Corporation for their confidential information.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure

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

Item No. 7  
4/13/60

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 13, 1960



Mr. Robert A. Bicks,  
Acting Assistant Attorney General,  
Antitrust Division,  
Department of Justice,  
Washington 25, D. C.

Dear Mr. Bicks:

On April 3, 1957, the Board of Governors transmitted to the Honorable Victor R. Hansen, then Assistant Attorney General in charge of the Antitrust Division, a two-volume report by the Federal Reserve Bank of San Francisco, dated November 23, 1956, embodying the results of a study of banking developments in the State of Arizona with respect to particular corporate acquisitions of bank stocks and the possible applicability thereto of section 7 of the Clayton Act. It was indicated in the Board's letter of transmittal that this matter was receiving consideration from the point of view of the Board's responsibilities under the Clayton Act with respect to acquisitions of bank stock.

The Board has now completed its consideration of this matter on the basis of the report made by the Federal Reserve Bank of San Francisco and study of later events. Particular attention has been given to the effect of the acquisition in 1955 by Transamerica Corporation (now known as Firstamerica Corporation) of stock of Southern Arizona Bank and Trust Company and the acquisition by Arizona Bancorporation of stock of the Bank of Douglas and certain other banks.

On the basis of this consideration, the Board has concluded that Transamerica Corporation's acquisition of stock of Southern Arizona Bank and Trust Company did not result in a substantial lessening of competition within the meaning of section 7 of the Clayton Act; and that bank stock acquisitions by the Employees' Profit Sharing Plan of the Valley National Bank of Phoenix and the subsequent acquisition of such stock by Arizona Bancorporation, while perhaps resulting in a substantial lessening of competition, would probably not be within the reach of the Clayton Act. In the latter connection, it has been noted that the Profit Sharing Plan is not a corporation; that any lessening of competition probably occurred prior to the acquisitions by Arizona

Mr. Robert A. Bicks

-2-

Bancorporation; and that, in any event, Clayton Act proceedings have probably been foreclosed with respect to certain stock acquisitions by reason of the subsequent mergers of the banks involved.

In the light of all the facts and the legal considerations involved, the Board has decided that it would not be warranted in instituting proceedings under section 7 of the Clayton Act with respect to any of the bank stock acquisitions here involved. However, it appears that, as a result of the transactions described in the report of the Federal Reserve Bank of San Francisco and events that have occurred since the date of that report, control of banking resources in Arizona has become almost entirely concentrated in two dominant banking groups. For this reason, the Board has advised the Federal Reserve Bank of San Francisco that the Board will be disposed to consider unfavorably any future applications involving either of such groups for the approval of branches or mergers in Arizona that may require the Board's approval under the law, in the absence of strong evidence that such transactions are in the public interest.

For your information in this connection, there is enclosed a copy of a memorandum regarding this matter prepared in the Board's Legal Division.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure