

Minutes for December 30, 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

Gov. Szymczak

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Handwritten initials and signatures for each board member, written over horizontal lines. The initials are: Chm. Martin (JM), Gov. Szymczak (SZ), Gov. Mills (M), Gov. Robertson (R), Gov. Balderston (CB), Gov. Shepardson (SS), and Gov. King (K).

Minutes of the Board of Governors of the Federal Reserve System on
Friday, December 30, 1960. 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, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Koch, Adviser, Division of Research
and Statistics
Mr. Landry, Assistant to the Secretary
Mr. Keir, Chief, Government Finance Section,
Division of Research and Statistics

Report on money market conditions. Messrs. Koch and Keir presented
a report on money market conditions and recent changes in bank reserves and
the money supply.

At the conclusion of this presentation all members of the staff with
the exception of Messrs. Sherman, Kenyon, and Landry withdrew and Messrs.
Solomon, Director, Division of Examinations; Hexter, Assistant General
Counsel; Nelson, Assistant Director, and Leavitt, Supervisory Review
Examiner, Division of Examinations, entered the room.

Discount rates. The establishment without change by the Federal
Reserve Bank of Minneapolis on December 29, 1960, of the rates on discounts
and advances in its existing schedule was approved unanimously, with the
understanding that appropriate advice would be sent to that Bank.

12/30/60

-2-

Item circulated to the Board. The following item, which had been circulated to the Board and a copy of which is attached to these minutes as Item No. 1, was approved unanimously:

Letter to Irwin Union Bank and Trust Company,
Columbus, Indiana, approving the establishment
of a branch at State and Mapleton Streets.

Report on competitive factors (Allenhurst-Freehold, New Jersey).

Under date of December 23, 1960, copies had been distributed of a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in a proposed merger of Allenhurst National Bank and Trust Company, Allenhurst, New Jersey, with The Central Jersey Bank and Trust Company, Freehold, New Jersey.

In a discussion of the report, agreement was expressed by the Board with a rewording of the conclusion suggested by Governor Robertson.

Unanimous approval then was given to the report in a form containing the following conclusion:

The proposed merger will result in the elimination of the fifth largest bank in Monmouth County, and the resulting bank will become the largest bank in the county, and hence will eliminate some existing and potential competition. However, ample competition will be provided by 16 other banks in the county, two of which will be only slightly smaller than resulting bank.

Content of reports on competitive factors. Question was raised by Governor Robertson regarding the emphasis that should be placed in the Board's reports on the common depositors and common borrowers of banks

12/30/60

-3-

proposing to merge or consolidate under the terms of the Bank Merger Act. Governor Robertson expressed doubt whether the fact that there were or were not common borrowers or depositors constituted a significant indication of the degree of competition between the banks involved. Of more significance, in his view, were the proportion of area deposits held by each bank and the relative amounts of borrowing within the areas from each bank.

Mr. Nelson commented that information on common depositors and borrowers had been uniformly included in the reports on competitive factors largely as an indication of the effect of the merger in eliminating a source of banking facilities available to the segment of the public that desired more than one banking connection.

Governor Mills said that although it was possible that the discussion of common borrowers and depositors may have been somewhat out of proportion in certain of the reports on competitive factors, nevertheless a merger or consolidation of two banks in a given area did eliminate one alternative source of credit that had been available to the part of the public that used both banks. He also referred to a study by the National Industrial Conference Board of mergers over the past decade, and suggested that the staff might find it helpful to review this study.

In the course of further discussion, Mr. Solomon suggested that the presence or absence of common depositors and common borrowers probably

12/30/60

-4-

could not be considered conclusive in determining the degree of competition between banks planning to merge or consolidate. Nevertheless, it was part of the overall competitive picture.

Mr. Nelson commented that at the time the three Federal bank supervisory agencies were in the process of drafting an application form to be used by banks wishing to merge or consolidate under the terms of the Bank Merger Act, the Department of Justice indicated rather strongly that it thought information on common depositors and borrowers should be required.

Mr. Solomon suggested that the interest displayed by the Justice Department probably could be traced to the experience of the Department with mergers of corporations in fields other than banking, where the situation with respect to sources of supply might be of considerable significance. In any event, he felt that information on common borrowers and depositors of banks seeking to merge was of some interest. If there were overlapping borrowers, this would seem to indicate the presence of competition more conclusively than an absence of overlapping borrowers would indicate a lack of competition.

Mr. Hexter spoke along the same lines, bringing out that the existence of common borrowers would indicate almost conclusively that competition existed between the banks concerned. However, if there were no common borrowers, this did not mean necessarily that there was no interbank competition.

12/30/60

-5-

Governor Robertson stated that he was not arguing that there should be no reference to common borrowers and common depositors in the reports on competitive factors. However, it seemed more important to have information on the loans and deposits each of the merging banks derived from a common area.

Proposed merger in Philadelphia. Inquiry was made concerning the status of the report on competitive aspects to be made to the Comptroller of the Currency on the proposed merger of The Philadelphia National Bank and Girard Trust Corn Exchange Bank, both of Philadelphia, Pennsylvania.

Mr. Nelson stated that under the 30-day requirement the report would be due tomorrow. However, certain supplemental information on this matter had been received from the Comptroller subsequent to receipt of the original material, along with advice that the Comptroller had, in the circumstances, granted additional time to the Department of Justice to submit its report. It was assumed that this meant that the same amount of additional time was available to the Board and the Federal Deposit Insurance Corporation. The Division of Examinations was completing its work on a draft of report to the Comptroller and hoped to make the draft available to the Board within the next few days.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following items relating to the Board's staff:

12/30/60

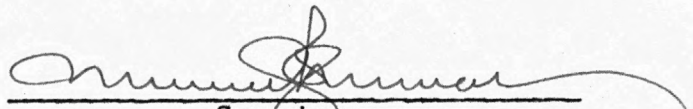
-6-

Transfer

Judy Marconi, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of Examinations, with no change in her basic annual salary at the rate of \$3,970, effective January 8, 1961.

Acceptance of resignation

Robert M. Fisher, Economist, Division of Research and Statistics, effective at the close of business December 31, 1960.


Secretary



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

Item No. 1
12/30/60

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 30, 1960

Board of Directors,
Irwin Union Bank and
Trust Company,
Columbus, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the northeast corner of State and Mapleton Streets, Columbus, Indiana, by Irwin Union Bank and Trust Company, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.