

Minutes of the Board of Governors of the Federal Reserve System
on Monday, May 29, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. King

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hexter, Assistant General Counsel
Mr. Masters, Associate Director, Division
of Examinations
Mr. Leavitt, Assistant Director, Division
of Examinations
Mrs. Semia, Technical Assistant, Office of
the Secretary

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

	<u>Item No.</u>
Letter to The Hamilton National Bank of Morristown, Morristown, Tennessee, approving its application for fiduciary powers.	1
Letter to First National Bank of Joliet, Joliet, Illinois, approving its application for fiduciary powers.	2
Letter to Iowa Trust & Savings Bank, Emmetsburg, Iowa, approving its application for membership in the Federal Reserve System.	3
Letter to Newton-Waltham Bank and Trust Company, Waltham, Massachusetts, approving the establishment of a branch at 473 Winter Street.	4

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	<u>Item No.</u>
Letter to Endicott Trust Company, Endicott, New York, approving the establishment of a branch in the unincorporated area of West Corners, Town of Union.	5
Letter to The Vienna Trust Company, Vienna, Virginia, approving the establishment of branches (1) in the unincorporated community of Tyson's Corner, Fairfax County, and (2) in the unincorporated community of Great Falls, Fairfax County.	6
Letter to The Sumitomo Bank of California, San Francisco, California, approving the establishment of a branch in the vicinity of Crenshaw Boulevard and Coliseum Street, Los Angeles.	7
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in the vicinity of Ball Road and Los Angeles Street, Anaheim, Orange County.	8

With respect to Item No. 6, there was a brief discussion of the areas in which the proposed branches of The Vienna Trust Company were to be located. It was noted that, although these might be considered border-line cases, only a nominal investment was involved, the branches would provide more convenient banking services to the areas concerned, especially the Great Falls region, and prospects for future development of the areas seemed favorable.

During the consideration of Item No. 8, inquiry was made as to the status of the study of branch banking in California that was being conducted

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by the staff and comments were made on the preliminary findings. Question was raised as to whether the study would include comparisons with other regions, such as New York, in response to which it was indicated that this suggestion would be borne in mind. Reference also was made to a study by the California Bankers Association which purported to show that the ratio of banking offices to population was smaller in California than in other States, and it was suggested that it might be useful to obtain a copy of the study.

Report on competitive factors (Sharon-New Milford, Connecticut).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Sharon National Bank, Sharon, Connecticut, and The First National Bank of New Milford, New Milford, Connecticut.

The report was approved unanimously, its conclusion reading as follows:

The proposed consolidation of The Sharon National Bank, Sharon, Connecticut, and The First National Bank of New Milford, New Milford, Connecticut, would eliminate very little competition as little exists between the two banks. The resulting bank could provide more effective competition to the two large banks operating in the New Milford area without apparent adverse effects on the smaller banks in the area.

Application of Commonwealth Trust Company (Item No. 9). A memorandum dated May 23, 1961, from the Division of Examinations had been distributed in connection with the application of Commonwealth Trust

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Company of Pittsburgh, Pittsburgh, Pennsylvania, to merge with Butler Savings and Trust Company, Butler, Pennsylvania, under the charter of the applicant and with the title Commonwealth Bank and Trust Company. The applicant also requested permission to operate branches of the resulting bank at the location of the head office of Butler Savings and Trust Company, three other locations in Butler County, and one in Armstrong County. A draft of letter to Commonwealth Trust Company of Pittsburgh approving the merger and granting the requested permission to operate branches accompanied the memorandum.

The memorandum pointed out, among other things, that the Butler Bank held in its investment portfolio a number of shares of large Pennsylvania banks, including shares of Commonwealth Trust Company. These bank stock holdings were legal investments for State banks under Pennsylvania law. According to the Federal Reserve Bank of Cleveland, the management of the participating banks had stated that the shares of Commonwealth would be sold prior to the merger and the other shares would be disposed of within a reasonable time after the merger. The draft of letter to Commonwealth Trust Company specified such divestment as a condition to approval of the merger, the shares of Commonwealth to be disposed of prior to the merger and the other shares within twelve months thereafter.

In discussion of the proposed merger, Mr. Leavitt noted that although disposal of the bank shares was not required by law, the

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applicant was willing to sell them and it had seemed to the Division of Examinations that it would be best to recommend that the Board impose such a condition. This would be in accord with the Board's general practice in the past.

Governor Mills commented that the Board could amend the condition later if any circumstances arose that would appear to make such action advisable. However, since no requirement was contained in the law, he believed that the Board might want to analyze its general practice to see if it was being overly severe. In New England, he pointed out, there were situations where savings banks practically owned control of commercial banks. Thus, the situation had some acceptance in law and in custom. Several months ago, he recalled, an inquiry about System membership by a bank in the Second District was discouraged because the bank in question owned a substantial number of bank shares and evidently had some reluctance about disposing of them.

Governor Mills also remarked that in some recent merger cases the participating banks were at a considerable distance from each other, so that the offices of the resulting bank often leapfrogged intervening communities where smaller banks were located. While these mergers resulted in an institution of greater strength and size in areas where a stronger bank often was justified, nevertheless the distance between the two banks proposing to merge sometimes caused him to wonder whether the

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merger was quite logical. He also raised the question whether, in some instances, the prospect for effective management of an acquired office at a considerable distance was too favorable.

In discussion that ensued in the light of Governor Mills' comments, Governor Shepardson commented that people commuting to work often pass through several communities en route, which led him to believe that the distance factor in mergers was perhaps not as significant as it might have been in earlier days.

Governor King noted that mergers of two banks within the same community in most cases involved a diminution of competition. In the case of a bank proposing to merge with another bank at a distance, a diminution of competition was less likely to occur; consequently, supervisory objection seemed less likely to be encountered. He saw both advantages and disadvantages in the type of expansion through merger where leapfrogging was involved, and he was not certain of the answer to this broad question. However, there was often not much, if any, diminution of competition, and the existing legislation focused to a substantial extent on that factor.

At the conclusion of the discussion, the letter to Commonwealth Trust Company of Pittsburgh was approved unanimously. A copy is attached as Item No. 9.

The meeting then adjourned.


Secretary

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

Item No. 1
5/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1961

Board of Directors,
The Hamilton National Bank of Morristown,
Morristown, Tennessee.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Hamilton National Bank of Morristown authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Tennessee. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 2
5/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1961

Board of Directors,
First National Bank of Joliet,
Joliet, Illinois.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants First National Bank of Joliet authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 3
5/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1961

Board of Directors,
Iowa Trust & Savings Bank,
Emmetsburg, Iowa.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Iowa Trust & Savings Bank, Emmetsburg, Iowa, for stock in the Federal Reserve Bank of Chicago, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

Board of Directors

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If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

It has been noted that, although the bank is authorized to exercise full fiduciary powers, the volume of trust business has apparently been small. It is understood, however, that the bank wishes to continue to accept such fiduciary business as may be available to it. In this connection it appears that there has been no formal appointment of a trust officer or designation of a trust committee. Acceptance of trust business, no matter how small, entails serious responsibilities, and if the bank is to continue to accept trust business it will be expected to take appropriate steps to fix the responsibility therefor and to equip itself to handle the business in conformity with recognized principles of sound fiduciary practices.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure

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

Item No. 4
5/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1961

Board of Directors,
Newton-Waltham Bank and Trust Company,
Waltham, Massachusetts.

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 an in-town branch at 473 Winter Street, by Newton-Waltham Bank and Trust Company, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 5
5/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1961

Board of Directors,
Endicott Trust Company,
Endicott, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch by Endicott Trust Company, Endicott, New York, at the intersection of Route 26 and Day Hollow Road in the unincorporated area of West Corners, Town of Union, Broome County, New York, provided the branch is established within nine months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 6
5/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1961

Board of Directors,
The Vienna Trust Company,
Vienna, Virginia.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment by The Vienna Trust Company, Vienna, Virginia, of branches (1) in the unincorporated community of Tyson's Corner, Fairfax County, Virginia, and (2) in the unincorporated community of Great Falls, Fairfax County, Virginia. This approval is given provided the branch in Tyson's Corner, Fairfax County, Virginia, is established within nine months from the date of this letter, and provided the branch in Great Falls, Fairfax County, Virginia, is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 7
5/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1961

Board of Directors,
The Sumitomo Bank of California,
San Francisco, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Crenshaw Boulevard and Coliseum Street, Los Angeles, California, by The Sumitomo Bank of California, 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.

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

Item No. 8
5/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1961

Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Ball Road and Los Angeles Street, Anaheim, Orange County, California, by United California Bank, 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.

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

Item No. 9
5/29/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1961

Board of Directors,
Commonwealth Trust Company
of Pittsburgh,
Pittsburgh, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all factors set forth in section 18(c) of the Federal Deposit Insurance Act, hereby consents to the merger of Commonwealth Trust Company of Pittsburgh, Pittsburgh, Pennsylvania, and Butler Savings and Trust Company, Butler, Pennsylvania, under the charter of Commonwealth Trust Company of Pittsburgh and title of Commonwealth Bank and Trust Company as such merger is considered to be in the public interest. The Board of Governors also approves the operation of branches by the resulting bank at 106 South Main Street, Butler, Pennsylvania; Bon Aire Shopping Center, Route 8, Butler, Pennsylvania; The Point Shopping Center, intersection of Routes 422 and 68, Butler, Pennsylvania; River Avenue, Parker, Pennsylvania, and the establishment of a branch in the Greater Butler Shopping Center, Route 8, Butler, Pennsylvania.

This approval is given provided: (1) the proposed merger is effected within six months from the date of this letter and substantially in accordance with the Joint Plan of Merger dated February 28, 1961, (2) shares of stock acquired from dissenting stockholders are disposed of within six months from the date of acquisition, (3) the resulting bank does not acquire any shares of its own stock owned by Butler Savings and Trust Company, and (4) the shares of stock of other banks held by Butler Savings and Trust Company are disposed of by the resulting bank within twelve months after the date of the merger.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.