

109  
6/61

Minutes for June 15, 1961

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	<u>M</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System  
on Thursday, June 15, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman 1/  
Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Assistant General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Daniels, Assistant Director, Division of  
Bank Operations  
Mr. Hostrup, Assistant Director, Division of  
Examinations  
Mr. Benner, Assistant Director, Division of  
Examinations  
Mr. Smith, Assistant Director, Division of  
Examinations  
Mr. Landry, Assistant to the Secretary  
Mr. Andrew Thompson, Supervisory Review Examiner,  
Division of Examinations  
Mr. Richard Thompson, Review Examiner, Division  
of Examinations

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:

Letter to Manufacturers Trust Company, New York,  
New York, approving the establishment of a  
limited purpose branch at 72-63 Main Street,  
Flushing, Borough of Queens.

Item No.

1

1/ Entered meeting at point indicated in minutes.

6/15/61

-2-

	<u>Item No.</u>
Letter to the Deputy Comptroller of the Currency regarding the question whether Alexandria, Virginia, and Washington, D. C., are contiguous or adjacent within the meaning of section 8 of the Clayton Act and the Board's Regulation L.	2
Letter to Farmers Bank and Trust Company, Knox, Indiana, approving the declaration of certain dividends payable on June 30 and September 30, 1961.	3
Letter to the Federal Reserve Bank of Chicago regarding certain changes in the classification of member banks in the Seventh Federal Reserve District for the purpose of electing Class A and Class B directors.	4
Letter to the Comptroller of the Currency recommending unfavorably with respect to an application to organize a national bank in Glendale, Colorado.	5

In connection with Item No. 4, it was suggested by Governor Robertson that the Legal Division undertake a study of the feasibility of amending the provisions of section 4 of the Federal Reserve Act relating to the method of classifying member banks for the purpose of electing Class A and Class B directors of the Federal Reserve Banks with a view to making the number of banks in the three classifications more nearly equal.

Messrs. Benner and Daniels then withdrew from the meeting.

Report on competitive factors (Brattleboro and Rutland, Vermont).

Distribution had been made under date of June 12, 1961, of a draft report to the Federal Deposit Insurance Corporation on the competitive factors

6/15/61

-3-

involved in a proposed merger of Killington Bank and Trust Company, Rutland, Vermont, with and into The Vermont Bank and Trust Company, Brattleboro, Vermont.

Governor Mills noted that although he would approve the report, this was another case in which a relatively small bank was seeking to absorb a bank located at a considerable distance.

Unanimous approval was then given to the report, which concluded as follows:

Competition between Applicant and Killington is almost nonexistent. The proposed merger would not affect the competitive banking situation to any great degree in Applicant's present service area. Although the resulting bank would be more than two times as large as other commercial banks in the area served by Killington and would have a decided advantage over other Rutland banks, it would operate only 2 of 10 banking offices and hold about 18.5 per cent of total deposits in Rutland County. Competition between Applicant and its chief competitor, Vermont National and Savings Bank, Brattleboro, the largest bank in the State, which now operates an office at each of the Applicant's four locations, would be increased.

Request by Justice Department for copies of merger or branch applications (Item No. 6). Under date of June 14, 1961, copies had been distributed of a draft letter to the Department of Justice replying to its request for copies of applications made by Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, from January 1, 1950, to date to merge or establish branches. The proposed reply would note that the Board did not have "applications" such as requested. As indicated in Mr. Solomon's accompanying memorandum, the reasons were as follows: (1) With respect



6/15/61

-4-

to both mergers and branches of Corn Exchange National Bank and Trust Company prior to its merger with Girard Trust Company on June 15, 1951, the bank was a national bank rather than a State member bank and subject therefore to supervision of the Comptroller of the Currency; (2) Since mergers by Girard Trust Company and its successor, Girard Trust Corn Exchange Bank, resulted in no diminution of aggregate capital or surplus of the merging institutions, Board approval was not required under then existing laws; (3) Board approval was not required for in-town branches established by Girard or its successor until July 15, 1952, when an amendment to section 9 of the Federal Reserve Act made the establishment of such branches subject to such approval. Although Board approval was required as to all other branches of Girard or its successor, the Board does not prescribe a formal application form for the establishment of branches, necessary information for passing upon such requests being developed by the staffs of the Board and the Reserve Banks for the use of the Board. It was also brought out in the memorandum that in connection with the establishment of at least one branch the Board's file contained a copy of the application that had been submitted to the Pennsylvania State banking authorities; however, it would not seem appropriate to release this information without obtaining the consent of the Pennsylvania authorities.

In commenting, Mr. Solomon said the question might be raised as to why there should not be sent to the Department of Justice, in response

6/15/61

-5-

to its request, copies of the letters addressed to the Board by Girard Trust or its successor subsequent to July 15, 1952, requesting permission to establish branches. The answer was that, as stated in the draft letter to the Justice Department, letters addressed to the Board by a bank seeking to establish a branch do not contain information necessary to pass upon the request. Rather, such information is developed by the staffs of the Board and the Federal Reserve Banks. Furthermore, in any instance where a copy of an application filed with the Pennsylvania State banking authorities was attached to the letter to the Board requesting permission to establish a branch, the Justice Department might inquire about such application unless reference thereto was deleted from the incoming letter.

Mr. Solomon also noted that in an effort to be helpful to the Justice Department, it was proposed to transmit with the reply to that Department, tables showing (1) mergers in which Girard Trust and its successor had participated since January 1, 1950, and (2) branches established in the same period.

In the discussion that ensued, all members of the Board indicated that they considered the letter to the Justice Department to be appropriate under the circumstances. It was noted by Governor Robertson that if the Department should pursue its inquiry, the matter would have to be considered further; in any event, however, if the Department should request copies of branch applications filed with the Pennsylvania State

6/15/61

-6-

banking authorities that were in the Board's possession, it would seem appropriate to inform the Department that those applications would have to be obtained from the State authorities.

The letter to the Department of Justice was then approved unani-  
mously. A copy is attached as Item No. 6.

Application by Central Wisconsin Bankshares, Inc. Two memoranda dated May 19, 1961, from the Division of Examinations had been distributed relative to the application of Central Wisconsin Bankshares, Inc., Wausau, Wisconsin, for prior approval of action to become a bank holding company through acquisition of 80 per cent or more of the outstanding shares of First American State Bank and Wisconsin Valley Trust Company, both of Wausau. Favorable recommendations had been made by both the Federal Reserve Bank of Chicago and the Commissioner of Banks for the State of Wisconsin, but the recommendation of the Division of Examinations was adverse.

There had also been distributed, under date of June 12, 1961, a Legal Division memorandum in which the opinion was expressed that in the event of judicial review either approval or denial of the application would be sustained as a reasonable exercise of the Board's discretion. In the judgment of the Division, a rather close case was involved, with the decision resting largely on appraisal of the competitive factor. In this regard, arguments that might support either approval or denial were cited, with an indication that denial of the application would be a reasonable conclusion.

6/15/61

-7-

A memorandum from Mr. Solomon dated May 19, 1961, was also included in the package of memoranda pertaining to the application. In this memorandum Mr. Solomon referred to a telephone conversation with Congressman Laird of Wisconsin regarding the status of the application. The Congressman indicated that he had recently been in Wausau and had been asked by the applicants whether it would be helpful for them to come to Washington to answer any questions the Board might have regarding the proposal. Prior to this telephone conversation the Division of Examinations had requested from applicant, through the Reserve Bank, a considerable amount of additional information, which information had been received and found to be sufficient to permit the preparation of the Division's analysis and recommendation to the Board. Congressman Laird was informed of this development and was advised that it seemed doubtful whether any useful purpose would be served by a visit to Washington by representatives of the applicant. Nevertheless, should the Board be inclined to deny the application, it was suggested by Mr. Solomon that the Board might wish to offer an opportunity for an oral presentation.

In commenting on the application, Mr. Solomon observed that although First American State Bank was not extremely large in absolute terms, it was the dominant commercial bank in Wausau and Marathon County. Similarly, Wisconsin Valley Trust Company was the dominant fiduciary institution in the area. The latter institution was confined by its



6/15/61

-8-

present charter to fiduciary activities and received only time deposits; its loans therefore were not substantial. Thus, there was some appeal to the proposal to combine First American and Wisconsin Valley under common ownership of a holding company, since this would represent essentially a combination of diverse and noncompetitive operations. Also, there was a considerable common ownership of First American and Wisconsin Valley Trust, with about 39 per cent of the stock of the former being held by the same interests that held about 74 per cent of the stock of the latter. It was these considerations that had led the Federal Reserve Bank to make its favorable recommendation. However, in the view of the Division of Examinations, considerations under the fifth statutory factor, relating to competition, appeared to be of decisive importance. First American accounted for about 70 per cent of total deposits in the city of Wausau and 50 per cent of deposits in Marathon County. Similarly, the Trust Company was dominant in its field. In addition, since its charter could be amended to permit entry into the commercial banking business, there existed the possibility of potential competition with First American. On the other hand, the bringing together of two such institutions under common ownership and control would increase their predominant position in the area. Since the Division could not find any clearly offsetting advantages under the other four statutory factors required to be considered by the Bank Holding Company Act, it believed that an adverse recommendation was warranted.



6/15/61

-9-

Mr. Solomon then referred to the procedural question involved in the application, saying that Congressman Laird had made a second telephone call requesting that the applicants be given an opportunity to present their views. Mr. Solomon said that he had reiterated that no purpose would appear to be served by a personal presentation at the time; in fact, Board action on the application might be delayed. He suggested, however, that if the Board should be inclined to deny the application, it might wish to consider giving the applicants some indication of the adverse features of the case and providing an opportunity for oral presentation.

Mr. O'Connell stated that the Legal Division concurred in the views expressed by the Division of Examinations, including those on the procedural question.

The members of the Board then presented their views, beginning with Governor Mills, who read the following statement:

The application of the Central Wisconsin Bankshares, Inc., Wausau, Wisconsin, to acquire 80 per cent, or more, of the outstanding common shares of First American State Bank and Wisconsin Valley Trust Company, both of Wausau, Wisconsin, falls within the permissive statutory limitations of the Bank Holding Company Act of 1956. In effect, a decision on the proposal rests on the application of the fifth statutory factor under section 3(a) of the Act to the various elements residing in the case. In so doing, emphasis must be laid primarily on whether the effect of the proposed acquisitions would result in a bank holding company system of a size that would be inconsistent with adequate and sound banking and the preservation of competition in the field of banking and, therefore, contrary to the public interest. The professed purpose of the Bank Holding Company Act of 1956 is to supervise and regulate the expansion of bank holding companies

6/15/61

-10-

and is neither intended to prohibit the formation of bank holding companies nor to control their activities, except as the term "control" under the provisions of the law is defined as a specie of over-all regulation and not as the exercise of restrictive control over the classified range of activities that are legally permissible. In accordance with this concept that the prohibitive elements in the Bank Holding Company Act of 1956 do not outrank its permissive features decisionwise, the considerations bearing on the application of Central Wisconsin Bankshares, Inc., are in favor of its approval.

Essentially, the result of the proposal would no more than regularize by way of a corporate connection the existing situation in which a large percentage of common shareholders are represented in both the First American State Bank and the Wisconsin Valley Trust Company. Recognition of this situation through the medium of the bank holding company vehicle would convert an indirect relationship to a direct relationship between the commercial banking functions of the First American State Bank and the trust company functions of the Wisconsin Valley Trust Company. In its decisions on bank mergers, the Board of Governors on many occasions has authorized bank mergers which have combined these two diverse banking activities. No good reasons can be adduced to adopt a contrary policy with respect to the instant proposal.

As far as size is concerned, the Wisconsin Valley Trust Company is a small institution and the addition of its deposit totals to those of the First American State Bank would not add substantially to that institution's control of banking resources in the city of Wausau, even though the resulting percentage of deposits held would come to 73.3 per cent. Considering the size and location of the city of Wausau, a commercial bank holding approximately \$36 million of deposits is not out of line with the kind and size of banking facilities that the community's commercial and industrial interests should be in a position to command.

As to competition within the city of Wausau, effective competition is now afforded by the Citizens State Bank and Trust Company and will be enhanced at the time that the related newly organized National Bank of Wausau begins operations at a location in close proximity to those of the First American State Bank and Wisconsin Valley Trust Company. The facilities of the First American State Bank for making

6/15/61

-11-

personal, commercial and industrial loans would be complemented through the bank holding company medium with the real estate mortgage lending facilities of the Wisconsin Valley Trust Company, which can be presumed to make individual commercial and industrial real estate mortgage loans. The trust department facilities of the Wisconsin Valley Trust Company might also be expected to have a complementary adaptitude through the bank holding company vehicle that would round out the over-all banking services that can be rendered to the community of Wausau by virtue of the proposed bank holding company vehicle and the centralized management direction that is implicit in that kind of corporate organization.

In extending analysis of the proposal outside of the city of Wausau into Marathon County and beyond, the arguments in favor of the application are further strengthened, in that it is apparent that banking facilities are available in a considerable number of communities handily located in the county that are of a size both able to serve the general run of banking requirements in this area and at the same time compete with the larger commercial banking institutions located in the city of Wausau. Furthermore, attention must be given to the demographic features of Northern Wisconsin, which is a relatively sparsely settled area in which only a comparatively few good-sized cities are located. Under comparable conditions in other geographical areas, the distance between cities does not have the same importance as is true of heavily populated areas where more closely located banking facilities are necessary to offset the inconveniences of difficult transportation over congested highways. In that connection, the Wisconsin communities of Appleton, Green Bay, and Eau Claire are not so far distant from Wausau as to hamper the use of their banking facilities by city of Wausau and Marathon County individuals and businesses who might wish to take advantage of them.

The application should be approved.

Governor Robertson said that he would favor denying the application. In his opinion, approval would bring about a concentration of financial power in the Wausau area that would be out of keeping with the concept of the Bank Holding Company Act, which was enacted to

6/15/61

-12-

regulate the further expansion of bank holding companies with this kind of situation in mind. He could not state the reasons for disapproval better than they had been stated in the staff memoranda. However, he would favor providing representatives of the applicant an opportunity to present their views on the application if they so desired.

Governor Shepardson said that, based on analysis of the facts of the case, he would be inclined to take the same position as Governor Mills. However, there were one or two puzzling aspects of the matter, particularly the competitive situation in Wausau between First American and Wisconsin Valley Trust; despite the extent of common ownership, cooperation between the two institutions appeared to have been lacking. To complete the record, he would rather like to have these questions clarified. On the other hand, it might be said that they were not particularly relevant to a decision on the case.

Governor Balderston said that he also had considered the questions mentioned by Governor Shepardson. However, he was not sure that they were of more than academic interest. Accordingly, while he would not object to inviting representatives of the applicant to discuss these matters with the Board if thought desirable to obtain clarification, his present inclination would be to approve the application, for many of the reasons set forth by Governor Mills. The well-rounded banking organization that would result from approval of the application would in his opinion be appropriate for a city such as Wausau. The application,



6/15/61

-13-

of course, did not contemplate consolidation into a single bank, but effectuation of the proposal would constitute a step in that direction.

There ensued a further discussion of the matters referred to by Governors Shepardson and Balderston, in the course of which Chairman Martin joined the meeting. Governor Balderston summarized the discussion that had taken place, and some of the Board members commented on the views they had expressed previously.

Chairman Martin then said that, having gone over the case carefully, he was inclined toward approval of the application. Although the case was a close one, he could not find any strong basis for disapproval.

At the instance of the Chairman, there followed further discussion of the question whether to invite representatives of the applicant to meet with the Board before the Board acted on the application. Since it appeared that a majority of the Board favored approval of the application, it was the conclusion that such a meeting would be unnecessary. In this connection, Governor Shepardson commented that although some questions were still unresolved in his mind, it seemed probable, as suggested in today's discussion, that they were not of a fundamental nature. Therefore, if approval of the application on the basis of the available information was favored, he would join in that approach.

Accordingly, it was understood that the staff would prepare drafts of an order approving the application and of a supporting statement for



6/15/61

-14-

subsequent consideration by the Board, and that a statement in support of the dissenting position of Governor Robertson also would be presented.

Mr. Hostrup and Messrs. Andrew and Richard Thompson then withdrew from the meeting.

Report on study of examining techniques and procedures. There had been distributed to the Board, with a memorandum from the Division of Examinations dated April 24, 1961, copies of the report by Price Waterhouse & Co. on its 1960 study of techniques and procedures used by the Board's Division of Examinations in making examinations of Federal Reserve Banks. The study was made during the examination of the Federal Reserve Bank of New York as of October 21, 1960, and the report was submitted by Price Waterhouse & Co. on March 21, 1961.

The view was expressed in the memorandum from the Division of Examinations that the revised examination approach to be introduced, at least experimentally, during the current year (as described in the Division's memorandum of February 2, 1961, and discussed at the Board meeting on February 23) would substantially meet most of the general and specific recommendations advanced by Price Waterhouse & Co. One possible exception related to the audit of the System Open Market Account. Due to special conditions applying in that instance, the Division had endeavored to make its procedures so comprehensive as to leave minimum opportunity for criticism of the audit examination on the grounds of adequacy. The Division, it was stated, would carefully review the

6/15/61

-15-

possibilities for reducing the scope of the audit, without substantially impairing its effectiveness, but at the same time the Division was inclined to believe that modifications in the examining program for this particular function should be approached most cautiously. Submitted with the memorandum were attachments discussing, respectively, suggestions and criticisms resulting from the Price Waterhouse 1960 study and follow-up comments by that firm on matters covered in previous years' reports.

In commenting on the matter, Mr. Solomon said, with reference to the audit of the System Open Market Account, that considerable progress had been made toward placing on the Board's computer a substantial part of the work done at the Board's offices in verifying Account transactions. Turning to the revised examination approach referred to in the memorandum, he noted that plans were under way to introduce this type of examination shortly in examining one department of a Federal Reserve Bank, that the tentative outline of such an examination was currently under study by the Board's field examining staff, and that it was hoped additional departments at the Reserve Banks could be brought within the scope of such a revised procedure by the end of the year.

In reply to a question, Mr. Solomon said that the revised examination approach had been discussed at the recent Conference of General Auditors of the Reserve Banks, with mixed expressions of opinion. However, a large majority of the General Auditors seemed agreeable to the revised program and some were enthusiastic.

6/15/61

-16-

After further discussion of the Price Waterhouse report, Mr. Farrell called attention to the reference in the Division of Examination's memorandum to a plan to use the opportunity provided by the General Auditors' Conference to request the General Auditor of the New York Reserve Bank to review with his colleagues the procedures followed by that Bank looking toward a reduction in the volume of savings bonds held in safekeeping for individuals. As a matter of information for the Board, Mr. Farrell noted that when the question of procedures to reduce the volume of safekeeping for individuals was raised at the recent Fiscal Agency Conference, the Treasury indicated that it would take the matter under consideration and advise the Reserve Banks of its views.

Mr. Solomon stated that Price Waterhouse had expressed a willingness, as part of its assignment to study examining techniques and procedures used by the Board's examining staff, to review instructions promulgated in connection with the proposed revised examination approach. He assumed the Board would have no objection to obtaining the advice of Price Waterhouse in this respect.

It was confirmed that there would be no objection, the comment being made that this would appear to be in conformity with the Board's decision on June 9, 1961, to retain Price Waterhouse for another year to survey techniques and procedures followed in the examination of the Federal Reserve Banks, as well as to audit the Board's accounts for the year 1961.

6/15/61

-17-

Report of examination of Federal Reserve Bank of Chicago. The report covering the examination of the Federal Reserve Bank of Chicago made as of February 24, 1961, had been circulated to the Board, along with the usual accompanying memoranda.

Mr. Smith commented on matters disclosed by the examination, and on the basis of his comments it was agreed that there were no matters appearing to require action on the part of the Board.

Continental Bank and Trust Company. Mr. O'Connell reported on oral argument held yesterday in the United States District Court for the District of Columbia on the Board's motion to dismiss the complaint filed against it by The Continental Bank and Trust Company, Salt Lake City, Utah. He noted that the motion had been taken under advisement, with an indication that an early decision might be expected.

Messrs. Hexter and Smith withdrew from the meeting at this point.

Request from Department of the Army. Governor Robertson reported a visit to his office yesterday by representatives of the Department of the Army, who discussed a further problem of bank supervision that had arisen in the Ryukyu Islands. The services of a member of the Board's staff were sought for a period of a year, on a basis whereby such person would continue on the Board's pay roll but his travel expenses would be paid by the Army. It was understood that a similar approach was to be made to the Comptroller of the Currency.



6/15/61

-18-

Governor Robertson said it did not appear that the staff member mentioned by the representatives of the Army would possess the technical qualifications to accomplish the particular task that was envisaged. Further, he would not consider it desirable to have the assignment undertaken by a person who would remain on the Board's pay roll.

If agreeable to the Board, Governor Robertson went on to say, he proposed to advise the Department of the Army he had no definite suggestion at this time, but that more information about the nature of the assignment would be helpful. Such information, it appeared, might be available following the return of one of the Army representatives who contemplated visiting the Ryukyus in the near future. At such time, if it seemed appropriate, Governor Robertson had in mind proposing the name of Vice President Armistead of the Richmond Reserve Bank, who was slated for retirement in September. This, however, would be on the basis that the Army would pay Mr. Armistead's salary and expenses, and that he would be the Army's employee if he undertook the assignment.

No objection being expressed, it was understood that Governor Robertson would handle the matter along the lines indicated.

Proposed bank merger in Chicago. With reference to the proposed merger of the Continental Illinois National Bank and Trust Company and the City National Bank and Trust Company, both of Chicago, Illinois, now pending before the Comptroller of the Currency, Chairman Martin referred to receipt of a telephone call from President Allen of the



8/15/61

-19-

Federal Reserve Bank of Chicago, who stated reasons, particularly from the standpoint of the management and operations of City National, why it would seem desirable that a decision on the application be announced, even though that decision might be unfavorable.

After discussion, Chairman Martin suggested that he might relay the substance of President Allen's comments to the Secretary of the Treasury as a matter of information, and no objection was indicated.

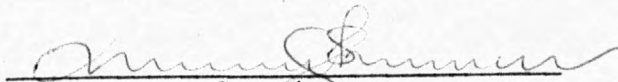
The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the General Counsel recommending acceptance of the resignation of Janet Hart, Assistant Counsel in the Legal Division, effective at the close of business June 30, 1961.

Letter to the Federal Reserve Bank of New York (attached Item No. 7) approving the reappointment of A. John Maher as examiner.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 8) approving the appointment of William James Blanchard as assistant examiner.

  
Secretary

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

Item No. 1  
6/15/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 15, 1961

Board of Directors,  
Manufacturers Trust Company,  
New York, 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 limited purpose branch by Manufacturers Trust Company, New York, New York, at 72-63 Main Street, Flushing, Borough of Queens, New York, New York, provided the branch is established within six months from the date of this letter.

It is understood that the banking operations conducted at this office will be limited to the functions of the Personal Loan Department of the bank's 73rd Avenue office located at 72-71 Main Street in Flushing, and will not include the performance of any other functions involving contact with the public such as, but not limited to, the acceptance of deposits, the paying of checks, or the making of loans.

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  
6/15/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 15, 1961



Mr. W. M. Taylor,  
Deputy Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Dear Mr. Taylor:

Receipt is acknowledged of your letter of May 29, 1961, asking whether Alexandria, Virginia, and Washington, D. C., are contiguous or adjacent within the meaning of section 8 of the Clayton Act and the Board's Regulation L.

Our understanding is that the boundary of the District of Columbia extends to the Virginia shore and coincides with the boundary of the City of Alexandria for some distance. Consequently, the two are "contiguous" within the meaning of the above provisions, and therefore an officer or director could not serve banks in both places.

This renders moot the question whether the places are "adjacent". However, the map indicates that the business district of Alexandria is about as far from the Federal Reserve Building as Chevy Chase, and it takes roughly the same length of time to go to either from the Federal Reserve Building. Almost all of the vacant land between Washington and Alexandria has disappeared, and many people live in Alexandria and the surrounding area and work in Washington. In the circumstances, Alexandria and Washington would probably be "adjacent" even if they were not "contiguous" within the meaning of these provisions.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 3  
6/15/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 15, 1961



Board of Directors,  
Farmers Bank and Trust Company,  
Knox, Indiana.

Gentlemen:

The Board of Governors received from the Federal Reserve Bank of Chicago copies of your letters of May 20 and 26, 1961, respecting your request that you be permitted to declare quarterly dividends of \$1,875 each payable on June 30 and September 30, 1961. The Board's permission is necessary under the provisions of Section 9 of the Federal Reserve Act and Section 5199(b), United States Revised Statutes.

It is the Board's understanding that you have agreed to provide \$75,000 in new capital funds during 1961. On the basis of this understanding, the Board approves the declaration of dividends of \$1,875 each payable on June 30 and September 30, 1961. This approval is confined to the declaration of the above dividends and does not authorize any other declaration of dividends during 1961 or later.

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. 4  
6/15/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 15, 1961



Mr. Carl E. Allen, President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Allen:

As recommended in your letter of May 25, 1961, the Board has changed the classification of member banks in the Seventh Federal Reserve District, for the purpose of electing Class A and Class B directors, to the following:

<u>Group</u>	<u>Banks with Capital and Surplus of:</u>
1	Over \$3,000,000
2	\$600,000 and over, but not over \$3,000,000
3	Under \$600,000

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 5  
6/15/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 15, 1961



Comptroller of the Currency,  
Treasury Department,  
Washington 25, D. C.

Attention: Mr. C. C. Fleming,  
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated March 13, 1961, enclosing copies of an application to organize a national bank in Glendale, Colorado, and requesting a recommendation as to whether or not the application should be approved.

A report of investigation of the application made by an examiner for the Federal Reserve Bank of Kansas City indicates that management of the proposed bank would be satisfactory and capital adequate, as proponents have agreed to provide a capital structure of \$510,000. Future earnings prospects appear marginal and almost wholly dependent upon continued expansion of Martin Company's operations and leasing space in Cambridge Center Shopping Center, most of which is not yet being constructed. The application appears premature. Chartering a bank at this location would also have a detrimental effect on the recently chartered Center State Bank. In the circumstances, the Board of Governors does not feel justified in recommending favorable consideration of the application at this time.

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  
6/15/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 15, 1961



Mr. George D. Reycraft,  
Antitrust Division,  
Department of Justice,  
Room 4039,  
United States Court House,  
Philadelphia, Pennsylvania.

Dear Mr. Reycraft:

This refers to your letter of June 6, 1961, which requests "a copy of each application to merge, or to acquire another bank, or to establish additional banking offices made by or on behalf of the Corn Exchange National Bank and Trust Company and Girard Trust Corn Exchange Bank, both of Philadelphia, Pennsylvania, from January 1, 1950 to date."

Corn Exchange National Bank and Trust Company, prior to its merger with Girard Trust Company on June 15, 1951, was a national bank under the supervision of the Comptroller of the Currency, rather than the Board of Governors of the Federal Reserve System. Accordingly, the Board received no applications for that bank to merge with or acquire any other bank.

Girard Trust Company did not merge with or acquire any other bank from the date of its admission to membership in the Federal Reserve System in 1917 until its merger with Corn Exchange National Bank and Trust Company in 1951. In the period since that merger, the resulting institution, under the title of Girard Trust Corn Exchange Bank, has participated in five other mergers. However, none of these six mergers was subject to prior approval of the Board of Governors under the provisions of section 18(c) of the Federal Deposit Insurance Act prevailing on the date the merger was consummated, since in each case the capital stock and surplus of the resulting bank equaled or exceeded the respective aggregate capital stock and aggregate surplus of the merging banks. For this reason the Board has never had occasion to receive an application from Girard Trust Company, or its successor Girard Trust Corn Exchange Bank, to merge with or acquire another bank.

Prior to the amendment of section 9 of the Federal Reserve Act that became effective July 15, 1952, branches located within the limits of the city, town, or village in which the head office of a State

Mr. George D. Reycraft

-2-

member bank was situated were not subject to the approval of the Board of Governors. Since that date, all branches established by a State member bank, including those incident to mergers or absorptions, have been passed upon by the Board. However, the Board does not have a form of application for the establishment of branches; a bank seeking to establish a branch merely makes a simple request to the Board, and necessary information to pass upon the request is developed by the staffs of the Board and the Federal Reserve Banks for the use of the Board. Accordingly, the Board does not have applications for branches established by Girard Trust Corn Exchange Bank.

Although, as indicated, the Board does not have applications for the various transactions to which you refer, there are attached certain tables which give information regarding the mergers participated in, and branches established by, Girard Trust Company, and its successor Girard Trust Corn Exchange Bank, from January 1, 1950 to date.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosures

TABLE I

MERGERS AND DE NOVO BRANCHES OF GIRARD TRUST COMPANY,  
 PHILADELPHIA, PENNSYLVANIA, AND SUCCESSOR GIRARD  
TRUST CORN EXCHANGE BANK, PHILADELPHIA, PENNSYLVANIA

<u>SYMBOL</u> <sup>1/</sup>	<u>MERGERS</u>	<u>EFFECTIVE DATE</u>	<u>RESULTING BRANCHES</u>
A.	Girard Trust Company, Philadelphia, and Corn Exchange National Bank and Trust Company, Philadelphia	6-15-51	12
B.	Girard Trust Corn Exchange Bank, Philadelphia, and National Bank of Germantown and Trust Company, Philadelphia	9-11-53	1
C.	Girard Trust Corn Exchange Bank, Philadelphia, and North Philadelphia Trust Company, Philadelphia	1-22-54	1
D.	Girard Trust Corn Exchange Bank, Philadelphia, and National Bank of Narberth, Pa.	10-14-57	3
E.	Girard Trust Corn Exchange Bank, Philadelphia, and Ambler National Bank, Ambler, Pa.	10-14-57	3
F.	Girard Trust Corn Exchange Bank, Philadelphia, and Upper Darby National Bank, Upper Darby, Pa.	4-28-58	12
	Total Branches acquired through merger		<u>32</u>
	One Branch acquired from Corn Exchange discontinued		<u>1</u>
	Total Branches acquired through merger and now operated		31
DN.	DE NOVO BRANCHES		7
	Total Branches now operated		<u>38</u> ....

<sup>1/</sup> Symbols A,B,C,D,E,F and DN are used for convenience in TABLES I and II to identify particular branches as resulting from a particular merger or from de novo establishment.



TABLE II

BRANCHES OF GIRARD TRUST CORN EXCHANGE BANK, PHILADELPHIA, PENNSYLVANIA

<u>Branch Office</u>	<u>Address</u>	<u>Symbol</u> <sup>1/</sup>	<u>Date Established</u>
<u>Philadelphia</u>			
Arch	Third and Arch Streets	A	6-15-51
Bridenburg	Kirkbridge, Ash and Thompson Sts.	A	6-15-51
Burholme	Rising Sun and Cottman Aves.	A	6-15-51
Central City <sup>a/</sup>	1510-12 Chestnut St.	A	6-15-51
Comly Road	Comly Road and Roosevelt Blvd.	DN	3-20-61
Frankford	4700 Frankford Ave.	A	6-15-61
Germantown	5500 Germantown Ave.	B	9-11-53
Germantown-Lehigh	2721-27 Germantown Ave.	A	6-15-51
Mayfair	Cottman Ave. East of Frankford Ave.	DN	1-31-52
North Philadelphia	Broad St. and Germantown Ave.	C	1-22-54
Orthodox	Torresdale Ave. and Orthodox St.	A	6-15-51
Second Street	Second and Chestnut Sts.	A	6-15-61
Sixty-Third Street	427 North 63rd St.	DN	12- 9-57
South Philadelphia	Passyunk Ave., west of 23rd St.	DN	8- 6-56
Spring Garden	Spring Garden and 12th Sts.	A	6-15-51
Stenton	Stenton Ave. and Washington Lane	DN	11- 6-57
Suburban Station	17th St. and Pennsylvania Blvd.	DN	3-26-56
Twenty-Second Street	22nd and Indiana below Fox St.	DN	12- 4-57
West Oak Lane	72nd St. and Ogontz Ave.	A	6-15-51
West Philadelphia	16th and Ludlow Sts.	A	6-15-51
Wissinoming	Torresdale Ave. and Howell St.	A	6-15-51
<u>Delaware County Division</u>			
Upper Darby	6910 Market St. Upper Darby, Pa.	F	4-28-58
Upper Darby Drive-In	Ludlow and Glendale Streets, Upper Darby, Pa.	F	4-28-58
P.T.C. Terminal	69th and Market Streets, Upper Darby, Pa.	F	4-28-58
Broomall	West Chester Pike and Summit Ave., Broomall, Pa.	F	4-28-58
Drexell Hill	Ferne Blvd. near Burmont Road, Drexel Hill, Pa.	F	4-28-58
Havertown	Darby Road near Mill Road, Havertown, Pa.	F	4-28-58
Lawrence Park	Lawrence and Sproul Roads, Marple Township, Pa.	F	4-28-58
Manoa	Shopping Center, West Chester Pike and Eagle Road, Manoa, Pa.	F	4-28-58
Newtown Square	West Chester Pike near Newtown Rd. Newtown Square, Pa.	F	4-28-58

- 2 -

TABLE II

BRANCHES OF GIRARD TRUST CORN EXCHANGE BANK, PHILADELPHIA, PENNSYLVANIA

<u>Branch Office</u>	<u>Address</u>	<u>Symbol<sup>1/</sup></u>	<u>Date Established</u>
<u>Delaware County Division (Cont'd)</u>			
Penn Oak	Penn Fruit Building, Clifton Heights, Pa.	F	4-28-58
Pilgrim Gardens	Shopping Center, 1021 Pontiac Road, Drexel Hill, Pa.	F	4-28-58
Yeadon	712 Church Lane, Yeadon, Pa.	F	4-28-58
<u>Narberth Division</u>			
Bank of Narberth	Haverford and Essex Aves., Narberth, Pa.	D	10-14-57
Bala-Cynwyd	Bala and City Line Aves., Lower Merion Township, Pa.	D	10-14-57
Wynnewood	Lancaster Pike and Wynnewood Rd., Wynnewood, Pa.	D	10-14-57
<u>Ambler Division</u>			
Bank of Ambler	Butler Avenue and Spring Garden St., Ambler, Pa.	E	10-14-57
Flourtown	Bethlehem Pike and Wissahickon Ave., Flourtown, Pa.	E	10-14-57
Fort Washington	Fort Washington Industrial Park Fort Washington, Pa.	E	10-14-57

<sup>1/</sup> Symbols A, B, C, D, E, F and DN are used for convenience in TABLES I and II to identify particular branches as resulting from a particular merger or from de novo establishment.

<sup>a/</sup> Discontinued as of 3-26-54.

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

Item No. 7  
6/15/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 15, 1961

Mr. John F. Pierce, Chief Examiner,  
Federal Reserve Bank of New York,  
New York 45, New York.

Dear Mr. Pierce:

In accordance with the request contained in  
your letter of June 12, 1961, the Board approves the  
reappointment of A. John Maher as an examiner for the  
Federal Reserve Bank of New York, effective today.

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  
6/15/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 15, 1961

Mr. Eliot J. Swan, President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Swan:

In accordance with the request contained in your letter of May 16, 1961, the Board approves the appointment of William James Blanchard as an assistant examiner for the Federal Reserve Bank of San Francisco. Please advise us if the appointment is not made effective August 7, 1961, as planned.

It is noted that Mr. Blanchard owns 25 shares of The Harter Bank & Trust Company, Canton, Ohio, a State member bank to which he is indebted in the amount of \$325. It is understood that this indebtedness will be paid prior to August 7. Accordingly, the Board's approval of the appointment of Mr. Blanchard is given with the understanding that he will not participate in any examination of that bank so long as he owns stock of that institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.