

Minutes for August 2, 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

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

M  
  
R  
CCB  
Shepardson  
King

Minutes of the Board of Governors of the Federal Reserve System  
on Wednesday, August 2, 1961. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Shepardson

Mr. Kenyon, Assistant Secretary  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of  
Examinations  
Mr. Hooff, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division  
of Examinations  
Mr. Smith, Assistant Director, Division of  
Examinations  
Mr. Spencer, General Assistant, Office of  
the Secretary  
Mr. Smith, Legal Assistant, Legal Division  
Mr. Guth, Review Examiner, Division of  
Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on July 31, 1961, 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.

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:

Item No.

Letter to The First National Bank of Ipswich,  
Ipswich, Massachusetts, approving its application  
for fiduciary powers.

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Kansas City approving revisions of the minimums of Grade 1 in the employees' salary structures at Kansas City-Denver, and Grades 1 and 2 at Oklahoma City-Omaha.	2
Letter to The First State Bank, Abilene, Texas, approving an investment in bank premises.	3
Letter to Farmers State Bank & Trust Company, Cuero, Texas, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	4

Report on competitive factors (Charlotte-Marion, North Carolina).

A draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The First National Bank of Marion, Marion, North Carolina, into First Union National Bank of North Carolina, Charlotte, North Carolina, had been distributed with a memorandum from the Division of Examinations dated July 28, 1961. The conclusion in the report read as follows:

Applicant banks do not appear to be competitive to an important degree and the effect on competition should not be significant.

The proposed transaction is in furtherance of a trend in North Carolina toward concentration of banking resources in a few large banks.

The report was approved unanimously for transmission to the Comptroller.

Report on competitive factors (Hollidaysburg-Williamsburg, Pennsylvania). A draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed purchase of

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assets and assumption of liabilities of First National Bank of Williamsburg, Williamsburg, Pennsylvania, by Hollidaysburg Trust Company, Hollidaysburg, Pennsylvania, had been distributed with a memorandum from the Division of Examinations dated July 25, 1961.

The report, in which the conclusion read as follows, was approved unanimously for transmission to the Corporation:

The proposed purchase of assets and assumption of liabilities of First National Bank of Williamsburg, Williamsburg, Pennsylvania, by Hollidaysburg Trust Company, Hollidaysburg, Pennsylvania, would eliminate little competition between the two institutions as little exists. Competitive effects of the transaction would be limited very largely to the immediate Williamsburg area where the remaining small bank would be subject to increased competition.

Report on competitive factors (Franklin, Illinois). There had been distributed, with a memorandum from the Division of Examinations dated July 26, 1961, a draft of report to the Federal Deposit Insurance Corporation regarding the competitive factors involved in the proposed purchase of assets and assumption of liabilities of Franklin State Bank, Franklin, Illinois, by Franklin Bank, Franklin, Illinois. The conclusion in the report read as follows:

The proposed purchase of assets and assumption of liabilities of Franklin State Bank by Franklin Bank should not affect banking competition in the area.

The report was approved unanimously for transmission to the Corporation.

Applications of The Atlantic National Bank of Jacksonville and Atlantic Trust Company (Items 5 and 6). At the meeting on July 21, 1961,

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the members of the Board present (Governors Balderston, Mills, Robertson, and Shepardson) voted to approve applications under the Bank Holding Company Act by The Atlantic National Bank of Jacksonville and Atlantic Trust Company, both of Jacksonville, Florida, to acquire up to 39,400 of the 40,000 voting shares of Lake Shore Atlantic Bank of Jacksonville, a proposed new bank. Accordingly, the staff was requested to prepare drafts of an order and statement for review by the Board. Pursuant to this understanding, such drafts had been distributed with a memorandum from the Legal Division dated July 28, 1961.

There being no objection, the issuance of the order and statement was authorized. Copies of the order and statement are attached hereto as Items 5 and 6, respectively.

Messrs. Hooff, Hostrup, Smith (Legal Assistant), and Guth withdrew from the meeting at this point.

Report of examination of Federal Reserve Bank of St. Louis. The report of the examination of the Federal Reserve Bank of St. Louis made by the Board's examining staff as of April 17, 1961, had been circulated to the Board, along with the usual accompanying memoranda.

Mr. Smith having commented on matters disclosed by the examination, there followed a discussion, at the instance of Governor Balderston, with respect to the possible effect from the audit control standpoint of the consolidation of the Bank's Accounting Department into the Data Processing



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Department incident to the recent installation of an IBM Data Processing System. It was noted that similar procedures were likely to be adopted at other Federal Reserve Banks.

The comments of Messrs. Solomon and Smith were to the effect that the problem of audit control had been reviewed with the General Auditor of the St. Louis Bank by the Board's staff. In discussing this matter with him, he brought out that the Accounting Department, as formerly organized, did not originate entries; to that extent the General Auditor felt that the degree of risk was minimized. In the circumstances, it was felt by the Board's staff that it would be difficult to object to the arrangement. Nevertheless, it was planned to have a member of the examining staff devote particular attention to the matter as and when other Reserve Banks proceeded along the same lines, in order to attempt to determine whether any undue risks appeared to be involved.

On the basis of Mr. Smith's comments concerning the examination of the St. Louis Bank, there was agreement that there were no matters appearing to require Board action at this time.

Dates of oral presentations. On the basis of the preferences of the respective applicant banks, as stated following their receipt of the Board's letters of July 28, 1961, it was understood that an oral presentation by the State Bank of Albany, Albany, New York, concerning its proposed merger with The Fort Plain National Bank would be heard by the Board on August 15, 1961,

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and that an oral presentation by Manufacturers Trust Company, New York, New York, concerning its proposed merger with The Hanover Bank would be heard on September 6, 1961.

The meeting then adjourned.

Secretary's Notes: Pursuant to the procedure approved by the Board on October 12, 1960, relating to examinations of Edge Act corporations by examiners for the Federal Reserve Banks of New York and Philadelphia, acting as examiners for the Board of Governors, a letter was sent today to the Federal Reserve Bank of Boston authorizing a similar arrangement in that District for examinations of Boston Overseas Financial Corporation, Boston, Massachusetts.

On August 1, 1961, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of St. Louis (attached Item No. 7) approving the appointment of Ronald Wesley Wallace as assistant examiner.

Memoranda from appropriate individuals concerned recommending increases in the basic annual salaries of the following persons on the Board's staff, effective August 6, 1961:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Legal</u>		
Rufus S. Hill, Jr., Legal Assistant		\$6,435	\$6,600
	<u>Research and Statistics</u>		
Sarah A. Foret, Statistical Clerk		4,145	4,250
Monica Jones, Statistical Assistant		6,180	6,345
Winofred Racz, Chart Machine Operator		6,180	6,345

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Salary increases, effective August 6, 1961 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Bank Operations</u>			
Elizabeth I. Dietrich, Statistical Clerk		\$4,145	\$4,250
<u>Administrative Services</u>			
Aubrey L. Simmons, Sergeant, Guard Force		4,355	4,460
Quincy W. Barnes, Mail Clerk		3,605	3,710
Edward D. Rogers, Messenger		3,185	3,290

*Timothy A. Tynan*  
 Assistant Secretary



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

Item No. 1  
8/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 2, 1961



Board of Directors,  
The First National Bank of Ipswich,  
Ipswich, Massachusetts,

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The First National Bank of Ipswich 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 Massachusetts. 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) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary,



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

Item No. 2  
8/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 2, 1961

CONFIDENTIAL (FR)

Mr. Willard Edwards,  
Director of Personnel,  
Federal Reserve Bank  
of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Edwards:

The Board of Governors approves the revisions in the minimums of Grade 1 in the Kansas City-Denver employee structure and in Grades 1 and 2 in the Oklahoma City-Omaha structure, effective September 1, 1961, in accordance with the action taken by the Board of Directors, as reported in your letter of July 19.

The Board's records are being amended to reflect these changes in the grade ranges as follows:

	<u>Grade</u>	<u>Minimum</u>	<u>Maximum</u>
Kansas City-Denver	1	\$2,400	\$3,000
Oklahoma City-Omaha	1	2,400	2,940
	2	2,400	3,180

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  
8/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



August 2, 1961

Board of Directors,  
The First State Bank,  
Abilene, Texas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Dallas, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment by The First State Bank, Abilene, Texas, of \$217,479.16 in bank premises.

It is understood that the construction program is now complete and is represented on the books of the bank in the form of a mortgage payable in the original amount of \$500,000, and in the bank premises account at \$525,000 with a special depreciation reserve of \$10,000 applicable thereto. Your attention is invited to the letter from the Board of Governors of the Federal Reserve System dated January 20, 1960, in which your bank was granted permission to invest \$1,063,400 in banking premises with the express provision " . . . that not more than \$500,000 of the cost of these premises will be capitalized on the books of the bank." The approval granted herein is with the understanding that the previous proviso be complied with not later than December 31, 1961.

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. 4  
8/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 2, 1961

Board of Directors,  
Farmers State Bank & Trust Company,  
Cuero, Texas.

Gentlemen:

The Federal Reserve Bank of Dallas has forwarded to the Board of Governors your resolution dated June 13, 1961, signifying your intention to withdraw from membership in the Federal Reserve System, and your letter dated June 28, 1961, requesting waiver of the six months' notice of such withdrawal and setting forth the reason for withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Dallas of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 10(c) of the Board's Regulation H your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Dallas.

Attention is invited to the fact that if your bank is desirous of continuing deposit insurance after withdrawal from membership in the Federal Reserve System, it will be necessary that application be made to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

Item No. 5  
8/2/61

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

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In the Matter of the Applications of  
THE ATLANTIC NATIONAL BANK OF  
JACKSONVILLE AND ATLANTIC TRUST  
COMPANY  
For prior approval of acquisition of  
voting shares of the Lake Shore Atlantic  
Bank, Jacksonville, Florida  
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ORDER APPROVING APPLICATIONS UNDER  
BANK HOLDING COMPANY ACT

There having come before the Board of Governors pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 USC 1842) and section 4(a)(2) of the Board's Regulation Y (12 CFR 222.4(a)(2)), applications by The Atlantic National Bank of Jacksonville and Atlantic Trust Company, both of Jacksonville, Florida, for the Board's prior approval of the acquisition of up to 39,400 of the 40,000 shares of a proposed bank, the Lake Shore Atlantic Bank, Jacksonville, Florida; a Notice of Receipt of Applications having been published in the Federal Register on May 9, 1961 (26 Federal Register 4006) which provided interested persons an opportunity to submit comments and views regarding the proposed acquisition; and the time for filing such comments and views having expired and no such comments or views having been filed;



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IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date that the said applications be and hereby are granted, and the acquisition by The Atlantic National Bank of Jacksonville and Atlantic Trust Company of up to 39,400 of the 40,000 shares of Lake Shore Atlantic Bank, Jacksonville, Florida is hereby approved, provided that such acquisition is completed within three months from the date hereof.

Dated at Washington, D.C. this 2nd day of August, 1961.

By order of the Board of Governors.

Voting for this action: Governors Balderston, Mills, Robertson, and Shepardson.

Absent and not voting: Chairman Martin and Governor King.

(Signed) Kenneth A. Kenyon

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Kenneth A. Kenyon,  
Assistant Secretary.

(SEAL)

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 6  
8/2/61

APPLICATIONS BY THE ATLANTIC NATIONAL BANK OF JACKSONVILLE  
AND ATLANTIC TRUST COMPANY FOR PRIOR APPROVAL OF THE ACQUISITION  
OF THE SHARES OF LAKE SHORE ATLANTIC BANK, JACKSONVILLE, FLORIDA

STATEMENT

The Atlantic National Bank of Jacksonville and Atlantic Trust Company, both of Jacksonville, Florida ("Applicants"), have applied pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("the Act"), for the Board's prior approval of the acquisition of up to 39,400 of the 40,000 shares of a proposed new bank, the Lake Shore Atlantic Bank, Jacksonville, Florida ("Bank"). Both of the Applicants are registered bank holding companies; Atlantic Trust Company (which is not a bank) directly owns a controlling interest in eight banks, and all of its outstanding stock is held by trustees for the benefit of the shareholders of The Atlantic National Bank of Jacksonville.

Views and recommendations of the supervisory authorities. -

One of the Applicant companies is a national bank. The proposed bank to be acquired is to be a State bank. Pursuant to section 3(b) of the Act, notice of the application was given to, and views and recommendations requested of, both the Comptroller of the Currency and the State Commissioner of Banking of the State of Florida. Both recommended approval of the applications.

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Statutory factors. - Section 3(c) of the Act requires the Board to take into consideration the following five factors: (1) the financial history and condition of the holding companies and bank concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and the area concerned; and (5) whether or not the effect of the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - The 17 commercial banks in Duval County (in which Jacksonville is located) hold total deposits of \$662 million as of December 31, 1960. Applicants' group of banks includes four of these, with total deposits of \$236 million. The largest of these four banks is The Atlantic National Bank of Jacksonville, with total deposits of \$209 million.

Bank would be located in a suburban area about two miles southwest of the city limits of Jacksonville, at the intersection of Harlow and Blanding Boulevards, and .4 mile south of a fairly large shopping center. Bank's anticipated primary service area has a population estimated at 20,000 to 30,000. The area has no industry, but population growth has been pronounced in recent years and may be expected to continue in the foreseeable future. At present, there is



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no bank located within Bank's anticipated primary service area. The two banks closest to Bank's proposed site are about 4.5 and 5 miles distant. Of Applicants' banks, The Atlantic National Bank of Jacksonville is the closest to the proposed location of Bank. It is approximately 8 miles away.

The financial history and condition, prospects, and management of the Applicants are satisfactory. The prospects and proposed management of Bank are also satisfactory; since Bank has not yet been established, financial history and condition are not relevant factors with respect to it.

Relative to the fourth statutory factor, while the need for a bank in the area is not deemed urgent, it is felt that a need is sufficiently evidenced and that the convenience and welfare of the area concerned would be benefited to an extent which would support approval under this factor.

The proposed acquisition would give the Applicants' group 5 of the 18 banks (27.8 per cent) in the metropolitan area of Jacksonville (Duval County). It does not appear that the acquisition would increase substantially Applicants' present control of banking resources nor strengthen significantly their competitive ability. The banks in Applicants' holding company system held approximately 32 per cent of the deposits of individuals, partnerships, and corporations ("IPC deposits") of all banks in Duval County, compared with

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about 29 per cent held by the Florida National Group (not a bank holding company as defined in the Act), 23 per cent by the Barnett National Bank of Jacksonville and the subsidiary banks of the affiliated Barnett National Securities Corporation (a registered bank holding company), and 16 per cent by all other banks. If Bank's anticipated deposits at the end of three years of operation should consist entirely of IPC deposits and should be added to Applicants' year-end 1960 totals, Applicants' proportion of the total of such deposits held by Duval County banks would increase by only 1 percentage point.

In the Board's opinion, under Applicants' control Lake Shore would be operated soundly, and the establishment of the bank would not produce an overbanked situation in the area. Neither does it appear that the proposed acquisition would expand the size of the Applicants' system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

It is the judgment of the Board, based on the relevant facts considered in the light of the general purposes of the Act and the factors enumerated in section 3(c) thereof, that the proposed acquisition would be consistent with the statutory objectives and the public interest, and that the application should be approved.

August 2, 1961.





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

Item No. 7  
8/2/61

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 2, 1961

CONFIDENTIAL (FR)

Mr. George E. Kroner,  
Vice President,  
Federal Reserve Bank of St. Louis,  
P. O. Box 442,  
St. Louis 66, Missouri.

Dear Mr. Kroner:

In accordance with the request contained in your letter of July 26, 1961, the Board approves the appointment of Ronald Wesley Wallace as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise us if the appointment is not made effective August 16, as planned.

It is noted that Mr. Wallace is indebted to Monroe National Bank of Columbia, Columbia, Illinois, in the amount of \$33 and to Bank of St. Louis, St. Louis, Missouri, a non-member bank, in the amount of \$1,286.48. Accordingly, the Board's approval of the appointment of Mr. Wallace is given with the understanding that he will not participate in any examinations of these banks until his indebtedness thereto has been liquidated.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.