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Minutes for October 13, 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

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System
on Friday, October 13, 1961. The Board met in the Board Room at 9:30 a.m.

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

Mr. Sherman, Secretary
Mr. Hexter, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Landry, Assistant to the Secretary
Mr. Troup, Supervisory Review Examiner, Division
of Examinations

Request by Wells Fargo Bank American Trust Company (Item No. 1).

Reference was made to an application by Wells Fargo Bank American Trust Company, San Francisco, California, dated September 27, 1961, for access to certain unpublished information, such application having been made pursuant to Title 12, Section 261.2(c), of the Code of Federal Regulations. The occasion for the application was the Board's letter of September 22, 1961, offering the bank and The Farmers and Merchants National Bank of Santa Cruz, Santa Cruz, California an opportunity to submit further information or comments regarding their proposed merger which had been considered at meetings on September 21 and 22, 1961. Since on that occasion it did not appear that a majority of the Board was prepared to give consent to the merger on the record before it, pursuant to the procedure adopted by the Board on July 27, 1961, the applicant was offered an opportunity to submit additional information in writing or in an oral presentation before the Board. Wells Fargo expressed its intention to make such submittal "both by written and oral presentation to the Board"

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and to assist in doing so requested access to reports filed with the Board by the Attorney General, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation pertaining to the competitive factors in the proposed merger, as well as access to all other written objections or comments filed with the Board or the Federal Reserve Bank of San Francisco pertinent thereto.

Under date of October 10, 1961, copies of a memorandum from the Legal Division regarding the foregoing request had been distributed. The view was expressed in the memorandum that from the standpoint of applicable legal principles (section 3 of the Administrative Procedure Act and section 8(c) of the Board's Rules of Organization) the Board appeared to have denied itself the right to disclose the information requested, but in practice it was believed the Board had disclosed unpublished information in comparable situations, such as the recent disclosure by the Board to a national bank in Philadelphia of its report to the Comptroller of the Currency on the competitive factors in a proposed merger in which the national bank was involved. As to the merits of the present request, the memorandum noted that the Board in its letter to Wells Fargo on September 22 had offered applicant an opportunity to comment further upon the effects of the proposed merger on the general competitive situation. Since applicant was aware that the Board's consideration of "the effect of the transaction on competition" included the weighing of facts and arguments in the reports submitted by

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each of the three agencies on the competitive factors involved, it was the opinion of the Legal Division that both applicant and the Board would benefit if the former were informed of any adverse arguments presented by the reports mentioned. Reference was made in the memorandum to the fact that the Comptroller of the Currency and the Federal Deposit Insurance Corporation both expressed the view that the merger would not have an adverse effect upon competition and that so far as these two reports were concerned the Board could inform applicant that their inspection was not necessary for the purpose applicant had in mind. Since, however, the report of the Justice Department was adverse and, in the event of approval of the merger, a summary thereof would be published in the Board's next Annual Report, it appeared that no injury would be done to competing banks or to the public interest by disclosure of this particular report. In the circumstances, disregard of the literal meaning of the provisions of section 8(c) of the Rules of Organization seemed to the Legal Division to be justified from the viewpoint of efficient administration. However, if the Board wished to avoid even a "justified" disregard of its Rules of Organization, applicant might be asked to address its request to the agencies that originated the reports, as had been the case in the Philadelphia merger application referred to.

Governor Mills stated that he did not believe the Board should accede to the request for access to reports on competitive factors prepared by the other agencies in this case, since those reports were supplied to

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the Board in compliance with the bank merger law. He would regard the reports as unpublished information to be held in confidence and only to be made public in the case of litigation.

Mr. Hexter commented that failure to disclose to applicant all three reports on competitive factors referred to could not appreciably affect Wells Fargo's preparation of its oral presentation scheduled for November 8, because two of the reports were favorable to the merger, and the one from the Justice Department while adverse was not strongly so.

Governor Robertson said that he thought it would be a mistake to establish a precedent of making available to any applicant who so requested the competitive reports of other agencies on merger proposals, since he doubted that that was the intent of the statute. Moreover, he said, he regarded it as poor policy to base the Board's decision in a matter of this kind on an individual-request basis rather than on the principle involved. Considered as a matter of principle, his view was that the request should be turned down. In fact, Governor Robertson went on to say, he thought the Board probably had gone too far in making some of its reports available in the case of banks engaged in litigation.

Governor Shepardson said that there was always a possibility of inequity in not acceding to a request such as that of Wells Fargo. Since, however, there would be no appreciable harm done to applicant's preparation of its oral presentation by refusing the request for access

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to the competitive reports concerned, he was in favor of replying to Wells Fargo to the effect that the bank should address its request to the agencies that had prepared the reports. In the alternative, he would simply deny the request without reference to the other agencies.

Governor Balderston having indicated that he was inclined to concur in the position indicated by the other Board members, it was agreed that a letter would be sent to Wells Fargo Bank American Trust Company denying its request for access to the unpublished information described in its petition of September 27, 1961. A copy of the letter sent pursuant to this action is attached as Item No. 1.

Messrs. Thomas, Adviser to the Board, and Yager, Economist, Division of Research and Statistics, entered the room during the foregoing discussion.

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 Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Franklin Lakes, New Jersey.	2
Letter to Union Trust Company of Maryland, Baltimore, Maryland, approving the establishment of a branch in the Frederick Avenue Shopping Center to replace its branch at 1951 West Pratt Street.	3

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Item No.

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Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in the vicinity of Whittier Boulevard and Santa Gertrudes Avenue, East Whittier, Los Angeles County.

With respect to Item No. 2, a letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at Franklin Lakes, New Jersey, as to which the Federal Reserve Bank of New York had recommended disapproval, it was understood that the Reserve Bank would be informed of the Board's inclination to recommend approval and that the letter would be sent in the absence of a desire by the Bank to express further views as to why an adverse recommendation should be made to the Comptroller. 1/

Mr. Fauver, Assistant to the Board, joined the meeting at this point.

Report on competitive factors (North Wilkesboro and Elkin, North Carolina). There had been distributed a draft of report prepared in the Division of Examinations under date of October 9, 1961, to be sent to the Federal Deposit Insurance Corporation, regarding the competitive factors involved in the proposed merger of The Bank of Elkin, Elkin, North Carolina, into The Northwestern Bank, North Wilkesboro, North Carolina.

In discussion certain suggestions for modification of the wording of the report were made and agreed upon. Thereupon, the report was approved

1/ Letter sent on October 13, 1961.

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unanimously for transmission to the Federal Deposit Insurance Corporation in a form containing the following conclusion:

Applicant banks do not compete with each other to any significant degree. There would be no reduction of banking outlets in the communities involved, as a result of the merger, and no apparent adverse effects on other banking institutions in the surrounding area. It is concluded that the proposed merger would have no significant anticompetitive effects.

The proposed merger would be another minor step in the concentration of banking resources in North Carolina in a comparatively few large banks.

Application by Elston Bank & Trust Company, Crawfordsville, Indiana (Item No. 5). Distribution had been made under date of October 6, 1961, of a memorandum from the Division of Examinations regarding application by Elston Bank & Trust Company, Crawfordsville, Indiana, for permission to acquire the assets and assume the liabilities of The Waynetown State Bank, Waynetown, Indiana, and to operate a branch at the present location of The Waynetown State Bank. The recommendations of both the Division of Examinations and the Federal Reserve Bank of Chicago were favorable, and the reports on competitive factors submitted by the Comptroller of the Currency and the Federal Deposit Insurance Corporation were not unfavorable. The report of the Attorney General indicated that, in view of the control of Waynetown State Bank by stockholders of Elston, competition between the two banks would be eliminated regardless of the action taken on the application. Attached to the memorandum was a draft of letter that might be sent to Elston Bank should the Board decide to approve its application.

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In commenting on the memorandum of the Division of Examinations, Mr. Leavitt noted that Elston Bank & Trust Company was the largest commercial bank in Montgomery County and Crawfordsville, with deposits of about \$14 million, constituting 44 per cent of county deposits as against corresponding figures of \$2 million and 6 per cent for Waynetown State Bank. However, he said, Crawfordsville contained about half the population of the county, whereas Waynetown State Bank was the only bank in a small community of approximately 900 persons located eight miles west of Crawfordsville. Furthermore, he said, there had not been any degree of real competition between the two banks, and whatever competition had existed had been eliminated by the acquisition of about four-fifths of the outstanding stock of the smaller bank by stockholders and directors of the larger institution. Mr. Leavitt went on to say that the only other banks that would be affected to any extent by the proposed transaction were The First National Bank in Crawfordsville and the Hillsboro State Bank. Although the national bank had a branch six miles north of Waynetown, the bank was large enough to meet effectively any increased competition. So far as the State bank at Hillsboro was concerned, although it was small (with deposits of about \$2.4 million) and it was possible the bank would find competition increased by the proposed transaction, its deposits had almost doubled in the period 1951-60 compared with an increase of only 6 per cent in the deposits of Waynetown State Bank.

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It being indicated in the discussion that followed that the Board was inclined to approve the application by Elston Bank & Trust Company, consideration was given to the meaning of the phrase "in the public interest" that appeared in the letter proposed to be sent to applicant should the Board reach a favorable decision, and comments were made with particular regard to the relevance of the phrase to the seven statutory factors required to be considered by the Board in passing on merger applications under the provisions of section 18(c) of the Federal Deposit Insurance Act.

At the conclusion of the discussion, unanimous approval was given to the application by Elston Bank & Trust Company, Crawfordsville, Indiana, for permission to acquire the assets and assume the liabilities of The Waynetown State Bank, Waynetown, Indiana, and to operate a branch at the present location of the latter. A copy of the letter sent to applicant pursuant to this action is attached as Item No. 5.

Money market review. Mr. Yager reported on recent developments in the money market, incorporating in his remarks reference to certain charts distributed beforehand relating to transactions in the Government securities market. Mr. Thomas then commented on recent changes in bank reserves, the money supply, and related matters.

The meeting then adjourned.


Secretary

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

Item No. 1
10/13/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1961.

Wells Fargo Bank American Trust Company,
San Francisco,
California.

Gentlemen:

This refers to the application by Wells Fargo Bank American Trust Company, San Francisco, California, dated September 27, 1961, for access to certain unpublished information, such application having been made pursuant to Title 12, Section 261.2(c), of the Code of Federal Regulations. The occasion for this application was the Board's letter of September 22, 1961 offering your Bank and The Farmers and Merchants National Bank of Santa Cruz an opportunity to submit further information or comments regarding their proposed merger. The specific information requested was contained in reports filed with the Board by the Attorney General, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation pertaining to the proposed merger as well as all other written objections or comments filed with the Board or the Federal Reserve Bank of San Francisco pertaining to the proposed merger.

The Board has concluded that it would not be appropriate to provide the unpublished information requested. It will be noted that section 8(c) of the Board's Rules of Organization provides that "the Board will not . . . disclose in response to requests any unpublished information . . . if such information relates to . . . proceedings in connection with the consideration of . . . the granting . . . of permission or authority in . . . cases in which public hearing is not required by statute or Board regulations." Thus, the Board's Rules state unequivocally that the information requested will not be disclosed.

Apart from the provision in the Board's Rules, it is believed that it would be inappropriate to disclose information of the type requested relating to a merger application under consideration by the Board, and it is believed that disclosure of such information is not needed to enable your Bank to express its views on the questions presented in the Board's letter of September 22, 1961, regarding the proposed merger.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 2
10/13/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 13, 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 May 25, 1961, enclosing copies of an application to organize a national bank at Franklin Lakes, New Jersey, 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 New York indicates that the proposed capital structure will be adequate and the general character of management satisfactory. While future earnings prospects are not so good as desirable, in the Board's view the degree of need for banking facilities is sufficient to outweigh the slightly adverse earnings prospects. Accordingly, the Board of Governors recommends favorable consideration of the proposal.

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
10/13/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 13, 1961

Board of Directors,
Union Trust Company of Maryland,
Baltimore, Maryland.

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 of a branch in Store No. 15 in the Frederick Avenue Shopping Center, Baltimore, Maryland, by Union Trust Company of Maryland, Baltimore, Maryland, provided the branch is established within one year from the date of this letter, and provided further that branch operations now conducted at 1951 West Pratt Street are discontinued simultaneously with the establishment of the above branch.

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
10/13/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 13, 1961

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank, Los Angeles, California, in the vicinity of Whittier Boulevard and Santa Gertrudes Avenue, East Whittier, Los Angeles County, 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. 5
10/13/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 13, 1961

Board of Directors,
Elston Bank & Trust Company,
Crawfordsville, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to the proposed acquisition of assets and assumption of liabilities of The Waynetown State Bank, Waynetown, Indiana, by Elston Bank & Trust Company, Crawfordsville, Indiana, under the charter and title of the latter, and, incident thereto, the operation of a branch at the present location of The Waynetown State Bank. All factors set forth in section 18(c) of the Federal Deposit Insurance Act were carefully considered, and as this acquisition of assets and assumption of liabilities appears to be in the public interest, the Board hereby grants its consent.

This consent is given provided (1) the proposed acquisition of assets and assumption of liabilities is effected within six months from the date of this letter and substantially in accordance with the Agreement dated August 12, 1961, and (2) the securities and fixed assets acquired are not placed upon the books of Elston Bank & Trust Company at amounts in excess of market value and depreciated value for Federal income tax purposes, respectively.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

