

Minutes of the Board of Governors of the Federal Reserve System on Friday, February 2, 1962. 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. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and
Statistics
Mr. Holland, Adviser, Division of Research and
Statistics
Mr. Koch, Adviser, Division of Research and
Statistics
Mr. Spencer, General Assistant, Office of the
Secretary
Mr. Yager, Economist, Division of Research and
Statistics

Mr. Coombs, Vice President, Federal Reserve Bank
of New York

Money market review. Mr. Yager commented on the current Treasury refunding and on the Government securities market, after which Mr. Thomas presented a report on bank credit, the money supply, and related matters.

Following these reports, Messrs. Holland and Yager withdrew from the meeting and Mr. Hackley, General Counsel, entered the room.

Foreign currency operations. With respect to proposed System operations in foreign currencies, which had been the subject of previous discussions by the Board and the Federal Open Market Committee, Messrs.

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Young and Coombs reported informally on discussions held with representatives of the Treasury pursuant to the authorization given to them at the meeting of the Open Market Committee on January 23, 1962. They then responded to a series of questions relating to how System operations in foreign currencies might be carried out in their initial stages and the relationship of such operations to those of the Treasury's Stabilization Fund. It was understood that copies of documents being prepared as the result of the discussions with Treasury representatives would be distributed to the members of the Board.

At the conclusion of this presentation, Mr. Coombs and all members of the Board's staff except Messrs. Sherman, Kenyon, Fauver, Hackley, and Spencer withdrew and the following entered the room:

Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Shay, Assistant General Counsel
Mr. Kiley, Assistant Director, Division of Bank
Operations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Veret, Attorney, Legal Division
Mr. Achor, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on February 1, 1962, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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Items circulated or distributed to the Board. The following items, which had been circulated or distributed to the members of 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 Continental International Banking Corporation, New York, New York, granting permission to purchase and hold 10 per cent of the stock of Banco Shaw Sociedad Anonima Argentina, Buenos Aires, Argentina.	1
Letter to Provident Tradesmens Bank and Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch in the Garrett Road Shopping Center, Upper Darby Township, Delaware County.	2
Letter to the Chairman of the Conference of Presidents interposing no objection to the adoption of a uniform System policy with respect to charges for certain wires concerning the transfer of Government securities.	3

Messrs. Molony, Farrell, Goodman, and Kiley then withdrew from the meeting.

Report on competitive factors (Franklin-Boykins-Capron, Virginia).

There had been distributed, with a memorandum from the Division of Examinations dated January 29, 1962, a draft of report to the Federal Deposit Insurance Corporation regarding the competitive factors involved in the proposed merger of The Meherrin Valley Bank, Boykins, Virginia, and Bank of Capron, Inc., Capron, Virginia, into Vaughan and Company, Bankers, Franklin, Virginia.

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Mr. Solomon stated that subsequent to the distribution of the report the Division of Examinations had given further consideration to the matter and now would suggest that the conclusion be revised as follows:

The proposed merger would eliminate some competition; however, the over-all effect on area competition probably would not be detrimental.

Following discussion, the report was approved unanimously for transmittal to the Corporation in a form containing the revised conclusion, with the understanding that certain minor editorial changes would be made in the body of the report.

Application of Springfield Safe Deposit and Trust Company (Items 4 and 5). Pursuant to the decision reached by the Board on January 30, 1962, a draft of an order and statement in the matter of the application of Springfield Safe Deposit and Trust Company, Springfield, Massachusetts, to consolidate with Hadley Falls Trust Company, Holyoke, Massachusetts, had been prepared by the Legal Division and distributed to the Board.

Discussion resulted in agreement with a suggestion by Governor King that one sentence be deleted from the concluding paragraph of the statement, following which the issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as Items 4 and 5.

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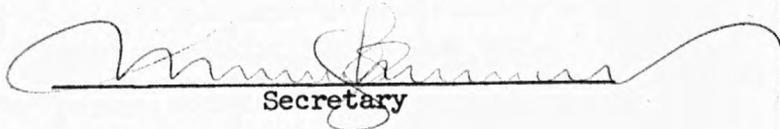
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All members of the staff then withdrew and the Board went into executive session.

Attendance at meeting of central bank economists. The Secretary was informed later by Governor Shepardson that during the executive session the Board authorized attendance by Mr. Hersey, Adviser, Division of International Finance, at a meeting of central bank economists to be held at the Bank for International Settlements, Basle, Switzerland, March 10-12, 1962, to discuss balance-of-payments developments. The Board also approved the attendance of an additional representative of the Federal Reserve System, to be designated by the Federal Reserve Bank of New York.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from the Division of Bank Operations, Governor Shepardson today approved on behalf of the Board an increase in the basic annual salary of George G. Noory, Analyst in that Division, from \$5,850 to \$6,435, effective February 4, 1962.


Secretary

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

Item No. 1
2/2/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 2, 1962



Continental International Banking Corporation,
71 Broadway,
New York 6, New York.

Gentlemen:

In accordance with the request made on behalf of Continental International Banking Corporation ("CIBC") and on the basis of the information furnished in a letter dated December 15, 1961 from Mr. Roger E. Anderson, Vice President, Continental Illinois National Bank and Trust Company of Chicago, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants consent for CIBC to purchase and hold 50,000 shares of Class "A" Stock and 100,000 shares of Class "B" Stock, par value Argentine Pesos 100 each, of Banco Shaw Sociedad Anonima Argentina, Buenos Aires, Argentina, at a cost of approximately US\$500,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that CIBC shall dispose of its holdings of stock in the Argentine bank, as promptly as practicable, in the event that the Argentine bank, should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by CIBC to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

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
2/2/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 2, 1962

Board of Directors,
Provident Tradesmens Bank and Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch in the Garrett Road Shopping Center, Garrett Road near Sherbrook Boulevard, Upper Darby Township, Delaware County, Pennsylvania, by Provident Tradesmens Bank and Trust Company, Philadelphia, Pennsylvania. This approval is given 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. 3
2/2/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 2, 1962



Mr. Malcolm Bryan, Chairman,
Conference of Presidents,
c/o Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Bryan:

This refers to the action of the December 4, 1961, Conference of Presidents approving a recommendation of the Subcommittee on Fiscal Agency Operations that a uniform System policy be adopted with respect to charges for "JAPNU wires" concerning the telegraphic transfer of Government securities. It is understood that under the recommended procedure no charge for such wires would be made to member banks but that a charge would be made to the Treasury on a leased wire cost basis. The Board has no objection to the adoption of such a procedure.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 4
2/2/62

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

In the Matter of the Application of	:
SPRINGFIELD SAFE DEPOSIT AND TRUST COMPANY,	:
SPRINGFIELD, MASSACHUSETTS,	:
for approval of consolidation with	:
Hadley Falls Trust Company,	:
Holyoke, Massachusetts	:

ORDER APPROVING CONSOLIDATION OF BANKS

There has come before the Board of Governors, pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)), an application for the Board's prior approval of the consolidation of Springfield Safe Deposit and Trust Company, Springfield, Massachusetts, with Hadley Falls Trust Company, Holyoke, Massachusetts, under the charter of the former, the title of which will be changed to Safe Deposit Bank and Trust Company.

Pursuant to said section 18(c), notice of the proposed consolidation in a form approved by the Board of Governors has been published, and reports on the competitive factors involved in the proposed transaction have been furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice, and have been considered by the Board.

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IT IS ORDERED, for the reasons set forth in the Board's Statement of this date, that said consolidation be, and hereby is, approved, provided that said consolidation shall not be consummated (a) sooner than seven calendar days after the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 2d day of February, 1962.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and Governors Balderston, Robertson, Shepardson, King, and Mitchell.

Absent and not voting: Governor Mills.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 5
2/2/62

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY SPRINGFIELD SAFE DEPOSIT AND TRUST COMPANY
FOR PRIOR APPROVAL OF CONSOLIDATION WITH HADLEY FALLS TRUST COMPANY

STATEMENT

Springfield Safe Deposit and Trust Company, Springfield, Massachusetts ("Safe Deposit"), with total deposits of \$34.6 million, has applied, pursuant to section 18(c) of the Federal Deposit Insurance Act, for the Board's prior approval of its consolidation with Hadley Falls Trust Company, Holyoke, Massachusetts ("Hadley"), with total deposits of \$32.9 million. Under the Agreement and Plan of Consolidation, the banks would consolidate under the charter of Safe Deposit, the title of which would become Safe Deposit Bank and Trust Company; and the present head office and six branches of Hadley would become branches of the resulting bank, the total authorized banking offices of which would be thereby increased from 5 to 12.

Under the law, the Board is required to consider (1) the financial history and condition of each of the banks involved, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act, (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on competition (including

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any tendency toward monopoly). The Board may not approve the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.

For convenience, the first five factors may be considered together as "banking factors". The sixth and seventh factors are considered separately.

Banking factors. - Safe Deposit has a strong capital structure and good earnings prospects; and its history, condition, and management are satisfactory. The same should hold true generally for the resulting bank. Hadley's condition is fair, and its earnings have been satisfactory; but its capital structure has not attained the desired level, and the recent death of its president has created some problem of successor management. A balancing of the liberal policies of Hadley with the less liberal policies of Safe Deposit should be advantageous to the resulting bank. None of the corporate powers of the banks involved is or would be inconsistent with the Federal Deposit Insurance Act.

Consideration of the banking factors, therefore, lends support to the application.

Convenience and needs of the communities to be served. - Safe Deposit is situated in Springfield, Massachusetts (population 174,500), 90 miles west of Boston. Hadley is located in Holyoke (population 52,700), which is 9 miles north of Springfield. The Springfield-Chicopee-Holyoke Standard Metropolitan Area (as defined by the United States Bureau of the Census) is the center of commerce and industry in western Massachusetts, and economic prospects for the area appear favorable.

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The combined service areas of the two banks, which cover somewhat less than the Standard Metropolitan Area, are well accommodated by a number of commercial banking facilities, mutual savings banks and other savings institutions. Nevertheless, the community will benefit from the higher loan limit of the resulting bank, which will be thereby enabled to compete more effectively in supplying the needs of the larger local firms. The consolidation may be expected to result in improved banking services throughout the area now served by the two banks.

Competition. - Safe Deposit currently operates 3 branches, i.e., a drive-in branch near the bank's main office in Springfield, and branches 4 miles southeast and 17 miles east of Springfield. Another office, 2 miles south, has been authorized but is not yet in operation. Hadley operates 6 branches in addition to its main office in Holyoke. Three of the offices are from one-half to 4 miles east of the main office, one is 1 mile west, and two are 4 and 5 miles southeast. The shortest distance between an office of Safe Deposit and an office of Hadley is about 5 miles, but offices of other commercial banks and savings institutions are located between all offices of Safe Deposit and Hadley.

The two banks appear to serve separate areas within the metropolitan area, with Safe Deposit covering the east and south sections and Hadley covering Holyoke and the northern part of the area. Although slight overlapping is present, less than two per cent of Safe Deposit's demand IPC (individual, partnership, and corporation) deposits

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originate in the Holyoke area and only about four per cent of Holyoke's demand IPC deposits originate in Springfield. Similar figures apply to loans and savings accounts.

Safe Deposit, with \$32 million IPC deposits, and Hadley, with \$29 million IPC deposits are, respectively, the third and fourth largest commercial banks in their combined service areas. The resulting bank would still be third largest but, due to its greater size, able to compete more effectively with the two larger commercial banks now operating primarily in the Springfield area. Furthermore, intense competition is furnished by savings banks; in the Springfield area five such banks hold about 57 per cent of IPC deposits and, in Holyoke, Hadley competes with six savings banks, three of which are considerably larger than Hadley. The resulting bank would hold but 8 per cent of the area deposits; and, in view of the large number of financial institutions in the combined area, including commercial, savings, and cooperative banks, approval of the proposal would not diminish the vigor of competition in the area. Three other commercial banks in Springfield, three others in Holyoke, and two newly chartered banks within the metropolitan area should be able to compete effectively after the proposed consolidation.

Summary and conclusion. - The resulting bank's capital structure will show improvement over the current capital position of Hadley, and continuing experienced management will be assured by consolidation of the banks. Although slight overlapping is present, each of the two banks essentially serves different sections of the metropolitan area.

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For this reason and because of the intense competition from other banks and financial institutions in the area, the vigor of competition should not be adversely affected by the consolidation. On the contrary, competition between the resulting bank and two larger banks in the area should be increased.

Accordingly, the Board finds that the proposed consolidation would be in the public interest.

February 2, 1962