Minutes for April 5, 1962

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 Thursday, April 5, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. O'Connell, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Thompson, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Potter, Senior Attorney, Legal Division
Mr. Lyon, Review Examiner, Division of Examinations
Mr. Thompson, Review Examiner, Division of Examinations

Circulated items. 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 Bankers Trust Company, New York, New York, approving an extension of time to establish a branch at 2 Lafayette Street, Borough of Manhattan.	1
Letter to The First Bank of Boston (International), New York, New York, approving an amendment to its Articles of Association changing the name of the Corporation to "The First Bank of Boston International."	2

	Item No.
Letter to Rhode Island Hospital Trust Company, Providence, Rhode Island, approving an extension of time to establish a branch in Warwick.	3
Letter to First-Citizens Bank and Trust Company, Greencastle, Indiana, approving an investment in bank premises.	4
Letter to the Federal Deposit Insurance Corporation regarding the application of State Bank of Springfield, Springfield, Minnesota, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	5
Letter to Commercial Trust and Savings Bank, Mitchell, South Dakota, approving an investment in bank premises.	6
Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch in Modesto.	7
Letter to Washington Trust Bank, Spokane, Washington, approving the establishment of a branch on North Division Street.	8

Messrs. Goodman and Leavitt then withdrew from the meeting.

Application of Morgan New York State Corporation. The Board gave consideration at this time to an application from Morgan New York State Corporation, Albany, New York, for approval of action to become a bank holding company through the acquisition of all of the voting shares of each of the following banks:

Morgan Guaranty Trust Company of New York, New York, New York;
Manufacturers and Traders Trust Company, Buffalo, New York;
Lincoln Rochester Trust Company, Rochester, New York;
First Trust & Deposit Company, Syracuse, New York;

The State bank or trust company into which would be converted The National Commercial Bank and Trust Company of Albany, Albany, New York;
The State bank or trust company into which would be converted First-City National Bank of Binghamton, N. Y., Binghamton, New York;
The State bank or trust company into which would be converted The Oneida National Bank and Trust Company of Central New York, Utica, New York.

A memorandum from the Division of Examinations dated November 22, 1961, had presented an extensive and detailed analysis of the application as viewed in the light of the five factors required to be considered under the Bank Holding Company Act of 1956. It was brought out that the Banking Board of the New York State Banking Department on September 29, 1961, had approved the concurrent application submitted to the Department by Morgan New York State Corporation. Also on September 29, 1961, the Federal Reserve Bank of New York had submitted to the Board of Governors a memorandum that in substance recommended approval of the application. The provisions of the Bank Holding Company Act did not require that the views of the Comptroller of the Currency be obtained, since neither Morgan New York State Corporation nor the banks that it would own would be national banks. Nevertheless, since the plan contemplated the conversion of certain national banks into State banks, the views of the Comptroller of the Currency were solicited. In response, in a letter dated August 24, 1961, Comptroller of the Currency Gidney stated that he would offer no objection to the proposed transaction.

In a memorandum dated December 6, 1961, which had been distributed, the Division of Examinations summarized some of the data in its November 22, 1961, memorandum, and presented additional information and comments. This memorandum was submitted because previously, at its meeting on October 9, 1961, the Board had decided that an oral presentation should be made in regard to the application. Such a presentation was made before the Board on December 7, 1961, a number of witnesses being heard both in behalf of and in opposition to the application. A transcript of this testimony has been placed in the Board's files.

The Division of Examinations, in a distributed memorandum dated March 12, 1962, summarized and commented upon the new or additional arguments or information emanating from the oral presentation, and stated that, after weighing all considerations, the conclusion reached in the First New York Corporation case, which the Board disapproved by order dated July 10, 1958, also seemed applicable to the present case. Therefore, the Division recommended that the application of Morgan New York State Corporation likewise be denied. In the First New York Corporation case the Board's statement of its reasons for disapproval indicated that "Adverse considerations relating to the fifth statutory factor outweigh the favorable considerations relating to the other factors . . . ."

There had also been distributed a memorandum dated March 21, 1962, from the Legal Division, in which the legal questions involved

in the Morgan matter were explored. The opinion was stated that to the Legal Division there appeared to be sufficient evidence for a reviewing court to sustain a decision of either approval or disapproval as being a reasonable exercise of the Board's discretion. A summary of arguments for and against approval was attached to the memorandum.

At Chairman Martin's request, Mr. Solomon summarized the principal issues involved in the application, which proposed that Morgan Guaranty Trust Company, with deposits of $3.4 billion, would join in a holding company with six upstate banks ranging in size from slightly less than $100 million to slightly more than $500 million. If the application was approved, the resulting institution would be the largest bank holding company in the United States, with aggregate deposits of approximately $5 billion - $300 million greater than the present largest bank holding company, Western Bancorporation, Los Angeles, California. Under the proposal, the shares of the subsidiary banks would be wholly owned by the new company. The holding company would have 25 directors, 16 of whom would be chosen by Morgan Guaranty Trust Company.

In its study of the voluminous material regarding the case, Mr. Solomon continued, the Division of Examinations had concluded that considerations relating to the first three statutory factors - financial history and condition, prospects, and character of management - were all satisfactory, which did not weigh for or against the application. Therefore, approval or denial would seem to rest on favorable conclusions

regarding the fourth factor, convenience, needs, and welfare of the areas concerned, or adverse conclusions under the fifth factor, effect of size or extent of the applicant's bank holding company system upon adequate and sound banking, the public interest, and the preservation of competition. The outcome of the Division's studies was a recommendation for disapproval. However, one staff member, Mr. Richard Thompson (Review Examiner), disagreed with that recommendation and had not joined in signing the final memorandum.

One of the strongest contentions of the applicant under the fourth statutory factor was that the proposed bank holding company would foster the economic growth of upstate New York. That was a worthy objective, and the question as to how it would be accomplished had been asked repeatedly at the oral presentation. The principal response had been that the means to that end would be the availability of capital from the holding company. The Division of Examinations did not consider that argument entirely convincing, because it did not appear that lack of capital had been a limiting factor in the past in the growth of upstate New York banks, nor that it would be in the future. The proposed subsidiary banks seemed to be reasonably well capitalized; they compared favorably with Marine Midland banks capital-wise. Their lending policies, so far as growth was concerned, also seemed favorable. It was true that a holding company, generally speaking, probably was in a better position to supply capital to its subsidiary banks than was an

individual bank to obtain new capital for itself. However, the proposed subsidiaries were not small institutions, and there did not seem to be any reason why they should not be able to market additional shares in the future as in the past. The ratio of market to book value of their shares was good.

It was also claimed that the holding company arrangement would benefit the upstate banks by providing better correspondent relationships, and better management continuity and incentive. However, Mr. Solomon observed that competition for correspondent bank business was about as intense as any competition in the field of banking. While there might be some improvement in correspondent services from the holding company arrangement, it did not appear that this was an important factor.

The arguments offered in favor of this proposal seemed to the Division of Examinations similar in many ways, though presented differently and with different emphasis, to the arguments presented in favor of the First New York Corporation-County Trust Company application. In that case the Board had taken the position that the proposed institution would contribute to a limited extent to the welfare of the area, but that its establishment was not essential to the needs of the area. The Division considered that the same situation prevailed in the present case. Therefore, there was judged to be some, but not strong support for the application under the fourth statutory factor.

As to the fifth statutory factor, Mr. Solomon again noted that the proposed holding company would be the largest in the country. It would be the fifth largest banking institution in the United States, ranking after Bank of America, San Francisco, and Chase Manhattan, First National City, and Manufacturers Hanover, all of New York. Bank of America covered all of California, but the other three banks were confined to New York City. The question of banking concentration could be argued in many ways; different conclusions could be drawn by studying different areas and different combinations of figures. It had seemed to the Division of Examinations that the most significant measure of concentration was the percentage of deposits held by the proposed upstate subsidiaries in the five banking districts they served. The six banks would have 22 per cent of the banking offices and 27 per cent of the deposits. Within the five banking districts in which the six banks were located there were 44 counties, in 29 of which the banks had offices. In those 29 counties, the six banks would have 27 per cent of the banking offices and 31 per cent of the deposits. This was similar to the situation of Marine Midland banks in the same areas. Below Marine Midland banks and those of the proposed holding company, other banks dropped considerably in size. A group composed of the next two largest banks in the five banking districts concerned would have 18 per cent of the offices and 22 per cent of the deposits.

Another question involved was how much weight should be given to the competition provided by mutual savings banks. In Mr. Solomon's view, they were entitled to some attention, but they were not as competitively important as commercial banks. In view of the types of business transacted, size was more important to commercial banks than to mutual savings banks. The competition afforded by mutuals was principally in time deposits, and to some extent in loans. By virtue of legal limitations, a large mutual could not offer nearly the degree of competition that a large commercial bank could.

Another question involved was the amount of competition that would be eliminated among the proposed subsidiary banks. At first glance it might appear that little competition would be eliminated, because of the distances separating the banks. The closest any office of one bank was to an office of another of the banks was 19 miles. However, it seemed to the Division of Examinations that because of the large size of the banks in their respective communities and their strategic locations, they were probably in the aggregate providing alternative banking sources for middle-sized borrowers - those that could go outside their immediate communities but were not strong enough to tap the national markets. Thus, if the six banks were brought under one control, there might be some reduction in alternative sources of banking services for intermediate-sized borrowers.

Mr. Solomon next commented on the effect of the proposed transaction on other banks. It seemed that to whatever extent the correspondent services that would be obtainable by the holding company subsidiary banks were stronger or more effective than the services they now used, the group of banks would get a competitive advantage. This was a factor difficult to measure, but it was probably present to some extent. The application stated that correspondent balances would be concentrated within the group, which meant that the balances that the upstate banks ordinarily carried in New York City would be concentrated in Morgan Guaranty, whereas they were presently spread among various New York City banks. To some extent, therefore, there would be a competitive advantage within the group as to both using and supplying correspondent bank services.

As to Marine Midland Corporation, the idea of setting up a competitor was quite appealing. However, while it was true that, if the application was approved, the two holding companies would be fairly evenly matched in the upstate area, Morgan in New York City was about five times as large as Marine Midland's bank in that city. In this connection, it might be worth while to compare this case with the Firstamerica case, in which, by order dated January 19, 1961, the Board approved acquisition of First Western Bank and Trust Company, thus strengthening competition for Bank of America. It seemed to Mr. Solomon that the two situations were distinguishable. Bank of America's

concentration was much greater than that of Marine Midland, Firstamerica's concentration was smaller in California than Morgan's would be in New York, and the remaining banks in California were substantially larger, relatively speaking, than in the upstate New York area.

Mr. Solomon concluded by reiterating the point made in the Division's March 12, 1962, memorandum, to the effect that the present case seemed to the Division to call for the same line of reasoning the Board had followed in denying the application of First New York Corporation. It was true that circumstances relating to the fifth factor were somewhat different in the First New York case. In that case a large New York City bank proposed to associate, in a holding company relationship, with a bank that held about 50 per cent of the deposits in one county. In the present case the percentage was only 27, but it was spread over a much larger area.

Chairman Martin then asked Mr. Richard Thompson to comment, since the latter had not concurred in the Division recommendation.

Mr. Thompson responded that he agreed with the Division's views on the first three statutory factors. As to convenience, needs, and welfare, he could envisage more substantive benefits than his associates. He was impressed by the sincerity of purpose of the organizers of the proposed holding company and felt that factors such as the availability of improved research facilities could redound to the benefit of the upstate New York area.

Mr. Hackley, who was then called upon by Chairman Martin, noted that the Legal Division customarily makes no recommendation; its memorandum attempted only to call attention to some of the significant legal aspects of the case. The Division felt that the Board was legally entitled, in determining the extent of competition, to consider competition provided by mutual savings banks. To hold otherwise would be inconsistent with the Board's past decisions. The Division also thought, despite language used in connection with previous cases, that there was some ground on which the Board might validly consider competition from savings and loan associations. The Legal Division also was of the opinion that the proposed transaction would not violate the antitrust laws. As indicated in the Legal Division's memorandum, this was regarded as a close case, in which either approval or disapproval probably would not be questioned by the courts as a reasonable exercise of the Board's discretion.

As to the question of the consideration that should be given to the views of other Federal Government agencies (the Comptroller of the Currency in this case) and the State banking authorities, Mr. Hackley stated the view of the Legal Division that the Board was entitled to consider such views but need not be bound by them. Comptroller of the Currency Gidney had indicated in August 1961 that he had no objection to the proposed transaction. However, Comptroller of the Currency Saxon, who succeeded Mr. Gidney, stated in a letter dated January 22, 1962,

that in his opinion the Morgan application "cannot be justified in the public interest under the applicable statutes and should not, therefore, be approved." Mr. Saxon's letter indicated that he believed that entry of New York City banks into the upstate area should be permitted, but that it should be done on a gradual basis through de novo branches rather than on a mass basis, as the Morgan application contemplated. Mr. Hackley pointed out that the means of penetration Mr. Saxon favored was not possible in the Morgan case, because under State law New York City banks could not enter upstate New York by means of de novo branches. Therefore, the holding company device was the only one available.

The Legal Division wished to emphasize, Mr. Hackley stated, that the size of the proposed holding company was not a relevant consideration in and of itself. Size was relevant only if, in the Board's judgment, an adverse effect on the public interest would flow from it, such as a lessening of present or potential competition, thus making it more difficult for independent banks to grow. On the other hand, size might be a favorable consideration if the Board accepted the applicant's contention that through its size the holding company would strengthen the upstate subsidiary banks.

The members of the Board then stated their views, beginning with Governor Mills, who said that he concurred in the recommendation of the Division of Examinations and thus would decline the application. The Morgan proposal came to the Board under the Bank Holding Company

Act of 1956. As Governor Mills read that Act, it was in a line of direct succession from the Sherman Antitrust Act and the Clayton Antitrust Act, and had a blood relationship with the Bank Merger Act of 1960. All four of those statutes had a central rationale: to prevent the origination or to discourage the continuation of financial operations which, because of the importance and extent of controlled resources, could be manipulated to the disservice of the general community. In the present instance the proposed bank holding company would have centralized control of vast resources extending from New York City to the westernmost part of the State in the Buffalo area. The effectuation of that control would eliminate the autonomous operation of six banks that were at present self-sufficient and rendering adequate community service. The holding company, if established, would have a dominant authority to direct the marshaling and the handling of the resources of the subsidiary banks. In Governor Mills' opinion, the danger implicit in that authority had been made evident at the oral presentation. A basic question was the desirability of placing banks, or groups of banks, in a position conveniently to meet the credit demands of national accounts and other large borrowers. However, if banks such as the proposed upstate subsidiaries in the present application were placed in a position to serve the largest borrowers, they might be tempted to form alliances with those important borrowers,

which could result in a disservice to the smaller borrowers in their communities clearly contrary to the spirit of all anti-monopoly legislation.

Governor Mills felt that the present application could be distinguished from the First New York Corporation proposal, which the Board rejected with his dissent. The First New York Corporation application contemplated the penetration of a New York City bank into a nearby and limited area, whereas the present application would inject the applicant into a much wider area. If the Morgan proposal were approved, commercial banking facilities outside New York City would be largely divided between two important bank holding companies; that situation, at least in prospect, could prove disadvantageous to the general public interest.

Governor Robertson stated that he would vote to disapprove the application. Mr. Solomon's analysis closely paralleled his own, and he would add only three points. First, the Bank Holding Company Act was designed to deter and control both the creation and expansion of bank holding companies. Second, approval of the proposal would result, in his opinion, in an undue concentration of banking power, and he would place more emphasis on that particular aspect than did Mr. Solomon's presentation. Third, approval of the application might start a chain reaction and thus bring closer a change in the banking structure of the country from one of many units to one of very few.

Governor Shepardson commented that he did not find an easy answer to this case. It did not seem to him that it had been shown that significant competition existed among the constituent upstate banks, particularly in view of the distances separating them. Further, the proposed arrangement might provide a service to businesses with State-wide organizations by enabling them to deal with the same banking organization in their various locations. Also, the holding company arrangement might make possible a more effective use of funds. Seasonal peaks for various types of activities in different parts of the State did not necessarily coincide, and the holding company might shift funds from an area of lesser demand to one of greater demand with more facility than could independent banks. From that standpoint, the Morgan proposal might contribute to the needs of the communities concerned.

In view of the proportionate share of mutual savings banks in the total market, Governor Shepardson thought it was appropriate for the Board to take account of the competition they afforded. It was not a factor to be weighed equally with commercial bank competition, but it was a factor in the total picture. Taking account of financial institutions other than commercial banks, the concentration that would result from the Morgan proposal was not so pronounced.

It was true that Morgan Guaranty Trust Company was much larger than the other banks that would belong to the holding company. However, it was largely a wholesale bank serving a national market, with close

to 50 per cent of its business coming from outside New York State, and that fact had bearing when measuring banking concentration in the State. Moreover, as Mr. Hackley had pointed out, it was not possible under New York State law for Morgan Guaranty to follow the approach preferred by the Comptroller of the Currency of penetrating the upstate area gradually through de novo branches. If it was found desirable to have New York City bank representation in the area, the holding company route was the only one by which it could be accomplished.

On the other hand, Governor Shepardson said, he was disturbed by the total size of the proposed organization. He had voted for approval of Firstamerica's acquisition of First Western Bank and Trust Company because it had seemed to him that that action would help to provide competition for a still larger financial institution. In the present case, approval would permit the creation of a bank holding company larger than any other in existence.

Governor Shepardson had also given thought to the total picture of the two holding companies in New York State, if the Morgan application was approved, in relation to what banks would remain for any additional holding company that might be formed. His study of that aspect of the case had led him to two conclusions. First, any future applications would have to be judged in the light of the conditions then existing. The fact that the Board approved establishment of a branch in a certain location did not necessarily mean that it would approve a half dozen

more in the same location. Therefore, it seemed that the Board should consider the immediate situation, without trying to reserve room for future applicants. The fact that there might be only a relatively few substantial banks left for another holding company to pick up did not disturb him too much. The second conclusion had to do with the argument that had been advanced that, since the banks that would remain outside of holding company systems were smaller banks doing a local business, the so-called retail business would not be significantly affected. In his view, the establishment of this holding company would not detract from competition in the international or national markets, and he was not sure that it would have any serious effect on the State market.

Governor Shepardson went on to say that he had been much concerned about the proper interpretation of the intent of the Bank Holding Company Act. He noted that Mr. Hackley had taken the position in the past that the legislation was not meant to be a freeze on holding companies, but he also noted Governor Mills' views about the relationship of the Act to previous antitrust legislation. However, both the Bank Holding Company Act and the New York State law permitted the creation of an organization such as Morgan New York State Corporation, although there was an implication in the Bank Holding Company Act that the creation and expansion of bank holding companies should be curbed. Notwithstanding the possible disadvantages to the State and country of

creating such an organization, his inclination at the present moment would be to approve. However, his view was not fixed, and he could be easily persuaded that the implications of the giant size of the proposed institution constituted an over-riding factor.

Governor King stated that he had leaned first on one side and then the other, and had experienced difficulty in staying on either side very long. Finally, however, he had come to believe that the elimination of as many alternative independent sources of banking services as this proposal contemplated was the most important element in the case. It was possible that some real benefits could flow from the formation of the holding company, but they were somewhat doubtful; it could not be said with certainty that the public would benefit. However, it could be said with certainty that a number of independent banking units would be eliminated. They would continue to exist as individual entities in form, but only in form. Therefore, he would disapprove the application.

Governor Mitchell presented the following statement of his views:

> The influence of the banking factors in this proceeding is conspicuously neutral. The banks in question are well managed and adequately capitalized.1/ Each enjoys favorable

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1/ The management of every firm is concerned with its equity and cash position. So also are its creditors. In the case of banking corporations, the regulatory agencies share this concern and have attempted to develop systematic techniques for summarizing and comparing banking practices with

earnings prospects. Neither acceptance nor rejection of the application to form the proposed holding company is likely to adversely affect these factors.

The argument urging approval of the application has dwelt upon the desirability of the proposal from the standpoint of the stockholders of the banks affected. The failure of the few disaffected stockholders to argue the contrary testifies to the pecuniary attractiveness of the stock transaction. The holding company has agreed to pay more for the shares of these banks than the market, which may have had a different estimate of these banks' potentials. Present owners of the banks can realize a good premium on their stock by trading it for holding company shares. Although the regulatory agency is not competent to judge the direction of the stockholders' best advantage, it is required to judge the impact on the public interest of stockholders following their best advantage.

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respect to equities and risks. This is the rationale of the Federal Reserve Board's Form for Analyzing Bank Capital. The criteria of the Form reflect a judgment on what constitutes a reasonably safe portfolio, given the types of risks bankers face (stability of deposits, loan losses, and shrinkages of value due to interest rate changes). This Form does not impose specific and rigid requirements on a bank's capital position, it only provides one method of measuring a bank's capital position. The particular capital position of a given bank can thus be measured against industry performance. The capital positions of the upstate banks are well within the range of typical industry performance.

The relationship alleged by the applicant to exist between the "inadequacy" of the upstate banks' capital and the "stifling" of economic growth upstate must be dismissed. If the applicant's forecast of huge increases in deposits upstate is realized, the large branching systems in question will surely have no difficulty in raising capital on advantageous terms. To say otherwise is to say that bank shares do not reflect the earnings prospects of banks--an untenable surmise.

There are three considerations central to the regulatory agency's judgment of the impact of this application on the public interest: (1) the effects on competition in the supply of credit, (2) the ways in which the proposed institution will alter credit services currently available to the communities affected, and (3) the implications that follow from the sheer size of the proposed institution for the structure of the nation's banking system. Let us treat each of these considerations in turn.

(1) Unusual care must be used in interpreting the competitive aspects of this case. At first sight these banks may not appear to compete since they are located in separate geographical regions. The applicant who is by credit standing or size largely restricted to his local area appears not to be affected by this combination of branching systems. His credit alternatives are superficially unchanged. This, however, will not be the case for borrowers of intermediate and large size. They can be assumed to regard all the large banks in the state, and in some cases the nation, as alternative credit sources. Independence of these credit sources is a positive advantage for these firms because it is conducive of competition on rates and charges. No amount of argument pleading that this combination will "increase services" to these borrowers can change the fact that joining them will make one credit source where six existed before; that competition between these banks will be henceforth foreclosed.

The testimony at the oral presentation asserted that the creation of the holding company will provide more lending resources in the aggregate than would exist if the status quo were maintained. It hardly seems probable that this would be the case except at the expense of other banks serving the same communities. The more likely possibility is that there will be a reallocation of credit resources and that it will be at the expense of some of the existing local customers. The testimony repeatedly emphasized a desire to meet the needs of larger customers whose needs are in excess of local lending limits. To do this, might not the smaller firms and individuals have their credit availability cut back or increased in price? What happens when by virtue of their combination these banks start to operate on a national scale--will they have the same parochial interest and concern as their horizon changes?

What would be the competitive effects of substituting a regional combination, as proposed by the holding company, for the existing correspondent network?

Whatever change in the existing allocation of credit resources that would follow the institution of this combination, it is safe to say that there will not be more credit for every use. The only way this combination could improve the present allocation of credit resources among alternative uses is if the present correspondent system operates very badly, and if the state of knowledge about investment opportunities is highly imperfect, so that the banks as separate units are confined to local opportunities. Then a combination such as Morgan proposes would channel credit according to profit differentials and hence to more productive uses.

There is little to suggest that the correspondent system works as badly as this or that large, regional branching systems of the size involved here are restricted by ignorance of opportunities to local markets. These banks are doubtless alert to profit differentials wherever they exist. They compete and in some instances participate in serving the credit needs of intermediate and large size borrowers.

It is very doubtful that these branching systems acting under single ownership can uncover or exploit opportunities they could not uncover or exploit acting as independent single units or in loose participation arrangements. It is certain that changing their names to "Morgan Affiliate" will not change the structure of the demand for credit in their regions and communities.

It is argued that this system will inaugurate cost savings through integration of processes such as automated bookkeeping and central training of personnel. Even if it could be demonstrated that cost savings could only arise by creation of combinations of this size--there is no evidence that these branching systems operating independently cannot afford to take advantage of new techniques either singly or on a participation basis--it is quite another matter whether the attendant change in the competitive structure will be one that will pass on these savings to bank customers in the form of lower rates and charges.

The substantial loss of correspondent relationships may be the real core of this case. Morgan and these 6 branching systems propose to enter into a "contractual correspondent system" where the contract is ownership by Morgan. If this application is approved, these 6 banks will be tied to one "correspondent," Morgan, instead of working with several. Their correspondent will in effect own them.

(2) It is a commonplace that the line of services offered by any firm will reflect the structure of demand for its services. This is also true for a bank. If a bank receives an application for a loan to install a cyclotron, it will not hire a specialist competent in physics or engineering full-time to review the application; rather it will engage the services of a specialist correspondent. A bank will offer the line of services it pays to offer and no more.

If we observe that these large, regional branching systems do not possess staff specialists to engage in reviewing infrequently occurring or unusual and exotic loan applications, it is likely that these banks do not offer these services or possess specialist staffs to administer these services because it does not pay them to do so. It is not that these banks are somehow inadequate to their tasks or are perversely attempting to frustrate the growth of their regions, it is simply that they are responding to their best earnings advantage.

The extension of services argument must be used with great care because it may lead to the absurd conclusion that changing the ownership of the bank, the name over its door, will suddenly make the offering of specialized services pay where they didn't pay before! It may lead the observer into the ludicrous position of attempting to argue that creating the capacity to service unusual and exotic loans will increase the demand for these loans!

We have no basis for arguing that these large branching systems are not competently managed. They are following their best earnings advantage by offering only those services it pays them to offer. It is only logical to conclude that adding the name Morgan Affiliate over their doors will not magically change the structure of the demand for bank services in their communities.

(3) There is little in the existing body of precedent of quasi-judicial agencies that suggests that an authority such as this one, charged to preserve the public interest, should approve avoidable concentrations of economic power. Such concern is quite in keeping with the theory of hostility to concentration of power in the hands of the few expressed by the Founding Fathers.

But there is more to the anti-concentration posture than our political inheritance brings us. We need only our day-to-day experiences to demonstrate the disadvantage of having choices limited to the products and services the most benign monopolist finds profitable.

The trend toward monopoly in banking is powerful and persistent, but it should be resisted except under the most compelling circumstances. These are grounds of efficiency in the use of the nation's credit resources. Banking units as large as the smallest with which we are concerned here have, using the facilities of the correspondent banking system, most of the advantages that size can bring. Even big and intermediate-sized businesses do not need a few financial giants to service their needs. Their advantage lies in dealing with several large financial institutions instead of a single giant financial institution. It is for this very reason we should be concerned, so that the benefits of competitive alternatives can be realized.

Although the pecuniary advantage to the stockholders of the institutions affected seems clear, the applicant has failed to demonstrate a parallel and unambiguous benefit to the public. There are many instances in the history of a regulatory agency when it must wrestle with the problem of subordination of the desired goals of economic efficiency and political equity. Where increases in efficiency are as dubious as they are in this proceeding relative to the increases in economic power it would produce, a decision choosing dilution of economic power is unimpeachable.

Governor Balderston stated that he found this case exceedingly difficult. He had a strong distaste for monopoly in any form, whether it be local monopoly or a monopoly accentuated by size, and he

subscribed to much of what Governor Mills had said. The best observation to be made about the banking factors, in his opinion, was that they were neutral. As to the fifth factor, he found himself weighing the types of issues discussed by Governor Shepardson. In turning this case over in his mind, he had asked himself what market sectors were involved; that is, national wholesale, local retail, and intermediate sectors. The answer was that all three were involved in the Morgan Guaranty case. In the past Morgan had been primarily a wholesale bank, whereas the six upstate banks had stressed retail banking as well as such corporate business as they could attract. However, testimony had been presented to the effect that their inability to serve the State-wide intermediate market put them at a disadvantage in comparison with Marine Midland.

Governor Balderston said that he had next considered whether monopoly now existed in any of these market sectors, and whether the proposal would add to or reduce existing competition. In upstate New York it seemed that the question of Marine Midland's monopoly power, if any, and the impact upon competition of the Morgan proposal must be approached by market differentiation. At the local level, it could not be said that Marine Midland generally enjoyed a monopoly situation. Moreover, the Morgan Guaranty proposal would seem neither to increase nor diminish competition at the local and national levels, but it would provide State-wide competition for Marine Midland. Mr. Root, New York

State Superintendent of Banks, had stated that there existed no substantial competition among the seven banks that could be lessened by their affiliation. In no case was any office of a proposed Morgan affiliate closer than 19 road miles to the office of any other proposed Morgan affiliate.

The banks had competition for local business from other banks in their respective communities. In the national market, neither Marine Midland nor any other single bank enjoyed a monopoly. Between these two extremes was the State-wide market, where companies with widely scattered operations like those of common carriers, etc., would prefer to deal with a State-wide institution like Marine Midland rather than with banks whose operations were restricted geographically. Even though Marine Midland had market power in the intermediate sector because it was the only New York State banking institution with State-wide coverage, its market power could scarcely be described as monopolistic. However, New York statutes reflected a feeling by New York State legislators that Marine Midland had enjoyed a unique position long enough.

Governor Balderston had also asked himself whether the proposal would increase the market power of the resulting institution so significantly as to make it dominant, and how much freedom of banking choice customers would have. If the Morgan Guaranty holding company were approved, firms that comprised the intermediate and/or State-wide market would have improved accommodation; the local market would have

the same choices as at present but not significantly better service. Morgan Guaranty would fortify its future through diversification by combining its present wholesale banking for big business firms with retail banking. Moreover, as a second large State-wide holding company, it could offer competition at once to Marine Midland in the intermediate market sector. Once two State-wide holding companies were in existence, there would appear to be room for the creation of only one or at the most two more such holding companies. The eventual banking pattern might therefore consist of three large holding companies plus a scattering of small banks.

The question of dominance was to Governor Balderston the most difficult among the whole complex of questions in this case. If examined from the point of view of customer choices for banking accommodation, it might be said that the proposal would not reduce either the number of individual banks or banking offices available, even though seven banks previously independent would be brought under one corporate roof. If one measured dominance in the affected areas of the State by the percentage controlled by Morgan of the deposits of commercial banks only, such control was just over one quarter of the total. If one measured the control of both Morgan and Marine combined, it was about one half. If, however, mutual savings banks were included among the banking choices available, Morgan's ratios for the several districts would be 11.6 for the Seventh, 14.9 for the

Fourth, 15.6 for the Ninth, 25.1 for the Eighth, for the five-county portion of the Sixth 16.2, and for the two-county portion 23.9 per cent. The ratio for the State would be 7.4 per cent of bank deposits, including mutual savings, as compared with 10.9 per cent of the deposits of commercial banks alone. One might conclude that customers that comprised the local market would have the same number of banking choices if the merger were approved and that in the upstate districts where the problem would center, Morgan would not dominate local banking.

The question of dominance did not end with market power, however, nor was it confined to the welfare of customers in the immediate future. One must examine the prospect for the continuance of local unit banks. Their continued life depended upon the aggressiveness of their managements in building the loyal support of customers who wanted to deal with a so-called independent bank. Such appeal called for management of high quality, and this in turn required solving the problem of management succession. The opportunities for promotion and successful careers in small banks would seem to diminish as the number of such banks lessened. The lack of competent managers for the future was partly the result of the natural growth in size of individual institutions, but it had been worsened by mergers. A large institution seemed to have greater appeal to many young people of promise. And so, faced with this difficulty and their own failure to grapple with it soon enough, bank directors were tempted to sell out to a larger and better-manned

institution. The relevance of this problem to the instant case was that continued merging by the seven Morgan banks would accentuate this problem, but the formation of the holding company, per se, would not appear to have much effect upon it.

That brought Governor Balderston to the question of size and its possible impact on monopolistic tendencies in the future. He agreed with Mr. Hackley that size, per se, was irrelevant. Unless the Board feared that size would permit growth of monopoly in the future in ways not evident at the present time, Governor Balderston could not bring himself to believe that size was itself a controlling factor. For one thing, the headlines would not look so striking if the resources of Morgan Guaranty Trust Company did not inflate the total. The proposed holding company would not then be the largest in the country.

As to the attitude of banking authorities, Governor Balderston noted that the New York State authorities favored the proposal. The Comptroller of the Currency would favor Morgan's expansion upstate if done gradually, but only one avenue was open to Morgan under present New York law, and that was the holding company route.

There was a distinction between the Board's responsibilities under the Bank Holding Company Act and those of the New York authorities under State law, Governor Balderston observed. The starting of holding companies in New York had been frozen until the legislature, after deliberating at length and with much compromise, produced a statute

that expressly permitted the kind of proposal Morgan had presented. It was even implied that Marine Midland should no longer enjoy its unique position. Under this law, the State authorities had approved the holding company application. The New York legislators apparently had been trying to preserve some of the old inhibitions against branching and State-wide merging, and still provide some opening. They were no doubt trying to think of what would be best for New York State in the future, though pulled in many directions by their constituents. They evidently had concluded that a proposal such as the Morgan application would be in the interest of New York State banking in the future.

On the other hand, the Board's responsibility stemmed from the Federal statute, which was initiated and promoted by those who wished to curb holding company growth, even though the final vote did not indicate that Congress desired either to freeze or to kill bank holding companies.

Faced with these differences between State and Federal responsibilities, Governor Balderston found himself uncertain as to the right answer for the Board to give.

Chairman Martin stated that, somewhat like Governor King, he had shifted back and forth in his thinking about the application. However, his final view was in concurrence with Mr. Solomon's analysis.

Although the opinion had been expressed that the first three factors were neutral, Chairman Martin considered them a plus. He had

somewhat the same feeling that Mr. Richard Thompson had expressed. The proposal was developed by top-notch people who had shown initiative and energy, and Chairman Martin disliked to see that initiative and energy disappointed. However, the Bank Holding Company Act provided the framework within which the Board must act, and the Board was obliged to observe both its terms and its spirit. It was true that the Act did not prohibit the creation or expansion of holding companies; yet there certainly would have been no legislation on the subject if there had not been an intention to curtail holding company activities.

The oral presentation had not convinced Chairman Martin that there was any real inadequacy of capital in upstate New York at the present time that would be corrected by the formation of the proposed holding company. Further, it was not just that the largest holding company in the country would be created. There was much more than capital involved in the proposal; subsidiary elements such as the Morgan name and contacts made it a combine of power much greater than an organization with more capital but without the same background and inheritance.

The management problem of the unit bank also was touched upon by Chairman Martin. Except in unusual circumstances, a bank of modest size was not able to pay a salary that would provide sufficient incentive to a competent executive for him to stay with the bank and make it his life's work. This was not to say that unit banking was

doomed, or that national or State-wide branch banking was bound to become predominant. Nevertheless, if the Morgan application was approved, and if he was the executive of an intermediate-sized bank, he would be looking for the next holding company and trying to get the best price for his property at the first opportunity. The psychological impact on intermediate banks was a factor of some importance.

Continuing, Chairman Martin stated that he had tried to analyze the terms of the Bank Holding Company Act as they stood. He did not agree with the Comptroller of the Currency's contention that upstate expansion should necessarily be a gradual process through de novo branches. The Morgan proposal was within the law. However, the building of a financial entity such as the proposed holding company conceivably might start a process that could not be adequately contained. It seemed to him that the Board would be justified in denying the application unless it wanted to risk seeing holding company banking become the principal medium of banking in the country.

Governor Shepardson reiterated that he had been very uncertain in his mind. When the Board began to deal with applications under the Bank Holding Company Act, his basic philosophy was against accretions of power such as here proposed, and he was disturbed by his reading of the Legal Division's interpretation of the Bank Holding Company Act. Despite the legislative history, it had seemed to be the position of the staff and the Board that this interpretation provided a logical

line of reasoning. However, if the Board was prepared to take the position that an accretion of power such as was inherent in the present application was something against which it should stand, he could agree with that position with a clear conscience because that had been his feeling on a number of cases. In the light of today's discussion, therefore, he would concur in what appeared to be the majority position.

In response to a question from Governor Balderston, Mr. Hackley stated that in his opinion sound legal reasons could be produced for either approval or disapproval. In the light of the Board's discussion, one of the principal reasons supporting disapproval would be the purpose and intent of the Bank Holding Company Act. He did not think this was a neutral case, in which there were no significant adverse considerations. The Legal Division's position had been that if there were no significant adverse considerations in a given case, the philosophy of the Bank Holding Company Act did not require a showing that the transaction would definitely promote the public interest in order to justify approval. If, however, there were adverse considerations that in the Board's judgment outweighed somewhat hazy and doubtful benefits, disapproval could easily be supported. In this case, particularly--probably more than in any previous case--it might be well to stress the fundamental purposes of the Bank Holding Company Act. He noted, incidentally, that early drafts of the Bank Holding Company Act contained no provision for the formation of a new holding

company. While such a provision was later inserted, it was the obvious intent of Congress to curb the expansion and development of bank holding companies. At that point, however, the matter was left entirely to the discretion of the Board.

Chairman Martin then called for a recording of votes, in response to which all members of the Board voted for denial. Accordingly, the application of Morgan New York State Corporation was denied, and it was understood that the Legal Division would prepare for the Board's consideration an order and statement reflecting that decision.

The meeting then adjourned.

Secretary's Notes: On April 4, 1962, Governor Shepardson approved on behalf of the Board the following items:

Memorandum from the Division of Administrative Services recommending the appointment of Virginia F. Gums as Charwoman in that Division, with basic annual salary at the rate of $3,185, effective the date of entrance upon duty.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 9) approving the appointment of Percy W. Jennings, Leonard A. Ross, Jr., and Aubrey V. Tucker as examiners.

Governor Shepardson approved on behalf of the Board today the following items:

Memorandum from the General Counsel recommending an increase in the basic annual salary of Stephen G. Fuerth, Attorney in the Legal Division, from $6,435 to $6,600, effective April 1, 1962.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 10) approving the appointment of James Brown Nolan as assistant examiner.

Letters to the Federal Reserve Bank of Richmond (attached Items 11 and 12) approving the appointment of Wyatt F. Davis and Vernon E. Inge as assistant examiners.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 13) approving the designation of James E. Caldwell, Jr., and David E. Harwood as special assistant examiners.

Secretary

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

Item No. 1
4/5/62

April 5, 1962

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

Gentlemen:

The Board of Governors of the Federal Reserve System has approved an extension until October 3, 1962, of the time within which Bankers Trust Company may establish a branch at 2 Lafayette Street in the Borough of Manhattan, New York, New York. The establishment of this branch was authorized in a letter dated August 3, 1961.

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
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 5, 1962

Mr. George I. Emery,
Secretary,
The First Bank of Boston (International),
Two Wall Street,
New York 5, New York.

Dear Mr. Emery:

This will acknowledge your letter of March 21, 1962, transmitted through the Federal Reserve Bank of Boston, stating that your Corporation desires to make a minor change in its name by deleting the parentheses around the word "International" and enclosing a certificate of the Secretary of the Corporation with respect to a vote adopted at a special meeting of the stockholders of your Corporation held on March 20, 1962, amending the Articles of Association to change the name of the Corporation from "The First Bank of Boston (International)" to "The First Bank of Boston International". In accordance with your request, the Board of Governors approves the amendment to your Articles of Association.

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
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 5, 1962

Board of Directors,
Rhode Island Hospital Trust Company,
Providence, Rhode Island.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to October 25, 1962, the time within which Rhode Island Hospital Trust Company may establish a branch in Warwick, Rhode Island, under the authorization contained in the Board's letter of April 25, 1961. It is noted that the address of the branch will be 1927 Post Road rather than 11 Kilvert Street.

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
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 5, 1962

Board of Directors,
First-Citizens Bank and Trust Company,
Greencastle, Indiana.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment in bank premises by First-Citizens Bank and Trust Company of $81,877.56 for the purpose of remodeling its bank premises.

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
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 5, 1962

The Honorable Erle Cocke, Sr., Chairman,
Federal Deposit Insurance Corporation,
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of March 23, 1962, concerning the application of State Bank of Springfield, Springfield, Minnesota, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

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
4/5/62

April 5, 1962

Board of Directors,
Commercial Trust and Savings Bank,
Mitchell, South Dakota.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Commercial Trust and Savings Bank, Mitchell, South Dakota, of $351,183.10. This approval covers the cost of site and amounts recently spent in remodeling.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 7
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 5, 1962

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to July 20, 1962, the time within which Wells Fargo Bank may establish a branch in the vicinity of the intersection of McHenry and Granger Avenues in Modesto, Stanislaus County, California.

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
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 5, 1962

Board of Directors,
Washington Trust Bank,
Spokane, Washington.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of an in-town branch by Washington Trust Bank on the west side of North Division Street between Longfellow and Wellesley Streets, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 9
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 5, 1962

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the requests contained in your letters of March 30, 1962, the Board approves the appointment of Percy W. Jennings, Leonard A. Ross, Jr., and Aubrey V. Tucker, at present assistant examiners, as examiners for the Federal Reserve Bank of Richmond, effective April 6, 1962.

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. 10
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 6, 1962

Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland 1, Ohio.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of March 30, 1962, the Board approves the appointment of James Brown Nolan as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise the effective date of the appointment.

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. 11
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 5, 1962

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of March 30, 1962, the Board approves the appointment of Wyatt F. Davis as an assistant examiner for the Federal Reserve Bank of Richmond, 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. 12
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 5, 1962

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of March 30, 1962, the Board approves the appointment of Vernon E. Inge as an assistant examiner for the Federal Reserve Bank of Richmond, 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. 13
4/5/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 6, 1962

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of March 29, 1962, the Board approves the designation of James E. Caldwell, Jr. and David E. Harwood as special assistant examiners for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks only.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.