

Minutes for May 16, 1962.

To: Members of the Board

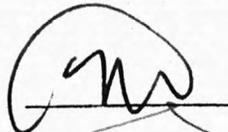
From: Office of the Secretary

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



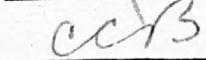
Gov. Mills



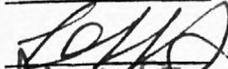
Gov. Robertson



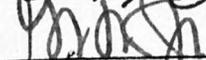
Gov. Balderston



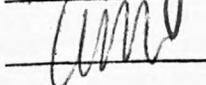
Gov. Shepardson



Gov. King



Gov. Mitchell



Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, May 16, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Mills
Mr. King
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of
Examinations
Mr. Hooff, Assistant General Counsel
Mr. Leavitt, Assistant Director, 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:

| | <u>Item No.</u> |
|---|-----------------|
| Letter to New Jersey Bank and Trust Company, Clifton, New Jersey, approving the establishment of a branch on McBride Avenue between Lackawanna Avenue and Radcliffe Avenue, West Paterson, branch operations at 1005 McBride Avenue to be discontinued simultaneously with the establishment of the new branch. | 1 |
| Letter to The Middle Tennessee Bank, Columbia, Tennessee, approving an extension of time to establish a branch in the Columbia Plaza Shopping Center on West 7th Street. | 2 |
| Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch in Vallejo. | 3 |

5/16/62

-2-

Report on competitive factors (Wheeling, West Virginia). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Security Trust Company, Wheeling, West Virginia, into The National Bank of West Virginia at Wheeling, Wheeling, West Virginia. The conclusion, as drafted, stated that consummation of the proposed merger would eliminate a substantial amount of competition existing between two banks of nearly equal size and located within two city blocks of each other; that the merger might increase competition with the largest bank in the city but would probably have an adverse effect on the remaining small bank in downtown Wheeling.

Governor Mills expressed the view that the size of the community and the character of economic activity would justify a reasonable number of larger banks, such as the bank that would result from the proposed merger. On the basis of this reasoning, he felt that the tone of the final part of the conclusion was severe. Accordingly, he suggested changing the final part of the conclusion to state that the bank resulting from the merger would be in a position to compete more effectively with the largest bank in the city than the two component institutions; and that the remaining small bank in downtown Wheeling would be in a less favorable competitive status.

In further discussion, Governor Mitchell indicated that he would prefer to leave the conclusion as originally drafted. He did not

5/16/62

-3-

believe that an increase in size such as would result from the proposed merger meant that a bank was better able to serve the community, and the proposed merger would eliminate a substantial amount of competition between two existing banks. He questioned the reasoning of the Federal Reserve Bank of Cleveland, which had concluded that "there are no foreseeable adverse competitive effects from the merger and competition between the resulting bank and the largest bank in the area for larger borrowers may well be stimulated." The Reserve Bank had also stated that "the public would lose one banking office but since the office of National is so close to that of Security, the public would not be inconvenienced."

Mr. Leavitt reported that Governor Shepardson had talked with him about this matter and had suggested that the conclusion of the report might be revised as follows:

Consummation of the proposed merger would eliminate a substantial amount of competition existing between two banks of nearly equal size and located within two city blocks of each other. While the merger might have an adverse effect on the remaining smaller bank in downtown Wheeling, it would probably increase competition for the largest bank in the city.

Governors Balderston, Mills, and King indicated that they would be satisfied with the language that had been suggested by Governor Shepardson.

Accordingly, the report was approved for transmittal to the Comptroller with the conclusion reading in that manner. It was

5/16/62

-4-

understood that Governor Mitchell, for reasons he had stated, would have preferred the conclusion as originally drafted.

Report on competitive factors (Cyril, Oklahoma). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed acquisition of assets and assumption of liabilities of The Bank of Cyril, Cyril, Oklahoma, by the Cyril State Bank, Cyril, Oklahoma, a proposed new bank. The conclusion read as follows:

The acquisition of assets and assumption of liabilities of The Bank of Cyril, Cyril, Oklahoma, by the Cyril State Bank, Cyril, Oklahoma, would have no effect upon competition.

There being no objection, the report was approved unanimously for transmittal to the Corporation.

Regulation I (Item No. 4). There had been distributed a memorandum from the Legal Division dated May 10, 1962, presenting a proposed revision of Regulation I, Increase or Decrease of Capital Stock of Federal Reserve Banks and Cancellation of Old and Issue of New Stock Certificates. The Regulation had been revised to conform to the style of the Code of Federal Regulations. Relatively few other changes had been made, the amendments principally reflecting changes in the law since the Regulation was previously issued. It was suggested that the draft revision be sent to all Federal Reserve Banks with a request for comments and suggestions by July 1, 1962.

5/16/62

-5-

Following comments by Mr. Hooff and Mr. Hackley, the proposal to send the draft of revised Regulation to the Reserve Banks for comment was approved unanimously. A copy of the transmittal letter is attached as Item No. 4. With respect to a question whether a copy of the draft Regulation should be sent to the Comptroller of the Currency for comment in view of the provisions therein relating to national banks, it was agreed that this step should await the receipt of comments from the Reserve Banks.

Messrs. Hooff and Leavitt then withdrew.

Buffalo Branch director. On Monday, May 14, the Board was informed of a question raised by the Federal Reserve Bank of New York as to whether there would be objection if Raymond E. Olson, Chairman of the Board of the Buffalo Branch, who would have completed six years' service as a branch director at the end of 1962, were to accept in the near future an offer to become a director of the Lincoln Rochester Trust Company, Rochester, New York. As requested at the May 14 meeting, there had now been distributed a memorandum from Mr. Sherman, dated May 15, presenting information regarding cases over about the past decade in which branch directors had raised with the Board the question of accepting commercial bank directorships while serving at the same time as branch directors. The memorandum pointed out that on November 7, 1960, the Board concluded against amending its Regulations relating to Branches of Federal Reserve Banks so as to preclude branch directors

5/16/62

-6-

from serving at the same time as commercial bank directors. The Regulations provided that Board-appointed branch directors "shall be persons who are actively engaged in commerce, agriculture, some other industrial pursuit, or the practice of a profession, who are not primarily engaged in banking and preferably are not directors of banks, although they may be stockholders."

Governor Balderston said he had been informed by Governor Shepardson that the latter, after reading the May 15 memorandum, concluded that a question of consistency was involved and therefore would be inclined not to interpose objection to Mr. Olson's continuing until the end of this year as a Buffalo Branch director should he become a director of the member bank in Rochester.

Governor Mills stated that, since Morgan New York State Corporation had now indicated that it did not propose to contest through legal action the Board's adverse decision on its application for the formation of a bank holding company, one of the subsidiary banks of which would have been Lincoln Rochester Trust Company, he would not object to Mr. Olson's continuing as a Buffalo Branch director for the remainder of this year even though Mr. Olson became a director of Lincoln Rochester. Governor Mills expressed the view that each case of this kind should be studied on its own merits; that the Board's attitude on somewhat similar cases in the past should not necessarily be controlling.

5/16/62

-7-

Governor King expressed the view that it would be better if the director made his own decision in a case of this kind. The question having been raised, however, he would be inclined to interpose no objection in this instance.

Governor Mitchell likewise expressed the view that no objection should be interposed in this case. He noted, however, that three other cases of this kind had arisen at the Buffalo Branch since 1949. This might suggest discussing the situation with the New York Reserve Bank, with a view to having the management of the Bank and the Buffalo Branch made aware that if a branch director wished to become a director of a commercial bank he would ordinarily be expected to resign as a branch director.

Governor Balderston indicated that he would not be inclined to interpose objection in this instance.

Accordingly, it was understood that the New York Reserve Bank would be advised informally by the Secretary that the Board, after considering the question raised by Mr. Olson, would not interpose objection to his continuing as a director of the Buffalo Branch for the remainder of 1962 should he become a director of Lincoln Rochester Trust Company.

There followed a brief discussion with regard to whether further consideration should be given to changing the pertinent provisions of the Board's Regulations relating to Branches of Federal

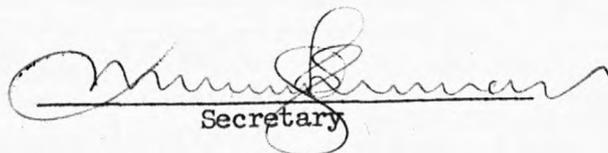
5/16/62

-8-

Reserve Banks. It was pointed out that this question had been discussed by the Board at least twice within the past decade, most recently in the latter part of 1960, as indicated in Mr. Sherman's memorandum. One comment made at that time was to the effect that the difficulty in obtaining persons of the caliber sought as branch directors might be further increased if the possibility of service as a director of a commercial bank was flatly prohibited.

There was also general discussion of the functions of the directors of Reserve Bank branches and means that might be utilized for making such service more rewarding, both to the directors and to the Federal Reserve System. Reference was made to certain informal suggestions that had been advanced recently by Chairman Hall of the Federal Reserve Bank of Cleveland, and it was noted that the subject might be appropriate for discussion at the next meeting of the Conference of Chairmen of the Federal Reserve Banks.

The meeting then adjourned.


Secretary

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

Item No. 1
5/16/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 16, 1962.

Board of Directors,
New Jersey Bank and Trust Company,
Clifton, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by New Jersey Bank and Trust Company, Clifton, New Jersey, on McBride Avenue between Lackawanna Avenue and Radcliffe Avenue, West Paterson, New Jersey, provided the branch is established within one year from the date of this letter, and provided further that branch operations now conducted at 1005 McBride Avenue, West Paterson, 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. 2
5/16/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 16, 1962.

Board of Directors,
The Middle Tennessee Bank,
Columbia, Tennessee.

Gentlemen:

The Board of Governors of the Federal Reserve System extends the time within which The Middle Tennessee Bank may establish a branch in the Columbia Plaza Shopping Center on West 7th Street, Columbia, Tennessee, to September 6, 1962, under the authorization contained in the Board's letter of November 6, 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. 3
5/16/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 16, 1962.

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

Gentlemen:

The Board of Governors of the Federal Reserve System extends to July 21, 1962, the time within which Wells Fargo Bank may establish a branch at 1702 Tennessee Avenue, Vallejo, Solano 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. 4
5/16/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 16, 1962.

Dear Sir:

There are enclosed three copies of a proposed revision of the Board's Regulation I, dealing with the issuance and cancellation of shares of capital stock of Federal Reserve Banks, together with a memorandum containing information on the purpose of the various proposed amendments. The Board would appreciate receiving the comments and suggestions of your Bank by July 1, 1962, before notice of the revision is published in the Federal Register for public comments.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman", written in dark ink. The signature is fluid and extends across the width of the page.

Merritt Sherman,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS