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Minutes for June 8, 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

Handwritten initials and signatures on lines corresponding to the names of the board members. The initials are: M (circled), [unclear], [unclear], [unclear], [unclear], [unclear], [unclear].

Minutes of the Board of Governors of the Federal Reserve System on Friday, June 8, 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. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
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. Koch, Adviser, Division of Research  
and Statistics  
Mr. Brill, Associate Adviser, Division of  
Research and Statistics  
Mr. Furth, Adviser, Division of Inter-  
national Finance  
Mr. Knipe, Consultant to the Chairman  
Mr. Spencer, General Assistant, Office  
of the Secretary  
Mr. Eckert, Chief, Banking Section,  
Division of Research and Statistics  
Mr. Yager, Chief, Government Finance Section,  
Division of Research and Statistics  
Mr. Keir, Senior Economist, Division of  
Research and Statistics

Money market review. Mr. Keir commented on the Government securities market, in which connection he distributed certain charts and tables relating to the marketable public debt. Following Mr. Keir's remarks, Mr. Eckert reviewed developments with respect to bank credit, deposits, and reserves.

Messrs. Molony, Koch, Brill, Knipe, Eckert, Keir, and Yager then withdrew from the meeting and the following entered the room:

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Mr. Cardon, Legislative Counsel  
 Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of  
 Bank Operations  
 Mr. Solomon, Director, Division of  
 Examinations  
 Mr. Hexter, Assistant General Counsel  
 Mr. Shay, Assistant General Counsel  
 Mr. Smith, Assistant Director, Division of  
 Examinations  
 Mr. Leavitt, Assistant Director, Division  
 of Examinations  
 Mr. Young, Senior Attorney, Legal Division  
 Mr. Hill, Attorney, Legal Division  
 Mr. Egertson, Review Examiner, Division of  
 Examinations  
 Mr. Sundberg, Review Examiner, Division of  
 Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Kansas City, Dallas, and San Francisco on June 7, 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.

Circulated items. The following items, which had been circulated to the members of the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Item No.

1

Letter to The Honorable Wright Patman,  
 Chairman of the Joint Economic Committee,  
 regarding a paper to be prepared by Mr.  
 Paul Gekker for inclusion in a Committee  
 report on recent economic growth in the  
 U.S.S.R.

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	<u>Item No.</u>
Letter to Mount Vernon National Bank and Trust Company of Fairfax County, Annandale, Virginia, approving its application for fiduciary powers.	2
Memorandum from the Division of Examinations dated May 15, 1962, regarding the closing out of a Contingent Fund at the Federal Reserve Bank of Kansas City.	3

Reports on competitive factors. There had been distributed to the Board drafts of reports to the Comptroller of the Currency on the competitive factors involved in (1) the proposed merger of The Gap National Bank, Gap, Pennsylvania, into The Fulton National Bank of Lancaster, Lancaster, Pennsylvania, and (2) the proposed merger of The Citizens and Southern National Bank of South Carolina, Charleston, South Carolina, and The Commercial National Bank, Camden, South Carolina.

The reports were approved unanimously for transmittal to the Comptroller, the conclusions therein being stated as follows:

Lancaster

Investigation discloses a relatively small amount of competition between The Fulton National Bank of Lancaster and The Gap National Bank. Merger of these two institutions may increase competition in the Gap area, but not to the extent that it would adversely affect other banks.

Charleston

Investigation indicates there is little competition between The Citizens and Southern National Bank of South Carolina and The Commercial National Bank. The merger

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of these two banks would have little or no effect on competition in Citizens' other service areas, but might stimulate competition in the Camden area.

Application of Bank of Wood County Company (Items 4 and 5).

Pursuant to the decision reached at the meeting on June 4, 1962, distribution had been made under date of June 6 of a proposed order and statement reflecting the Board's approval of the application of The Bank of Wood County Company, Bowling Green, Ohio, to consolidate with The Perrysburg Banking Company, Perrysburg, Ohio. The transaction also contemplated the establishment by the applicant bank of a branch at the location of the sole office of The Perrysburg Banking Company.

There being no objection to certain editorial changes suggested by Mr. Shay, the issuance of the order and statement was authorized subject to such changes being made. Copies of the order and statement, as issued, are attached hereto as Items 4 and 5.

Application of Hillsboro Bank and Savings Company. There had been distributed a memorandum from the Division of Examinations dated May 29, 1962, recommending favorably on an application of The Hillsboro Bank and Savings Company, Hillsboro, Ohio, for consent to purchase the assets and assume the liabilities of The Citizens Bank and Savings Company of Leesburg, Leesburg, Ohio, and to establish a branch at the present head office of Citizens.

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At the Board's request, Mr. Leavitt reviewed the circumstances of the case, his comments being based on the information set forth in the memorandum of May 29.

Following Mr. Leavitt's comments, all of the members of the Board indicated that they would favor approval of the proposed transaction. Accordingly, the application was approved unanimously, with the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

Messrs. Noyes and Young (Legal Division) withdrew from the meeting at this point. Mr. Smith also withdrew.

Application of Windber Trust Company. There had been distributed a memorandum from the Division of Examinations dated May 17, 1962, recommending favorably on an application by Windber Trust Company, 1/ Windber, Pennsylvania, for consent to acquire the assets and assume the liabilities of Central City National Bank, Central City, Pennsylvania, and to operate a branch at the location of the office of Central City National Bank.

At the Board's request, Mr. Leavitt made a statement regarding the facts of the case and the reasons underlying the recommendation of the Division of Examinations, his comments being based substantially on the information presented in the May 17 memorandum.

Following Mr. Leavitt's comments, all of the members of the Board indicated that they would favor approval of the proposed transaction. Accordingly, the application was approved unanimously, with

1/ Title changed to Windber Bank and Trust Company, effective May 18, 1962.

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the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

Messrs. Spencer, Hill, Sundberg, and Egertson withdrew from the meeting at this point.

Orders on merger cases. Mr. Shay proposed that, in the absence of objection, orders on bank merger cases henceforth be so worded as to refer to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)) rather than to section 18(c) of the Federal Deposit Insurance Act, as amended.

This proposed change was noted without objection.

Chain banking survey. In a letter dated May 28, 1962, Mr. C. W. Robinson, President of The First National Bank of Sayreville, Sayreville, New Jersey, referred to the current survey of direct and indirect controls of banks and inquired as to (1) "the law under which we are required to submit the information" requested by the Board's May 25 letter, and (2) "the protection that is provided the bank against legal action by any shareholder who might resent a release of confidential information."

A draft of reply, which had been distributed, noted that the Board's request was not made pursuant to a law requiring such information to be submitted, although section 11(a) of the Federal Reserve Act authorizes and empowers the Board "to examine at its discretion the accounts, books and affairs of each Federal Reserve Bank and of each member bank and to require such statements and reports as it may deem necessary";

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that this specific survey was undertaken at the request of Chairman Patman of the House Select Committee on Small Business; that the Board, however, was also of the opinion that more information on the control of banks was needed; that the Small Business Committee had the subpoena power and the authority "to require the attendance of such witnesses and the production of such books, papers and documents, and to take such testimony, as it deems necessary"; but that the Board had no information as to whether these powers would be exercised in this matter. The proposed reply also would state that the Board was not in a position to comment on the status of a bank in the event of legal action by a shareholder on account of disclosure of the amount of his holdings of stock of the bank. Presumably, such legal action would be governed by applicable statutes and legal principles of the State having jurisdiction of the litigation, and possibly also by provisions of Federal law relating to national banks. The letter would note that the Office of the Comptroller of the Currency was the principal supervisory agency for national banks.

Mr. Sherman commented to the effect that the letter from Mr. Robinson contained questions illustrative of those being raised by a number of banks regarding the chain banking survey. In these circumstances, it might be helpful if copies of the letter, and such reply as the Board might agree upon, were distributed to all Federal Reserve Banks for their guidance.

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There followed, at Governor Robertson's request, a reading of the Board's letter of May 25 transmitting the survey questionnaire, after which Governor Robertson suggested certain changes in the proposed reply to Mr. Robinson, the principal purpose of which would be, as he put it, to provide specific answers to Mr. Robinson's questions and at the same time avoid an appearance that the Board was taking a negative attitude or endeavoring to relieve itself of responsibility.

In discussion of Governor Robertson's suggestions, during which certain additional suggestions were made, Mr. Sherman observed that it had been necessary to respond orally to a considerable number of inquiries as to whether the report was mandatory. Also, there had been some inquiries about the Board's role in this survey. The thinking of some members of the staff on the latter point had been that it would be undesirable to indicate that the Board was nothing more than a channel for conveying the requested data to Congressman Patman.

Further discussion related to the problem with which the Board might be confronted if a substantial number of banks failed to respond to the survey. In this connection, Governor Robertson suggested proceeding for the time being on the basis originally contemplated, which assumed a satisfactory response, and avoiding statements that might encourage banks to withhold the submittal of information. Later, if the response to the survey developed to be unsatisfactory, and if question should be raised by Congressman Patman on that score, the Board would have to consider what further steps, if any, should be taken.

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At the conclusion of the discussion, it was understood that a revised draft of the letter to Mr. Robinson would be prepared for the Board's consideration in the light of the views expressed at this meeting.

Secretary's Note: Governor Balderston reported subsequently during the meeting that the President of the Manufacturers National Bank of Detroit, Michigan, had commented to him in Detroit that if the bank declined to respond to the chain banking survey, no disrespect to the Federal Reserve would be intended. This would be the first time that the bank had not responded to a Federal Reserve questionnaire. Governor Balderston said he had been guided in his conversation with the banker by the thought that a matter of this kind must be handled judiciously. He did mention to the banker that the House Small Business Committee had the subpoena power and also that assurance could not be given that information furnished in connection with the survey would be held in confidence by the Federal Reserve.

Messrs. Cardon and Farrell then withdrew.

Proposed designation under Regulation N. On June 5, 1962, the Board gave preliminary consideration to the matter of designating Societe Nationale de Credit a l'Industrie, of Brussels, Belgium, as a foreign bank with which the Federal Reserve Bank of New York would be authorized to open and maintain an account. The question of this designation, which would be made under Regulation N, Relations with Foreign Banks and Bankers, had arisen in connection with a proposed reciprocal currency

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arrangement between the Federal Reserve and the National Bank of Belgium, as a part of the System program of foreign exchange operations.

There had now been distributed, under date of June 7, 1962, a memorandum from Mr. Young containing further information about Societe Nationale, including its history, resources, and activities. The memorandum noted that the National Bank of Belgium had informed the Special Manager of the System Open Market Account that from the National Bank's standpoint Societe Nationale was considered to be a bank.

In discussing the memorandum at the request of the Board, Mr. Furth said that personally he would have no difficulty in regarding Societe Nationale as a bank. In European countries it was customary to have institutions that issued obligations, accepted time deposits, and used their funds for longer term lending, usually secured by mortgages. They were generally recognized as banks, although they did not accept demand deposits and did not engage in other activities common to commercial banks in this country.

After commenting on Societe's liquidity position and capitalization, Mr. Furth observed that it was true that the National Bank of Belgium had declined thus far to give a guarantee on a deposit liability of Societe Nationale. As to the question whether Societe had the right to accept time deposits withdrawable on two-day notice, he was not particularly concerned about the apparent lack of specific

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statutory authority. According to European custom, if a statement was made by appropriate officials that a bank had such power, the courts would not hold to the contrary.

Mr. Furth expressed the view that it would be reasonable for the Federal Reserve to have a time deposit with an institution such as Societe Nationale if that was clearly for the purpose of providing a mechanism for obtaining interest on its holdings of a foreign currency. In his opinion the only problem would seem to be whether, as a matter of policy, the Federal Reserve wished to enter into a direct relationship with an institution which, no matter how much respected or closely related to government, could by no means be considered a central bank or an organization of central banks.

Mr. Young noted that Mr. Furth had commented on one of the principal questions raised during previous discussion of this matter. It appeared that the National Bank of Belgium was not prepared to guarantee a deposit liability of Societe Nationale. As to a second question, namely, whether it would be feasible to propose swap arrangements with foreign central banks on a basis whereby there would be no payment of interest on either side, it developed from conversation with the Special Manager that this possibility had been touched upon in discussions with the Bank of England and the Netherlands Bank. In neither case was this possible procedure regarded favorably, the thought being, apparently, that it would not be consistent with conventional banking practice. Also, it was thought likely that any use of the swap probably

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would be on the part of the Federal Reserve System, in which event the foreign central bank would be in the position of making a non-interest-bearing loan, which could present a difficult problem of explanation. While the possibility had not been discussed with the Belgians, they had appeared concerned from the outset about the rate of interest, and it was only after some discussion that an understanding was reached on a rate as low as 2-3/4 per cent.

In reply to a question, Mr. Furth said that he was not particularly concerned about establishing a precedent; it appeared that a question of this kind would rarely arise. If the details should become known, he was not apprehensive about an adverse reaction on the part of foreign central banks. It was possible, of course, that some questions might be raised domestically with regard to the appropriateness of the Federal Reserve dealing with a mortgage bank.

Mr. Hackley expressed the hope that the Board would not regard this case as a precedent for considering any institution in a foreign country as a bank, for purposes of Regulation N, merely because it was regarded in such country as a bank. He felt that the Board must look primarily at its own statutes and regulations. In this case, the foreign institution did receive deposits, even though in relatively small volume. He would prefer to regard this as a case in which, under the Board's interpretation of Regulation N, the institution was technically a bank.

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Asked whether he would recommend that the arrangement be rejected on policy grounds, Mr. Hackley said he would be reluctant to express any view from that standpoint. Other staff members would seem to be in a better position to evaluate the range of policy considerations.

In reply to a further question, Mr. Young said it was clear from the Special Manager's discussions with the National Bank of Belgium that the National Bank looked unfavorably as a policy matter on an arrangement through which the Federal Reserve would hold Belgian francs on time deposit with the Bank for International Settlements. He also stated that a rejection of the Belgian proposal involving Societe Nationale apparently might amount in effect to a rejection of the swap arrangement that had been suggested by the National Bank of Belgium.

In further discussion, question was raised whether it might be possible to enter into a swap arrangement under which no interest would be paid on either side except if the proceeds of the swap were used by one of the participants, and it was suggested that this possibility might be explored.

In the course of the discussion, Governor Mills expressed the view that the Federal Reserve had drifted into a situation from which it would be difficult to withdraw. He did not question the financial responsibility of Societe Nationale. Nevertheless, the proposed arrangement

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represented a departure from the type of transaction that would normally be assumed, namely, an arrangement between the Federal Reserve and another central bank or the Bank for International Settlements, which might be termed a central bank for central banks. From the accounting standpoint, the proposed reciprocal currency arrangement would result in a deposit liability on the books of Societe Nationale that was not guaranteed by the Belgian Government. At the same time the books of the National Bank of Belgium would show an increase in foreign currency reserves against a liability to a domestic corporation (Societe Nationale) rather than the Federal Reserve. While these circumstances might be attractive from the Belgian standpoint, they would be of no distinct value from the standpoint of the Federal Reserve.

It being evident from ensuing comments that other members of the Board also continued to have reservations regarding the swap proposal in a form that would include the utilization of Societe Nationale, Chairman Martin suggested that Mr. Young might convey to the Special Manager of the System Account the fact that such reservations existed, with a view to determining whether there were any alternative possibilities that might help to resolve these doubts. At the conclusion of the discussion, it was understood that Mr. Young would talk further with the Special Manager along the lines indicated by Chairman Martin.

Messrs. Young, Hexter, and Furth then withdrew.

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Continental Bank and Trust Company (Items 6 and 7). In a letter to the Board dated June 4, 1962, Counsel for Continental Bank and Trust Company, Salt Lake City, Utah, requested (1) that the show cause hearing scheduled to commence on July 23, 1962, be open to the public, and (2) that the place of hearing be changed from the Salt Lake City Branch of the Federal Reserve Bank of San Francisco to some other building in Salt Lake City.

While the Board's order of May 28, 1962, continuing the date for the show cause hearing contemplated that any request that the hearing be made public would be addressed to the Hearing Examiner, Mr. Hackley recommended in a memorandum dated June 7, 1962, which had been distributed, that this technicality be disregarded and that an order granting the request be issued. As to the request for a change in the place of hearing, Mr. Hackley's memorandum cited reasons for doubt as to whether the arguments made in support of the request were well founded. However, it was suggested that the comments of Board Counsel in this matter be requested before the Board acted on the request.

After discussion, Mr. Hackley's recommendations were approved, Governor Robertson not participating. Attached as Item No. 6 is a copy of the letter sent to Counsel for Continental Bank and Trust Company pursuant to this action. Attached as Item No. 7 is a copy of the order issued under date of June 8, 1962, making the show cause hearing open to the public.

Question of Reserve Bank branch in Milwaukee. Governor Balderston reported that the question, raised by Congressman Reuss, of establishing a

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Federal Reserve Bank branch in Milwaukee, Wisconsin, was much on the minds of the directors of the Federal Reserve Bank of Chicago and its Detroit Branch. Directors from Indiana and Iowa wanted the Board to be aware of the fact that if a branch was established in Milwaukee, they could not stand aside and fail to press for the establishment of branches in Indiana and Iowa.

Mr. Fauver then withdrew.

Continental Bank and Trust Company. There had been distributed to the Board copies of a memorandum from Mr. Hackley dated June 7, 1962, relating to certain aspects of the capital adequacy proceeding involving Continental Bank and Trust Company, Salt Lake City, Utah. The matters discussed had their origin in questions that had been raised recently with the President of the Federal Reserve Bank of San Francisco by the President of Continental.

At the Board's request, Mr. Hackley summarized the material contained in the memorandum. He noted that the subject matter, for reasons indicated, had not been discussed with Board Counsel in the Continental case or with members of the Board's staff engaged in the investigative and prosecuting phases of this case. Neither, according to Continental's President, had the subject matter been discussed with the member bank's Counsel.

At the conclusion of Mr. Hackley's summarization, it was agreed that consideration of the questions involved be deferred until a meeting when all of the members of the Board could be present.

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The meeting then adjourned.

Secretary's Notes: Pursuant to the recommendation contained in a memorandum from the Division of Research and Statistics, Governor Shepardson approved on behalf of the Board on June 5, 1962, acceptance of the resignation of Trania J. Aquino, Clerk-Typist in that Division, effective at the close of business June 8, 1962.

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

Letter to the Federal Reserve Bank of Chicago (attached Item No. 8) approving the designation of Jon R. Bogie and William H. Schaar as special assistant examiners.

Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

Appointment of consultant

Harold W. Guthrie, Professor at the University of Kentucky, as Consultant to the Division of Research and Statistics, effective until December 31, 1962, on a temporary contractual basis with compensation at the rate of \$50 per day for each day worked for the Board, with the understanding that his headquarters for purposes of travel would be Lexington, Kentucky.

Salary increase with change in title

Eugene C. Harrison, from \$5,820 to \$6,015 per annum, with a change in title from Law Clerk to Legal Assistant in the Legal Division, effective June 10, 1962.

Transfer

Dorothy A. Crutcher, from the position of Secretary in the Office of the Secretary to the position of Secretary in the Division of Examinations, with an increase in basic annual salary from \$5,335 to \$5,655, effective the date of assuming her new duties.

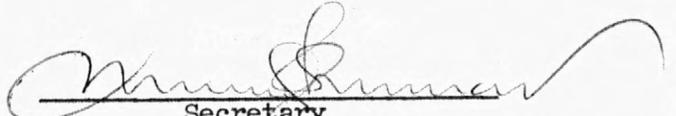
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Acceptance of resignations

Sada Ann Johnson, Clerk-Stenographer, Division of Personnel Administration, effective at the close of business June 6, 1962.

Roger M. Painter, Guard, Division of Administrative Services, effective at the close of business June 15, 1962.



Secretary



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 1  
6/8/62

OFFICE OF THE CHAIRMAN

June 8, 1962

The Honorable Wright Patman,  
House of Representatives,  
Washington 25, D. C.

Dear Mr. Patman:

This is in reply to your letter of May 24, 1962, with reference to a report on recent economic growth in the U.S.S.R. which the Joint Economic Committee plans to prepare.

Mr. Herman of the Legislative Reference Service of the Library of Congress, to whom you refer in your letter, has been in touch with Mr. Paul Gekker, Economist in the Board's Division of International Finance, regarding a paper on "Soviet capital investment: review of recent performance." The Board will be glad to have Mr. Gekker undertake the preparation of such a paper. It has been noted that it would be helpful for the Committee to have the paper by October 1, 1962.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



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

Item No. 2  
6/8/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 8, 1962

Board of Directors,  
Mount Vernon National Bank and Trust Company  
of Fairfax County,  
Annandale, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants Mount Vernon National Bank and Trust Company of Fairfax County authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Virginia. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F of the Board of Governors of the Federal Reserve System. The authority so granted shall be effective as of the close of business March 30, 1962, the date Mount Vernon National Bank and Trust Company of Fairfax County was authorized by the Comptroller of the Currency to commence business.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

# Office Correspondence

Date May 15, 1962

To Governor Balderston  
From Division of Examinations

Subject: Contingent Fund -- Federal  
Reserve Bank of Kansas City.

The following paragraphs are quoted from a letter dated March 12, 1962, received from Vice President John T. Boysen of the Federal Reserve Bank of Kansas City:

"In response to questions raised by the Federal Reserve Examiners with respect to a Contingent Account this Bank has carried for many years, our General Counsel reviewed the matter and recommended that the balance in the account be transferred to Profit and Loss. The matter was subsequently presented to our Board of Directors and our Board approved the recommendation. Copy of Mr. Leedy's memorandum covering his review of the matter is attached.

"As I mentioned to you over the telephone today, we explored various possibilities of disposing of the fund, including turning the money over to the Twenty-five Year Club to be used for charitable or employee welfare purposes. We were reluctant to do this because with respect to a substantial portion of the account some question conceivably might be raised by the State of Missouri about its disposition. Therefore, we concluded that the wisest course was to transfer the account to Profit and Loss. In this way, in theory at least, the Bank will always have the account and should the unlikely occur, the Bank would be in a position to pay the money over to the State of Missouri."

Mr. Boysen indicated that before making the actual transfer to Profit and Loss, the Reserve Bank would like to have assurance that this disposition of the matter is acceptable to the Board.

Inasmuch as the suggested disposition seemed primarily to involve legal considerations, the Board's Legal Division was requested to review General Counsel Leedy's memorandum on the subject and his concluding recommendation. Attached is copy of a memorandum dated May 10, 1962, from Mr. Shay in which he states that the proposed transfer to Profit and Loss "seems to be a reasonable disposition of the matter to which we would not wish to object."

To: Governor Balderston

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In view of your personal discussions with Chairman Hall and later with President Clay on this subject, it was felt that you should be aware of this intended disposition of the Fund and be afforded an opportunity to comment if you are not in agreement with the proposal. If you do not object to the Reserve Bank's proposed treatment of the Contingent Fund, it is our intention to communicate the substance of Mr. Shay's memorandum to Mr. Boysen by telephone.

Attachment



UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

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 :  
 In the Matter of the Application of :  
 :  
 THE BANK OF WOOD COUNTY COMPANY :  
 :  
 for approval of consolidation with :  
 The Perrysburg Banking Company :  
 :  
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ORDER APPROVING CONSOLIDATION OF BANKS

There has come before the Board of Governors, pursuant to the "Bank Merger Act of 1960" (12 U.S.C. 1828(c)), an application for the Board's prior approval of the consolidation of The Bank of Wood County Company, Bowling Green, Ohio, a member bank of the Federal Reserve System, with The Perrysburg Banking Company, Perrysburg, Ohio, under the charter and title of the former, the office of The Perrysburg Banking Company to be operated as a branch of The Bank of Wood County Company.

Pursuant to said Act, notice of the proposed consolidation, in 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 application 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 8th day of June, 1962.

By order of the Board of Governors.

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

Absent and not voting: Governors King and Mitchell.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

Item No. 5  
6/8/62BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMAPPLICATION BY THE BANK OF WOOD COUNTY COMPANY,  
FOR PRIOR APPROVAL OF CONSOLIDATION  
WITH THE PERRYSBURG BANKING COMPANY

## STATEMENT

The Bank of Wood County Company, Bowling Green, Ohio ("Wood County Bank"), with deposits of about \$15 million, has applied, pursuant to the "Bank Merger Act of 1960" (12 U.S.C. 1828 (c)), for the Board's prior approval of consolidation with The Perrysburg Banking Company, Perrysburg, Ohio ("Perrysburg Bank"), with deposits of about \$1.8 million, under the charter and title of Wood County Bank. The proposal contemplates that the sole office of Perrysburg Bank would be operated as a branch of the resulting bank, thus increasing the offices presently operated by Wood County Bank from one to two.

Under the Act 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 its corporate powers are consistent with the purposes of 12 U.S.C., Ch. 16, (6) the convenience and needs of the communities to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly).

The Board may not approve the transaction unless, after considering all of these factors, it finds the transaction to be in the public interest.

Banking factors. - The capital structure and financial condition of both banks are satisfactory, as would be true of the resulting bank. The proposed transaction would also have the effect of adding management strength and a basis for improved earning power to what had been the operation of the Perrysburg Bank. There is no indication that the powers exercised by the banks involved are or would be inconsistent with the purposes of 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - Bowling Green (population around 13,600), which lies in one of the best farming areas in Ohio, is the seat of Wood County. Perrysburg, Ohio (population over 5,500), is situated 13 miles north of Bowling Green and about 10 miles south of Toledo. It is an expanding residential suburb for persons who work in Toledo, the urban center of northwestern Ohio.

The consolidation of the two banks would result in a lending limit of this banking facility in Perrysburg of about \$110,000, as compared to the lending limit of Perrysburg Bank of some \$11,900. The more aggressive management of the resulting bank plans to make available in Perrysburg expanded bank services and to liberalize lending policies, thus enabling it to serve more completely the banking needs of the Perrysburg community and surrounding area. Thus, the proposed replacement of Perrysburg Bank by a branch of the resulting bank would benefit the banking public in Perrysburg.

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Competition. - Competition between Wood County Bank and Perrysburg Bank is insignificant. The prime competition of Perrysburg Bank is provided by three banks, one located in Perrysburg, one in Rossford (five miles north of Perrysburg), and one in Stony Ridge (eight miles southeast of Perrysburg). Five other banks located in Toledo are also somewhat competitive with Perrysburg Bank. Wood County Bank's chief competition is from the other bank in Bowling Green.

Most of the competitive impact of this proposed consolidation would fall on the one other bank in Perrysburg. That bank is well established and, while it would be subjected to more intensive competition, the effect on it would not be adverse.

Summary and conclusion. - The proposed consolidation would eliminate little competition, if any, since competition between the two banks involved is only nominal. Consolidation of the two institutions would not adversely affect other banks in the area. The banking factors support approval of the proposed consolidation, and customers of Perrysburg Bank would be provided with a more complete range of banking services than those presently at their disposal.

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

June 8, 1962.

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

Item No. 6  
6/8/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 8, 1962



AIR MAIL - REGISTERED  
RETURN RECEIPT REQUESTED

Mr. Peter W. Billings,  
Fabian & Clendenin,  
Continental Bank Building,  
Salt Lake City 1, Utah.

Re: In the Matter of The Continental  
Bank and Trust Company

Dear Mr. Billings:

This refers to your letter of June 4, 1962, in which, as counsel of record for The Continental Bank and Trust Company, you request that the hearing in this matter ordered to commence on July 23, 1962 (1) be open to the public, and (2) be held at some public building in Salt Lake City other than the offices of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco.

The Board's Order of May 28, 1962, continuing the date for commencement of the Show Cause Hearing ordered by the Board in its Order of June 28, 1961, provided that such hearing will be private "unless Respondent makes a written request to the Hearing Examiner \* \* \* that the hearing be made public, in which event \* \* \* the hearing shall be open to the public as so requested." Although your request is directed to the Board of Governors rather than the Hearing Examiner, it is being regarded by the Board as though addressed to the Hearing Examiner in accordance with the above-quoted provision of the Board's Order of May 28; and, accordingly, your request is being referred to the Hearing Examiner for inclusion in the record of the hearing in this matter and the Board has adopted the attached Order granting such request, a copy of which will also be made a part of the record of this hearing.

With respect to your request that the scheduled hearing be held in some public building other than the Salt Lake City Branch of

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Peter W. Billings

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the Federal Reserve Bank of San Francisco, the Board considers it appropriate and desirable to obtain the views of Counsel for the Board before acting upon this request. Accordingly, Board Counsel have been furnished with a copy of your letter of June 4, 1962, and of this letter of the Board and are being afforded an opportunity to submit comments regarding your request for a change in the place of the hearing to be received not later than the close of business June 19, 1962. You will be advised promptly thereafter of the Board's decision with respect to this request.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Item No. 7  
6/8/62

## UNITED STATES OF AMERICA

## BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of:

THE CONTINENTAL BANK AND TRUST COMPANY  
Salt Lake City 10, Utah

## ORDER MAKING SHOW CAUSE HEARING OPEN TO THE PUBLIC

The Board's Order of May 28, 1962 (27 F. R. 5357) continuing the date for the commencement of a Show Cause Hearing in this matter to July 23, 1962, provided that such hearing shall be held in accordance with the substantive and procedural requirements designated and specified in the Board's Order for Hearing dated June 28, 1961, except that the hearing would be private, attended only by representatives, counsel, and witnesses of Respondent and of the Board of Governors of the Federal Reserve System, "unless Respondent makes a written request to the Hearing Examiner that other persons be permitted to attend or that the hearing be made public, in which event such other persons may attend or the hearing shall be open to the public as so requested."

In a letter addressed to the Board, dated June 4, 1962, counsel of record for the Respondent requested that the hearing so scheduled be open to the public. This request has been referred to the Hearing Examiner designated to conduct the hearing in this matter for inclusion in the record of such hearing and, in view of the provisions of the Board's Order of May 28, 1962,

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IT IS HEREBY ORDERED that the request that the Show Cause Hearing scheduled in this matter be open to the public is hereby granted and the Board's Secretary is instructed to make the docket in this proceeding available to the public, provided, however, that, in accordance with the limitation set forth in the Board's Order of June 28, 1961, the names or identities of persons indebted to Respondent shall not in any way be disclosed or introduced in evidence.

Dated at Washington, D. C., this 8th day of June, 1962.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and  
Governors Balderson, Mills, and Shepardson.

Absent and not voting: Governors King and Mitchell.

Governor Robertson took no part in the Board's consideration of this matter or in the Board's action of this date, having voluntarily withdrawn from participation in the matter for the reasons set forth in the Statement issued by him on June 30, 1959, and made a part of the record in these proceedings.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

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

Item No. 8  
6/8/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 8, 1962

Mr. Leland Ross, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Ross:

In accordance with the request contained in your letter of June 6, 1962, the Board approves the designation of Jon R. Bogie and William H. Schaar as special assistant examiners for the Federal Reserve Bank of Chicago for the purpose of participating in examinations of State member banks only.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

