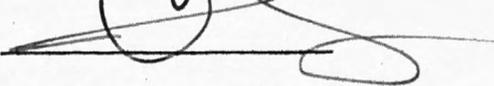


The attached minutes of the meeting of the Board of Governors of the Federal Reserve System on July 23, 1962, which you have previously initialed, have been amended at the request of Governor Balderston to revise the first full paragraph on page 11.

If you approve these minutes as amended, please initial below.

Governor Balderston CCB

Chairman Martin 

Governor Mills 

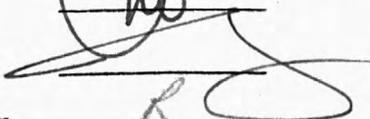
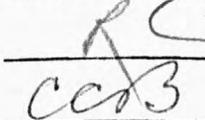
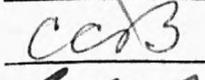
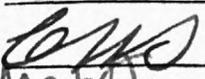
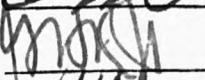
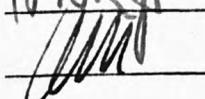
Minutes for July 23, 1962

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 Monday, July 23, 1962. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. O'Connell, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Benner, Assistant Director, Division of Examinations
Mr. Thompson, Assistant Director, Division of Examinations
Mr. Bakke, Senior Attorney, Legal Division
Mr. Young, Senior Attorney, Legal Division
Mr. Massey, Chief, Reserve Bank Operations Section, Division of Bank Operations
Mr. McClintock, Supervisory Review Examiner, Division of Bank Operations
Mr. Poundstone, Review Examiner, Division of Examinations
Mr. Hart, Personnel Assistant, Division of Personnel Administration

Circulated or distributed items. The following items, which had been circulated or distributed to the Board and copies of which

7/23/62

-2-

are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Liberty Bank and Trust Company, Buffalo, New York, approving an extension of time to establish a branch in Fredonia, Town of Pomfret.	1
Letter to Manufacturers Hanover Trust Company, New York, New York, approving an extension of time to establish a branch at 41-01 Kissena Boulevard, Flushing.	2
Letter to United California Bank, Los Angeles, California, approving an extension of time to establish a branch in Canoga Park.	3
Letter to Chairman Spence of the House Committee on Banking and Currency reporting on H. R. 10268, a bill that would require insured banks to maintain three-fourths of their time and savings deposits in real estate loans and one-half in residential loans.	4

The letter on H. R. 10628 (Item No. 4) was approved in a form reflecting several changes made in the draft submitted to the Board following discussion of the effect of the proposed legislation and a report by Mr. Cardon that Congressman Multer, who had sponsored the bill, was said to have under consideration a certain modification of the proposal.

Applications of Boston Overseas Financial Corporation (Item No. 5). At its meeting on Wednesday, July 18, the Board considered applications by Boston Overseas Financial Corporation, Boston,

7/23/62

-3-

Massachusetts, (a) to exercise stock conversion privileges in connection with the purchase of convertible debentures of International Factors Limited, and (b) to purchase stock of International Factors, A. G., a new Swiss holding company that would hold stock in various factoring companies. In view of questions raised by Governor Mitchell, action on the applications was deferred pending receipt of a letter from the applicant corporation stating reasons why the proposed international factoring program was believed to be within the purposes of the Edge Act and why it would promote the general foreign policy objectives of the United States. Such a letter was received under date of July 19, 1962, and copies had been distributed to the Board.

During further discussion of the matter, comments were made by members of the Board along the lines indicated in the following paragraphs.

Governor Mitchell noted that according to the record, it was proposed to set up factoring companies in each of several European countries, which suggested that the intent of the program was principally to stimulate trade between such countries rather than United States exports. While he had no objection to the accomplishment of such an objective, Governor Mitchell felt that Edge Act corporations had some moral obligation to slant their activities toward fostering the economic interests and the international

7/23/62

-4-

trade relations of the United States. In his view the proposed program was more likely to be injurious to these interests than favorable. It could be, of course, that the relations between the several factoring companies and United States exporters would develop to be important; there was no way of knowing at this time whether that would be true. On balance, he would dissent mildly from an action to approve.

Governor Robertson said that he was not impressed by the case made by the applicant, and that he shared the reservations of Governor Mitchell. However, approval would be in line with actions taken by the Board in the past in somewhat similar cases, and he doubted whether the Board should deviate in this instance. He hoped the current study of Regulation K would include information that would enable the Board to determine whether or not the approach that it had been following to date was appropriate.

Governor Shepardson commented that in a broad sense any technique that lubricated the whole machinery of international trade might be said to operate eventually to the advantage of the United States as well as other countries. Even though the current proposal possibly would involve international activities other than those of concern to United States interests, it appeared to him that the program would be constructive when viewed within the general framework of facilitating international trade.

7/23/62

-5-

Governor Balderston said he could distinguish between the kind of lubrication London had provided for world trade, which resulted in various advantages of significance to Britain, and the kind of lending, spending, and investing this country was now doing as a nation. With this country the financial leader of the world, it seemed to him the proposed program was something that could appropriately be approved, even though he recognized the point made by Governor Mitchell.

At the conclusion of the discussion, the applications were approved, Governor Mitchell dissenting. A copy of the letter sent to Boston Overseas Financial Corporation in accordance with this action is attached as Item No. 5.

Messrs. Cardon, Noyes, Goodman, Benner, and Poundstone then withdrew.

Application of Citizens Bank of Perry (Items 6, 7, and 8).

At its meeting on July 9, 1962, the Board approved, with Governors Robertson and Mitchell dissenting, the application of The Citizens Bank of Perry, N. Y., Perry, New York, to merge with The First National Bank of Perry, Perry, New York. There had now been distributed drafts of an order, a majority statement, and a dissenting statement of Governors Robertson and Mitchell.

After discussion, the issuance of the order and statements was authorized, subject to a final check of certain figures in the

7/23/62

-6-

majority statement relating to the population of the service area of the banks involved. Copies of the order and statements, as issued, are attached as Items 6, 7, and 8.

Messrs. Young and McClintock then withdrew.

Bank holding company application forms. There had been distributed a memorandum from the Division of Examinations dated July 17, 1962, submitting (1) a proposed revised Form F.R. Y-2, Application for Prior Approval of Acquisition of Bank Shares Pursuant to Section 3(a)(2) of the Bank Holding Company Act of 1956, and (2) a proposed revision of the September 18, 1956, mimeograph draft of Form F.R. Y-1, Application for Prior Approval of Action to Become a Bank Holding Company Pursuant to Section 3(a)(1) of the Bank Holding Company Act of 1956. It was recommended that these forms be tentatively adopted by the Board and that notice of their prospective final adoption be published in the Federal Register to provide opportunity for comments. Copies of the forms also would be sent to the Federal Reserve Banks for comments and suggestions, and copies of Form F.R. Y-2 would be sent by the Reserve Banks to all registered bank holding companies for comments and suggestions. Copies of the forms likewise would be sent to the Comptroller of the Currency, to the Department of Justice, and to the Association of Registered Bank Holding Companies. It was noted that a change in the number of copies of applications required to

7/23/62

-7-

be filed would necessitate an amendment to section 222.4(d) of Regulation Y, Bank Holding Companies.

In discussion, Governor Mitchell suggested amendments to the proposed forms for the purpose of requiring certain additional information, and it was understood that these suggestions would be taken into account.

Thereupon, the procedures recommended in the memorandum from the Division of Examinations were approved unanimously.

Mr. Thompson then withdrew and Messrs. Molony, Assistant to the Board, and Morgan, Editorial Specialist, Board Members' Offices, entered the room.

Application of Marine Midland Corporation (Item No. 9). At its meeting on June 18, 1962, the Board gave consideration to the procedure to be followed in processing the application of Marine Midland Corporation to acquire stock of the Security National Bank of Long Island, Huntington, New York, and tentatively decided to order an oral presentation if the proposed transaction should be approved by the New York State banking authorities. Favorable action having now been taken by the State, there had been distributed to the Board a memorandum from the Legal Division dated July 20, 1962, recommending that an order for oral presentation be issued. It was suggested that the presentation might be held on August 28, 1962.

7/23/62

-8-

Discussion of the matter related principally to two questions. First, it was noted by Governor Mitchell that certain problems appeared to exist with regard to the management and condition of Security National Bank, and that it would not seem appropriate to inquire closely into such factors at a public oral presentation. The response of the staff was to the effect that it would be feasible to convert the oral presentation into a private proceeding at such point as issues of this nature might come under discussion. A related point, raised by Governor Balderston, was that if problems regarding the condition and management of Security National Bank were considered by the Board sufficiently important to justify approval of the application, and if such matters were not discussed publicly at the oral presentation, the public record might not support the favorable decision. Staff comment on this point was to the effect that representatives of Marine Midland Corporation had been advised earlier that even though certain parts of the application were received on a confidential basis, it might be necessary to refer in the Board's decision to such material.

The second aspect of the matter that came under discussion was the date of oral presentation, and it was suggested that the presentation be scheduled for Wednesday, September 12, if that date was convenient to Marine Midland, in order that the maximum number of Board members might be present.

Accordingly, it was agreed unanimously to order an oral presentation on September 12, 1962, if that date was found to be

7/23/62

-9-

agreeable to Marine Midland Corporation.

Secretary's Note: At the Board meeting on July 24, 1962, the Secretary reported that the date mentioned for the oral presentation would involve certain problems for Marine Midland Corporation. Accordingly, it was agreed to schedule the presentation for 2:30 p.m. on Monday, September 17, 1962. A copy of the order subsequently issued is attached as Item No. 9.

Messrs. O'Connell and Bakke then withdrew.

1961 budget experience. There had been distributed under date of April 25, 1962, a memorandum from the Division of Bank Operations, with attached sections prepared elsewhere in the Board's staff, discussing differences between the 1961 budget provisions and actual expenses of the Federal Reserve Banks and branches.

At the Board's request, Mr. Farrell commented on the document and pointed out that, in view of the Board's recent approval of revised Reserve Bank budget procedures, this would be the last of the series of budget experience reports to be compiled. In the circumstances, and in view of the lapse of time since the end of the calendar year to which the report was relevant, Mr. Farrell recommended that the report not be distributed to the Federal Reserve Banks. (Such distribution had been made of the budget experience reports for 1959 and 1960.)

After discussion, it was agreed that in the circumstances the report for 1961 would not be distributed to the Reserve Banks.

7/23/62

-10-

All of the members of the staff except Messrs. Sherman, Kenyon, Farrell, and Solomon then withdrew from the meeting.

Study of internal audit function. Governor Balderston reported conversations that he had had recently with representatives of the Federal Reserve Bank of Philadelphia concerning an indication that the Audit Committee of the Bank's Board of Directors was likely to take steps to retain a public accounting firm for the purpose of reviewing the Bank's internal audit function. In considering this possibility, the Audit Committee had in mind a resolution adopted by the Conference of Chairmen of the Federal Reserve Banks at its meeting on November 30-December 1, 1961, to the effect that it would be desirable for the Board of Directors of each Reserve Bank to take appropriate steps to have the Audit Review Committee make a study, in consultation with the President and General Auditor of the Bank, of the audit function in the Bank and to submit a report to the Board of Directors. It was Governor Balderston's information that Chief Federal Reserve Examiner Schaeffer, at the time of the most recent examination of the Philadelphia Bank, had referred to the resolution of the Conference of Chairmen and inquired about steps being taken to implement it.

Governor Balderston noted that the resolution of the Conference of Chairmen was closely related to a discussion that had been held regarding changes in examining techniques of the Board's field

7/23/62

-11-

examining staff, recommended by Price Waterhouse & Co., that were now being put into effect. The revised techniques relied heavily on the quality of internal auditing at the respective Reserve Banks, and this had suggested that factors such as the staffing of the audit function and the scale of compensation should be reviewed by the directors.

Governor Balderston indicated that the operating management of the Philadelphia Bank had expressed some concern about the scope of an outside review by a public accounting firm, particularly from the standpoint of conflicting advice from outside firms if all Banks were to engage them. There was also some question whether the retention of an accounting firm for the purpose contemplated by the Audit Committee would be in line with the type of "study" envisaged by the resolution adopted by the Chairmen's Conference. Governor Balderston understood, in this connection, that the New York Reserve Bank had already retained the firm of Haskins & Sells to make such a review, and that another accounting firm had approached the Kansas City Reserve Bank.

Governor Balderston raised the question whether, in the circumstances, it would be desirable to send a letter to all of the Federal Reserve Banks clarifying the considerations that the Board had had in mind in taking up with the Chairmen's Conference the question of studying the internal audit function. Also, without

7/23/62

-12-

in any way discouraging the Audit Review Committees from obtaining outside advice in the course of such a study if that should be deemed desirable by them, such a letter might refer to Price Waterhouse & Co. as the firm currently under contract with the Board to advise on putting its recommendations on revised examining techniques into effect, along with Haskins & Sells as the firm engaged to audit the Board's books and accounts for the current year.

There followed a general discussion relating to the matters that Governor Balderston had mentioned, including the revised techniques that the Board's field examining staff was adopting pursuant to the Price Waterhouse recommendations. In that regard, it was noted that the Board had not yet received from Price Waterhouse a report, under the current agreement with that firm, on the progress of the field examining staff toward utilizing the revised techniques. A view was expressed that there might remain certain differences of concept regarding the Price Waterhouse recommendations that should be clarified with the accounting firm at an appropriate time. A view also was expressed that it would not be appropriate for the Board to indicate to the Reserve Banks that any outside review of the internal audit function that might be decided upon by the directors of the respective Banks should be performed by particular public accounting firms. The comments in support of this view included the thought that a division of responsibility between the Banks and the

7/23/62

-13-

Board could appropriately be recognized, with the directors of the Banks being responsible for assuring themselves, in any ways they might deem necessary, as to the adequacy of the audit function as a first line of defense.

Question also was raised about the appropriateness of a Reserve Bank retaining an outside accounting firm to review the internal audit function without first communicating with the Board. It was noted, in this connection, that there were no outstanding instructions from the Board that would seem to require clearance. On the other hand, it was felt that many of the Reserve Banks would be likely to follow such a procedure in the interest of coordination. Views for and against the desirability of such a clearance were presented.

At the conclusion of the discussion, it was agreed that no letter on the subject referred to by Governor Balderston would be sent to the Federal Reserve Banks at this time, and it was understood that Governor Balderston would make such comments to representatives of the Philadelphia Bank as seemed to him appropriate in the light of the views expressed at this meeting.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

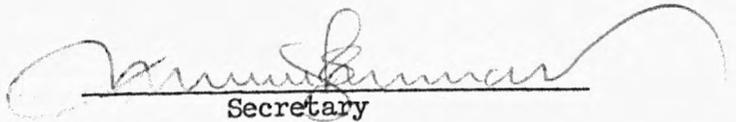
Letter to the Federal Reserve Bank of Boston (attached Item No. 10) approving the appointment of John David Pisacreta as assistant examiner.

7/23/62

-14-

Letter to the Federal Reserve Bank of Dallas (attached Item No. 11) approving the appointment of James F. Caughlin and Howard Don Gill as examiners.

Letter to Mr. Fernando Rivera, Assistant Director of the Center for Latin American Monetary Studies, Mexico City, Mexico, regarding arrangements for the annual visit to the Board's offices of the Center's trainees during the week of August 27, 1962. (It was understood that the costs of the program would include a luncheon, translating facilities, a conducted tour of Washington, and certain minor expenditures, provision for all of these items having been made in the budget of the Secretary's Office.)



Secretary

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

Item No. 1
7/23/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 23, 1962

Board of Directors,
Liberty Bank and Trust Company,
Buffalo, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to January 28, 1963, the time within which Liberty Bank and Trust Company, Buffalo, New York, may establish a branch at 347-349 Central Avenue, Village of Fredonia, Town of Pomfret, New York, under authority granted in the Board's letter dated July 27, 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
7/23/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 23, 1962

Board of Directors,
Manufacturers Hanover Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to February 5, 1963, the time within which Manufacturers Hanover Trust Company, New York, New York, may establish a branch at 41-01 Kissena Boulevard, Flushing, Borough of Queens, New York, New York, under authority granted in the Board's letter dated August 4, 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
7/23/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 23, 1962

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

Gentlemen:

The Board of Governors of the Federal Reserve System extends to November 15, 1962, the time within which the United California Bank may establish a branch at 8220 De Soto Avenue, Los Angeles (Canoga Park), California.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.





BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
7/23/62

OFFICE OF THE CHAIRMAN

July 23, 1962

The Honorable Brent Spence, Chairman,
Committee on Banking and Currency,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to the telephone request of July 19 from your Committee's Counsel, Robert R. Poston, for the Board's views on H. R. 10268, a bill which in effect would require that insured banks maintain three-fourths of their time and savings deposits in real estate loans and at least half of such deposits in residential loans. It would do this by prohibiting them from accepting additional such deposits at any time their real estate portfolios were below this requirement.

The proposed legislation would severely restrict the flexibility of insured commercial banks in meeting the wide range of credit needs which they are uniquely designed to accommodate. These include not only the extension of all types of mortgage credit, but also Government obligations of all kinds, including municipal obligations arising from the development of essential community facilities. Of course, the banks must also stand ready to meet the short- and intermediate-credit needs of industrial, commercial, and individual customers.

Also in view of the cyclical and longer term fluctuations in mortgage as well as other credit demands, the bill would impose an excessively rigid requirement on banks to invest in one type of security. Any substantial drop in mortgage credit demand, for example, could effectively shut off bank solicitation of additional time deposits and thus impair the ability of banks to perform their function as regular depositories of the public's saving.

The specifications of the proposed bill, moreover, would require an unduly large concentration of bank investment in mortgages. Under the rules proposed, for example, the time and savings deposit totals of insured commercial banks as of last year-end would have required a doubling in their real estate mortgage holdings before additional savings could have been accepted. Savings accounts represent

The Honorable Brent Spence

-2-

over three-fourths of total time and savings deposits. Therefore, even if the 75 per cent requirement of the bill applied only to savings deposits, it would prevent many banks from accepting any additional savings deposits for some years, as it would be literally impossible for them to acquire sufficient sound mortgages quickly to meet the proposed requirement.

The Board appreciates the need for maintaining an adequate supply of funds to finance construction and real estate investment, including home ownership, but strongly believes that this objective would not be properly promoted through mandatory requirements of the character proposed. The Board would not favor enactment of H. R. 10268.

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. 5
7/23/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 23, 1962

Mr. Roger C. Damon, President,
Boston Overseas Financial Corporation,
67 Milk Street,
Boston 6, Massachusetts.

Dear Mr. Damon:

In accordance with the request contained in your letters of May 18 and June 5, 1962, transmitted through the Federal Reserve Bank of Boston, and on the basis of the information furnished, the Board of Governors grants its consent for Boston Overseas Financial Corporation ("BOFC") to:

- (1) Exercise all conversion privileges to which BOFC would become entitled as the holder of £100,000 6-1/2 per cent convertible debentures of International Factors Limited ("IFL"), with maturity between 3 and 5 years, which are convertible in whole or in part at any time at the option of the holder on the basis of one Class D share having par value of £1 for each £1 of indebtedness, such debentures to be acquired at a cost not to exceed US\$300,000;
- (2) Purchase and hold stock of International Factors A.G. ("IFAG"), a new Swiss holding company to be incorporated in the Canton of Zug in Switzerland, which will hold stock in various factoring companies, at a cost not to exceed US\$250,000;
- (3) To acquire shares of IFAG in exchange for shares of IFL as outlined in the above letters;

provided the shares described in (2) and (3) are acquired within one year from the date of this letter.

The Board's consent is granted upon condition that BOFC shall dispose of its holdings of stock of IFL or IFAG, as the case may be, as promptly as practicable, in the event that IFL or IFAG should at any time (1) engage in issuing, underwriting, selling or distributing



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Roger C. Damon

-2-

securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by BOFC to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

Upon the completion of the organization of IFAG and each of its subsidiary corporations, it is requested that the Board of Governors be furnished, through the Federal Reserve Bank of Boston, with respect to each such corporation, copies of the Articles of Association and By-Laws, together with (a) a list of officers and directors, with addresses and principal business affiliations; (b) a description of the stock acquired; (c) information concerning the rights and privileges of the various classes of stock outstanding; (d) a list of all stockholders holding 5 per cent or more of any class of stock of such corporation and their holdings; (e) date established and opened for business; and (f) exact location.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

UNITED STATES OF AMERICA

Item No. 6
7/23/62

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
 THE CITIZENS BANK OF PERRY, N.Y.
 for approval of merger with
 The First National Bank of Perry

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1823(c)), an application by The Citizens Bank of Perry, N. Y., Perry, New York, a member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The First National Bank of Perry, Perry, New York, also a member bank of the Federal Reserve System, under the charter of the former and title of The Bank of Perry and, as an incident to the merger, a branch would be operated for one year at the location of The Citizens Bank of Perry, N. Y. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice on the competitive factors involved in the proposed merger,

-2-

IT IS HEREBY 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 merger shall not be consummated (a) within seven calendar days after the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 23rd day of July, 1962.

By order of the Board of Governors.

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

Voting against this action: Governors Robertson and Mitchell.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 7
7/23/62

APPLICATION BY THE CITIZENS BANK OF PERRY, N. Y.
FOR APPROVAL OF MERGER WITH THE FIRST NATIONAL BANK OF PERRY

STATEMENT

The Citizens Bank of Perry, N. Y., Perry, New York ("Citizens"), with deposits of approximately \$3.2 million, a State member bank, has applied, pursuant to the Bank Merger Act (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and The First National Bank of Perry, Perry, New York ("First"), with deposits of approximately \$4.5 million. Under the application and Plan of Merger, the two single-office banks would merge under the charter of Citizens and the title of The Bank of Perry, which temporarily would occupy the office of First. As an incident to the merger, the office of Citizens would be operated as a branch until the branch quarters could be enlarged to house the resulting bank.

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 (the Federal Deposit Insurance Act), (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly).

-2-

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

Banking factors. - The financial condition and capital structure of each of the banks are satisfactory, as would be true of the resulting bank. Although the earnings of First are lower than the average for banks of similar size and comparable loan volume in the Second Federal Reserve District, Citizens has a good earnings record and the earnings prospects of the resulting bank are favorable. Consummation of the proposed merger would provide both strength and continuity of management to the resulting bank. This, together with increased resources, would permit the establishment of a consumer loan department and the improvement of all banking services, including those presently available in the agricultural field. No inconsistency with the purposes of 12 U.S.C., Ch. 16, is indicated.

Convenience and needs of the communities. - The Village of Perry has a population of about 4,600. It is approximately 57 miles east of Buffalo and 42 miles southwest of Rochester. The co-terminus service area of Citizens and First has an estimated population of 7,500. The economy of the service area is supported primarily by diversified farming, as there are only a few small industries located there. The population and available employment of the area have shown only a slight increase in the past decade. Nevertheless, credit demands

have expanded substantially in recent years, so that the two banks have participated with each other frequently in order to meet the credit needs of farmers and small businesses. Notwithstanding the banks' use of participations, many local businesses borrow both in Perry and from outside sources. The loan limit of Citizens is about \$38,000, while that of First is about \$30,000. The resulting bank would have a loan limit of approximately \$75,000. Consummation of the transaction also would permit improvement in other banking services, as noted above.

Competition. - The two banks are competitive, serving a common area. The unusually large volume of loan participations between them, however, suggests that the competition is not particularly vigorous. In addition, Citizens has concentrated on commercial and installment loans, while the greatest volume of First's loans has been in the real estate field. Accordingly, less competition would be eliminated by the proposed merger than would normally be expected in the case of a two-bank community. In view of the virtually static population and lack of industrial growth, there is doubt whether the area involved is such as to provide growth opportunities for both of the banks.

There are eight other banking offices located from 6 to 14 miles from Perry, and the resulting bank would have available fewer resources than five of these. The proposed merger should not have an adverse competitive effect on other banks in the area, but should stimulate competition.

-4-

Summary and conclusion. - The present prospect for growth of the two banks is not encouraging. The proposed merger would provide the area with a bank having a larger loan limit and able also to offer a broader and more efficient range of banking services than is now available in the Village of Perry. The transaction would eliminate only a small amount of competition, and should have no serious competitive effects on the eight remaining banks located within the service area of the Perry banks.

Accordingly, the Board finds the proposed merger to be in the public interest.

July 23, 1962

DISSENTING STATEMENT OF
GOVERNORS ROBERTSON AND MITCHELL

Item No. 8
7/23/62

It is important to the public welfare that competition be maintained in the field of banking wherever this can be accomplished without entailing adverse "side effects". Competition not only provides the public with alternative sources of banking facilities, but also produces better banks - and usually better banking service.

A major argument of the applicants in this case is that Perry and its immediate environs cannot adequately support two banks. In finding for the applicants, the majority has given credence to this argument and on this ground has taken away from a stable community of about 4,600 inhabitants (with a service area of 7,500) the benefits of competition in the provision of banking services. These benefits are more significant than any improvement in services that the combined institution can offer. The substantial competition which presently exists between these two institutions should be preserved.

Obviously there are some small communities which cannot support more than one bank. It is our judgment that the community in this case is not essentially a one-bank town. In fact, for many years this community has supported two banks which, though small from a "city" point of view, are nevertheless sound, well managed, and profitable institutions. On the basis of earnings records, one

of the two banks is doing very well compared with those banks of similar size in New York and no evidence has been presented to show that the lower earnings of the other bank result from lack of opportunity rather than from failure to make adjustments in its portfolio. If we look to the experience of other small towns in the country, we find there are hundreds of such communities that are supporting two or more banking offices.

While this merger may seem relatively insignificant in the context of the country's over-all banking structure, it may not be so small a matter to the long-run interest of the citizens of Perry. It will leave the community with only one bank - with no competition to spur it into providing the best possible public service.

The existence of banks in communities six and twelve miles away is a weak reed on which to lean as justification for permitting the elimination of competition in Perry. Admittedly, the presence of banks in nearby communities provides a potential source of competition that may deter a bank in a one-bank town from extreme abuse of its financial power over the community; however, banks in other towns can never be an adequate substitute for the competition - and accompanying economic benefits - that customarily result from the presence of two banks in the same community.

We would deny the application.

July 23, 1962

UNITED STATES OF AMERICA

Item No. 9
7/23/62

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
MARINE MIDLAND CORPORATION,
Buffalo, New York

Pursuant to Section 3 of the
Bank Holding Company Act of 1956

ORDER FOR PUBLIC PROCEEDING

The Board of Governors has pending before it an application filed by Marine Midland Corporation, Buffalo, New York, a registered bank holding company, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956, for prior approval of the acquisition by Applicant of 100 per cent of the voting shares of Security National Bank of Long Island, Huntington, New York. Notice of the Board's receipt of this application was published in the Federal Register affording interested persons an opportunity to submit written views and comments regarding the application.

It now appears to the Board to be in the interest of the public, as well as the Applicant, to afford further opportunity for the expression of views and opinions by interested persons in a public proceeding before the Board. Accordingly,

-2-

IT IS HEREBY ORDERED, that an oral presentation before the Board be held commencing at 2:30 p.m. on September 17, 1962, at the offices of the Board of Governors, Washington, D. C., and that such presentation be public except for any portion thereof which the Board may determine should, in the public interest, be conducted in private.

IT IS FURTHER ORDERED, that any person desiring to express orally a view or opinion on the application before the Board should file with the Secretary of the Board, 20th and Constitution Avenue, N. W., Washington 25, D. C., on or before August 15, 1962, a written request relative thereto, setting forth therein a general statement of the nature of the views he wishes to express. Persons submitting such requests will be notified of the Board's decision thereon.

Dated at Washington, D. C., this 25th day of July, 1962.

By order of the Board of Governors.

(Signed) Herritt Sherman

Herritt Sherman,
Secretary.

(SEAL)



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

Item No. 10
7/23/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 23, 1962

Mr. B. F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

In accordance with the request contained in your letter of July 18, 1962, the Board approves the appointment of John David Pisacreta as an assistant examiner for the Federal Reserve Bank of Boston. 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
7/23/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 23, 1962.

Mr. Thomas R. Sullivan, Vice President,
Federal Reserve Bank of Dallas,
Dallas 2, Texas.

Dear Mr. Sullivan:

In accordance with the request contained in your letter of July 13, 1962, the Board approves the appointment of James F. Caughlin and Howard Don Gill, at present assistant examiners, as examiners for the Federal Reserve Bank of Dallas, effective August 1, 1962.

Very truly yours,

Elizabeth L. Carmichael,

Elizabeth L. Carmichael,
Assistant Secretary.