

Minutes of the Board of Governors of the Federal Reserve System on Friday, August 17, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Shepardson

Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Noyes, Director, Division of Research
and Statistics
Mr. Holland, Adviser, Division of
Research and Statistics
Mr. Furth, Adviser, Division of Inter-
national Finance
Mr. Keir, Senior Economist, Division of
Research and Statistics
Mr. Axilrod, Economist, Division of
Research and Statistics
Mr. Mattras, General Assistant, Office
of the Secretary

Money market review. Mr. Keir distributed tables relating to (1) recent yields on United States government securities and (2) prospective Treasury refunding, and he then discussed the Government securities market, including developments with respect to Treasury operations. Mr. Axilrod discussed recent developments in bank reserves, bank credit, and related matters.

Messrs. Young, Furth, Keir, and Axilrod then withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations

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Mr. Solomon, Director, Division of Examinations
 Mr. Johnson, Director, Division of Personnel Administration
 Mr. Shay, Assistant General Counsel
 Mr. Hooff, Assistant General Counsel
 Mr. Benner, Assistant Director, Division of Examinations
 Mr. Sprecher, Assistant Director, Division of Personnel Administration
 Mr. Young, Senior Attorney, Legal Division
 Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, Minneapolis, and San Francisco on August 16, 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 or distributed items. The following items, which had been circulated or distributed to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Letter to The Bank of Virginia, Richmond, Virginia, approving the establishment of a branch in Henrico County.

Item No.

1

Letter to the Federal Reserve Bank of New York reaffirming the Board's earlier decision that the Army and Air Force Exchange Service would not be eligible to maintain a savings account with a member bank.

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Chicago approving the payment of salary to the Bank's marble maintenance man at a specified rate for time spent performing marble setter duties.	3
Letter to Southern Arizona Bank and Trust Company, Tucson, Arizona, approving the establishment of a branch in the Thomas Mall Shopping Center, Phoenix.	4
Letter to The Denton County National Bank of Denton, Denton, Texas, approving its application for fiduciary powers.	5
Letter to Chairman Robertson of the Senate Banking and Currency Committee reporting on S. 1005, a bill "To amend section 10 and section 3 of the Federal Reserve Act, and for other purposes."	6
Letter to Chairman Robertson of the Senate Banking and Currency Committee reporting on H. R. 8874, a bill "To authorize certain banks to invest in corporations whose purpose is to provide clerical services for them, and for other purposes."	7

With reference to Item No. 7, Mr. Hackley reported that the Budget Bureau had requested staff comments on a letter that the Treasury was proposing to write to the Senate Banking and Currency Committee containing certain criticisms of H. R. 8874. The Budget Bureau sought comments only at the staff level, and comments therefore were furnished informally on that basis.

Report on competitive factors (Orangeburg-Salley-Swansea, South Carolina). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Bank of Salley, Salley, South Carolina, and

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Swansea Depository, Swansea, South Carolina, into Bank of Orangeburg, Orangeburg, South Carolina.

The report was approved unanimously for transmission to the Corporation. The conclusion of the report read as follows:

Little, if any, competition exists between the merging banks. The proposal would have no adverse effect on competition.

Application of Connecticut Bank and Trust Company (Items 8 and 9).

Pursuant to the decision reached by the Board at the meeting on August 8, 1962, there had been distributed a proposed order and statement reflecting approval of the application of The Connecticut Bank and Trust Company, Hartford, Connecticut, to merge with The Wallingford Bank and Trust Company, Wallingford, Connecticut.

The issuance of the order and statement was authorized. Copies are attached as Items 8 and 9.

Messrs. Farrell, Shay, Hooff, Benner, Young, and McClintock then withdrew.

Conflict of interest reports. There had been circulated a memorandum from the Division of Personnel Administration dated August 1, 1962, recommending the following procedure for handling conflict of interest reports submitted by consultants to the Board pursuant to the program approved by the Board on June 25, 1962:

1. That the Division of Personnel Administration obtain completed statements from each consultant.

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- 2. That the Board's Legal Division then review these statements and advise the Division of Personnel Administration of possible conflict of interest.
- 3. That the procedure then be as follows:
 - (a) If the report is that no conflict of interest is indicated, the statement of the consultant will be retained in the confidential files of the Division of Personnel Administration, and no further action will be taken.
 - (b) If, in the opinion of the Legal Division, there is a conflict of interest indicated, the statement of the consultant and the comments of the Legal Division will be referred to the Board for determination.

As a possible alternative to the procedure stated in 3(b), the Personnel Division suggested that the Board might prefer that the member having responsibility for managerial affairs review the conflict of interest statements and the Legal Division's comments on behalf of the Board.

During a short discussion, the feeling was expressed that cases involving possible conflict of interest would occur only infrequently and that review of such cases by the Board would involve little burden.

Accordingly, the Board approved the recommended procedure, excluding the alternate suggestion.

The meeting then adjourned.

Secretary's Notes: On August 16, 1962, Governor Shepardson approved on behalf of the Board the following items:

Memorandum from the Division of International Finance recommending acceptance of the resignation of Mary Anne McVeigh, Secretary in that Division, effective at the close of business August 24, 1962.

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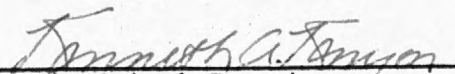
Letter to the Federal Reserve Bank of New York (attached Item No. 10) approving the appointment of Anthony R. Almassy, Roger A. Loff, William S. Spaulding, Jr., and John J. Sweeney as assistant examiners.

Letter to the Presidents of all Federal Reserve Banks transmitting forms for the use of State member banks and their affiliates in submitting reports as of the next call date. (With the understanding that the letter would be sent when the forms were printed.)

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective August 19, 1962:

Mary T. Gregory, Statistical Clerk, Division of Research and Statistics, from \$4,670 to \$4,840 per annum.

Doris V. Bubb, Statistical Assistant, Division of Bank Operations, from \$5,335 to \$5,655 per annum. (Change in title from Statistical Clerk.)


Assistant Secretary

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

Item No. 1
8/17/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 17, 1962

Board of Directors,
The Bank of Virginia,
Richmond, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Bank of Virginia at the intersection of Brook Road, Azalea Avenue and Norwood Avenue in Henrico County, Virginia, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 2
8/17/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 20, 1962

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

This refers to your letters of March 22 and June 26, 1962, with further reference to the eligibility of the Army and Air Force Exchange Service to maintain a savings account with a member bank. There was enclosed a letter dated March 20, 1962, from Colonel Charles A. Gross, General Counsel, Army and Air Force Exchange Service, requesting reconsideration of the Board's position that such accounts may not be classified as savings deposits.

The principal argument advanced by Colonel Gross is that the primary purpose of the Exchange Service is to promote the morale and esprit de corps of the members of the Army and the Air Force, and thus contribute to the proper and efficient operation of those services. However, in order for an organization to qualify as eligible to maintain a savings account, it must be operated primarily for religious, philanthropic, charitable, educational, fraternal or other similar purposes. An organization operated primarily for morale purposes does not meet these qualifications. The fact that incidentally some of its activities are of a religious, educational, fraternal or similar nature would not be sufficient to make it eligible. Accordingly, the Board has reconsidered its earlier decision and reaffirms its position that the Army and Air Force Exchange Service is not eligible to maintain a savings deposit with a member bank.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 3
8/17/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 17, 1962.

CONFIDENTIAL (FR)

Mr. H. J. Newman, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Newman:

In accordance with the request contained in your letter of August 9, 1962, the Board of Governors approves the payment of salary by the Federal Reserve Bank of Chicago to the incumbent of the position Marble Maintenance Man at the rate of \$4.45 per hour for time spent performing Marble Setter duties, effective June 1, 1962.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
8/17/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 17, 1962

Board of Directors,
Southern Arizona Bank and Trust Company,
Tucson, Arizona.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Southern Arizona Bank and Trust Company, Tucson, Arizona, of a branch in the Thomas Mall Shopping Center at the intersection of Thomas Road and 44th Street, Phoenix, Maricopa County, Arizona, provided the branch is established by September 1, 1963.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

Item No. 5
8/17/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 17, 1962

Board of Directors,
The Denton County National Bank of Denton,
Denton, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants The Denton County National Bank of Denton 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 Texas. 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.

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.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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Item No. 6
8/17/62

OFFICE OF THE CHAIRMAN

August 17, 1962

The Honorable A. Willis Robertson,
Chairman,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

It is understood from the Chief of Staff of your Committee that you would like to have a report from the Board on the bill S. 1005, "To amend section 10 and section 3 of the Federal Reserve Act, and for other purposes," which passed the House of Representatives on August 14 with an amendment.

As passed by the Senate, section 1 of S. 1005 would have repealed the 9th paragraph of section 10 of the Federal Reserve Act, which contains a provision limiting the aggregate cost that may be incurred by all Federal Reserve Banks for branch bank buildings approved after July 30, 1947, to \$30 million. The House amendment substituted for section 1 of the bill, as passed by the Senate, a provision increasing the aggregate cost figure of \$30 million to \$60 million.

The Board would prefer the bill as passed by the Senate. However, in view of the urgent need for additional branch buildings which cannot be provided under the limitation in the present law, the Board hopes that your Committee will give favorable consideration to the bill as amended by the House.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
8/17/62

OFFICE OF THE CHAIRMAN

August 17, 1962

The Honorable A. Willis Robertson,
Chairman,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

It is understood from the Chief of Staff of your Committee that you would like to have a report from the Board on the bill H.R. 8874, "To authorize certain banks to invest in corporations whose purpose is to provide clerical services for them, and for other purposes," which passed the House on August 14.

The Board recommends enactment of the bill.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



Item No. 8
8/17/62

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

In the Matter of the application of :
THE CONNECTICUT BANK AND TRUST COMPANY :
for approval of merger with :
The Wallingford Bank and Trust Company :

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. 1828(c)), an application by The Connecticut Bank and Trust Company, Hartford, Connecticut, a member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Wallingford Bank and Trust Company, Wallingford, Connecticut, under the charter and title of the former and, as an incident to the merger, a branch would be operated at the location of The Wallingford Bank and Trust Company. 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,

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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 17th day of August, 1962.

By order of the Board of Governors.

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

Absent and not voting: Governor Mitchell.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

(SEAL)

Item No. 9
8/17/62BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMAPPLICATION BY THE CONNECTICUT BANK AND TRUST COMPANY
FOR APPROVAL OF MERGER WITH THE WALLINGFORD BANK AND TRUST COMPANY

STATEMENT

The Connecticut Bank and Trust Company, Hartford, Connecticut ("Connecticut Bank"), with deposits of approximately \$441 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 Wallingford Bank and Trust Company, Wallingford, Connecticut ("Wallingford Bank"), with deposits of approximately \$8.6 million. Under the application and Plan of Merger the two banks would merge under the charter and title of Connecticut Bank, and as an incident to the merger, Connecticut Bank would operate a branch at the location of Wallingford Bank. This would increase from 30 to 31 the approved branches of Connecticut 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). 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. The earnings prospects of the resulting bank are favorable and its management would be competent.

No inconsistency with the purposes of 12 U.S.C., Ch. 16, is indicated.

Convenience and needs of the communities. - The main office of Connecticut Bank, which operates 29 branches and has one additional branch approved but not yet operating, is located in Hartford which is the capital and largest city in Connecticut (population about 162,000). The service area of Connecticut Bank has an estimated population of 700,000. The economy of the service area is supported primarily by diversified manufacturing. Farming is also a significant economic factor. There are located in Hartford the home offices of about 50 insurance companies.

Wallingford (population about 30,000), in New Haven County, (population about 660,000) is located some 23 miles south of Hartford. The town is largely industrialized, having 62 manufacturing establishments employing about 5,600 persons.

Since Connecticut law prohibits the establishment by a commercial bank of a de novo branch in another city in which an independent commercial bank has its head office, Wallingford Bank is the only commercial bank which may legally establish branches in the city.

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The proposed merger would permit the further expansion of banking facilities which should increase competition and contribute materially to the growth of the community.

The majority of Wallingford Bank's loans are in mortgages and, as a result of heavy requests for such credit, it originates, sells and services mortgages. The proposed merger would help meet the demand for mortgage and other types of credit as well, and would provide an element of convenience not only in this respect but in other banking services, including the services of a much larger trust department which would replace the relatively inactive trust department of Wallingford Bank.

Competition. - Connecticut Bank is the second largest financial institution in the State. Ninety per cent of its total deposits originate in the three counties of Hartford, Tolland and Windham which are located in the approximate northeastern quarter of the State and constitute its primary service area. Connecticut Bank has no branch offices in any major Connecticut city except Hartford. Although it has a branch or branches in seven of the State's eight counties, it does not appear to be a major factor competitively in counties other than the three just mentioned.

Wallingford Bank is located in New Haven County, 23 miles south of Connecticut Bank's main office in Hartford and 7 miles south of that bank's nearest branches in Meriden, which has a population of approximately 52,000 and which is also located in New Haven County. There are no banking facilities between Wallingford and Meriden. Wallingford Bank's primary service area is almost encircled by other

communities within a 5 to 7 mile range and each of these communities has offices or branches of banks many times the size of Wallingford Bank.

The proposed merger should have no significant effect on other banks in the primary service area of Connecticut Bank. In the Wallingford area some increase in competition should result, since Connecticut Bank would become a competitor with the Wallingford branch of Union and New Haven Trust Company (local deposits of approximately \$11 million) and with Dime Savings Bank in Wallingford (deposits of approximately \$16 million). As previously indicated, the proposed merger would permit the further expansion of banking facilities in Wallingford, thus providing additional competition for the banks which presently have offices in the area. Only slight competition between Connecticut Bank and Wallingford Bank would be eliminated.

Summary and conclusion. - The proposed merger would provide broader and more convenient banking services and facilities needed in the Wallingford area to meet the demands generated by substantial growth both in population and industry. The transaction would eliminate no competition except the small amount now existing between Connecticut Bank and Wallingford Bank, but at the same time should result in an increase in the over-all competition among the banking offices now operating in the Wallingford area.

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

August 17, 1962

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

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Item No. 10
8/17/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 17, 1962

CONFIDENTIAL (FR)

Mr. Harold A. Bilby, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Bilby:

In accordance with the request contained in your letter of August 10, 1962, the Board approves the appointment of Anthony R. Almassy, Roger A. Loff, William S. Spaulding, Jr., and John J. Sweeney, as assistant examiners for the Federal Reserve Bank of New York. Please advise the effective dates of the appointments.

It is noted that Messrs. Loff, Spaulding, and Sweeney are indebted to banks as follows:

Roger A. Loff	- The Howard Savings Institution, Newark, New Jersey (Nonmember)
William S. Spaulding, Jr.	- The Merchants National Bank & Trust Company of Syracuse, Syracuse, New York First Trust and Deposit Company, Syracuse, New York
John J. Sweeney	- The Chase Manhattan Bank, New York, New York.

Accordingly, the Board's approval of each of these appointments is given with the understanding that the individual will not be permitted to participate in any examination of a bank to which he is indebted until such indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.