

FR 609
Rev. 9/61

Minutes for October 9, 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	<u>(M)</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>R.</u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. King	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, October 9, 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. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Goodman, 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

Discount rates. The establishment without change by the Federal Reserve Bank of Minneapolis on October 6, 1962, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to the Bank.

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

	<u>Item No.</u>
Letter to Bank of America, New York, New York, granting consent to the establishment by Banca d'America e d'Italia, Milan, Italy, of branches and agencies in specified Italian cities.	1

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Item No.

Letter to Chippewa Trust Company, St. Louis,
Missouri, granting permission for the retire-
ment of \$100,000 outstanding preferred stock.

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In a discussion preceding the action granting consent to the establishment of certain branches and agencies by Banca d'America e d'Italia, Mr. Goodman responded to several questions raised by Governor Mills. With respect to the lack of more extensive information regarding the proposed branches and agencies, he noted that consent to the establishment of such offices had already been given by the Bank of Italy. It appeared that the proposed offices would not be particularly large operations, and there was no indication of a question from the competitive standpoint. In these circumstances he had doubted the need to request further information. As to the condition of Banca d'America e d'Italia, an audit of the bank had recently been made by inspectors for Bank of America, New York. However, the audit report seemed rather superficial, and he anticipated that this matter probably would be commented upon in connection with the current year's examination of Bank of America. With respect to the suggestion contained in the recent report to the Comptroller of the Currency by a special committee of bankers that specific supervisory approval not be required for the establishment by United States banks of overseas branches, Mr. Goodman said that a similar

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suggestion had been received by the Board in connection with the current review of Regulation K. However, since the suggestion did not go to the provisions of the Regulation, it was covered in the third of the series of three memoranda addressed to the Board in connection with the current study. With respect to a suggestion by Governor Mills, in connection with the memoranda that had been distributed relating to the study of Regulation K, that it might be helpful to the members of the Board if a summary could be prepared showing the effect on the present provisions of the Regulation of the various proposals discussed in the memoranda, Mr. Goodman said he would give consideration to whether a comparative summarization along the lines mentioned could not be worked out.

Mr. Goodman then withdrew from the meeting.

Application of Union Trust Company. There had been distributed to the Board a memorandum from the Division of Examinations dated September 28, 1962, in connection with an application by Union Trust Company of Maryland, Baltimore, Maryland, for permission to merge with The Liberty Bank, Easton, Maryland. The Federal Reserve Bank of Richmond and the Division of Examinations recommended approval. The Comptroller of the Currency and the Federal Deposit Insurance Corporation concluded that the effect of the proposed merger on competition would not be unfavorable, but the Department

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of Justice had expressed the opinion that the merger would have serious anti-competitive effects in the Easton area.

At the Board's request, Mr. Leavitt commented in some detail on the application, his remarks being based substantially on the memorandum that had been distributed.

In a discussion that ensued, Governor Balderston referred to certain conditions comprehended within the so-called banking factors that would tend to support approval of the proposed merger. However, the report of the Department of Justice, which had to do only with the competitive aspects, was adverse. In its statements in support of orders on mergers approved in the past, the Board had been reluctant to make strong comments about factors such as management deficiencies in a bank that was being merged. Therefore, if the Board approved the Union Trust application in the face of the adverse report from the Justice Department, his question was whether the Board's reasons would be clear to the public.

Comments made by the staff on this point were to the effect that if the Board should approve the proposed merger, every effort would be made to present fully in the Board's statement a satisfactory explanation of the factors that were felt by the Board to warrant approval. Under the Board's practice, the report received from the Department of Justice would not be made

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public by the Board at this time. As required by law, the summary of the Department's report would be included in the Board's Annual Report, together with a statement of the basis for the Board's approval. The statement of the basis for approval would be patterned after the statement issued by the Board in support of its order. In this manner, it should be possible to make clear in the Annual Report why the Board, despite the recommendation of the Department of Justice on the competitive factors, had found sufficient favorable considerations to conclude that the merger was in the public interest.

The members of the Board then expressed their views on the merger application, and Governor Mills said that he would favor approval. He found this a rather close case, with the weak management situation at Liberty Bank being almost the determining factor in his mind. Looking ahead to the statement that would be issued by the Board, if the merger were approved, he suggested that care be exercised not to leave the impression that an important basis for approval was the setting up of Union Trust Company as a competitor for the Maryland National Bank, which already had offices in the Easton area. If that were done, it might appear as though the Board was encouraging the very concentration of banking resources about which it had concern. To illustrate his point, Governor Mills turned to the suggested "basis for approval" contained in the Division memorandum and indicated how he felt that certain parts of it might be modified.

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Governors Shepardson and Balderston indicated that they would favor approval of the proposed merger on the basis of the staff recommendation, and Chairman Martin expressed himself to the same effect.

Accordingly, the application of Union Trust Company was approved unanimously, with the understanding that the Legal Division would draft for the Board's consideration an order and a supporting statement reflecting this decision.

Messrs. Hill and Egertson then withdrew from the meeting.

Application of Union and New Haven Trust Company (Items 3-5).

Pursuant to the Board's decision on October 3, 1962, to approve the application of The Union and New Haven Trust Company, New Haven, Connecticut, to merge with The Madison Trust Company, Madison, Connecticut, there had been distributed drafts of an order and a supporting statement reflecting that decision.

In discussion, Governor Mills suggested certain changes in the proposed statement, the intent of which was to avoid implications of the kind that he had cautioned against in connection with consideration of the Union Trust Company case just acted upon by the Board.

The suggested changes having been agreed upon, the issuance of the order and statement was authorized. Copies of the order and statement, as issued pursuant to this authorization, are attached as Items 3 and 4. A copy of the letter sent to the applicant bank is attached as Item No. 5.

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Recent procedural change by Comptroller. Mr. Fauver called to the Board's attention that the Comptroller of the Currency had instituted a procedure, in connection with the issuance of decisions on merger cases, of releasing to the public the competitive factor reports that had been received by him from the other Federal bank supervisory agencies and the Department of Justice. The Board had not been following such a practice. Inquiries received by the Board concerning competitive factor reports had been referred to the originating agency.

After a brief discussion, it was agreed to make no change in the Board's present practice at this time.

Visit of Governor Coombs. Reference was made to the forthcoming visit to Washington of Governor Coombs of the Reserve Bank of Australia, and it was noted that the Governor was scheduled to be the guest of honor at a luncheon at the Federal Reserve Building on Tuesday, October 23. The suggestion was made that, if Governor Coombs' schedule would permit, he might be invited also to have dinner at the Federal Reserve Building with available members of the Board and appropriate members of the staff. There was agreement with this suggestion.

The meeting then adjourned.

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

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Letter to the Federal Reserve Bank of Richmond (attached Item No. 6) approving the appointment of Fred L. Bagwell as assistant examiner.

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

Transfer

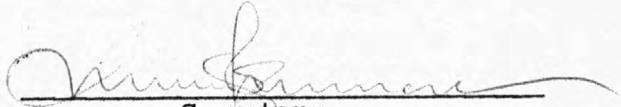
Mary V. F. Baker, from the position of Senior Clerk in the Division of International Finance, to the position of Statistical Assistant in the Division of Research and Statistics, with no change in basic annual salary at the rate of \$5,335, effective October 14, 1962.

Salary increase

Peggy H. Reaves, Senior Clerk, Division of International Finance, from \$4,460 to \$4,675, effective October 14, 1962. (Change in title from Clerk.)

Leave without pay

Edna Kiatta Noyes, Statistical Clerk, Division of Bank Operations, for the period beginning September 30 through October 31, 1962.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1
10/9/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 9, 1962

Bank of America,
41 Broad Street,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of September 11, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent to the establishment by Banca d'America e d'Italia, Milan, Italy, of branches and agencies in the following Italian cities:

Branches

Salerno
Taranto
Arenzano (Province of Genoa)

Agencies

Milan - Garibaldi District
Rome - Due Pini District
Turin - Barriera Milano
Bologna - Via A. Saffi District

Unless the branches and agencies are actually established and opened for business on or before November 1, 1963, all rights granted hereby will be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

It is understood that Banca d'Italia has granted permission to the establishment of these branches and agencies.

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
10/9/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 9, 1962

Board of Directors,
Chippewa Trust Company,
St. Louis, Missouri.

Gentlemen:

The Board of Governors of the Federal Reserve System hereby gives its consent, under the provisions of Section 9 of the Federal Reserve Act, to the retirement of \$100,000 outstanding preferred stock of Chippewa Trust Company. This approval is given with the understanding that capital structure of the bank will be increased by not less than \$130,000 by December 31, 1962, through the sale of common stock for cash. The Board notes that outstanding capital notes in the amount of \$100,000 maturing November 15, 1962, are to be paid.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 3
10/9/62

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 UNION AND NEW HAVEN TRUST COMPANY
for approval of merger with
The Madison 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 Union and New Haven Trust Company, New Haven, Connecticut, a member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Madison Trust Company, Madison, 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 Madison 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 9th day of October, 1962.

By Order of the Board of Governors.

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

Absent and not voting: Governors Robertson and King.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 4
10/9/62

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY THE UNION AND NEW HAVEN TRUST COMPANY
FOR APPROVAL OF MERGER WITH THE MADISON TRUST COMPANY

STATEMENT

The Union and New Haven Trust Company, New Haven, Connecticut ("Union Trust"), with deposits of about \$74 million as of October 10, 1961, a State member bank, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and The Madison Trust Company, Madison, Connecticut ("Madison Trust"), with deposits of about \$4 million as of March 5, 1962. Under the Agreement of Merger the banks would merge under the charter and title of Union Trust, and the office of Madison Trust would become a branch of Union Trust.

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, capital structure, future earnings prospects, and management of each of the banks are satisfactory, as would be true of the resulting bank.

There is no indication that the powers of either of the banks are, or would be, inconsistent with 12 U.S.C., Ch. 16.

Convenience and needs of the communities. - The economy of New Haven (1960 population about 152,000) is based upon heavy and light industry and is also influenced substantially by Yale University's location in the city. The proposed merger would have little effect on the convenience and needs of the communities now served by Union Trust, which presently operates seven offices in five cities all located in New Haven County. Union Trust is the third largest among the six commercial banks in New Haven and as a result of the merger would advance to second position but by only a narrow margin.

Madison (1960 population about 4,500) is a growing residential and resort community, located in New Haven County on Long Island Sound, 19 miles east of New Haven. At the height of the tourist season, its population is estimated to be about 15,000. Madison is primarily a residential community with the customary retail and service establishments. Dairy and truck farming are the main occupations in the outlying area. Madison's population has increased rapidly in recent years and there is every prospect this will continue.

Madison Trust is the only bank, commercial or savings, in Madison. Three other banks, one slightly smaller and two somewhat larger, have offices from four to five miles away. As Connecticut law prohibits the establishment by commercial banks of de novo branches in another city in which any commercial bank has its head office, Madison Trust is the only bank which may now legally establish branches in Madison. The growing Madison area would benefit by the proposed merger as broader banking services would thereby be made available and a basis laid for bringing other competitive banking services into the community.

Competition. - The nearest offices of Union Trust and Madison Trust are about 19 miles apart. Between these offices, there are five offices of other commercial banks and one office of a savings bank. Intervening offices and the distance between the offices of Union Trust and Madison Trust limit competition between them. Only a slight amount of competition would be eliminated by the proposed merger. Consummation of this proposed merger would have very little effect on banks in the New Haven area. It would also have only a minor effect on banks in the Madison area which are well established and which serve their own trade areas.

Summary and conclusion. - Very little competition will be eliminated by this proposed merger inasmuch as there are several banking facilities between the nearest offices of the two banks which are 19 miles apart.

The Madison area is growing. A merger of these two banks will provide broader banking services for which a need exists and will lay the basis for increased banking competition in the area and additional banking services for the public.

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

October 9, 1962

Item No. 5 **3860**
10/9/62

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 9, 1962.



REGISTERED - RETURN
RECEIPT REQUESTED

The Union and New Haven Trust Company,
205 Church Street,
New Haven, Connecticut.

Gentlemen:

The Board of Governors has approved the application, under the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior consent to the merger of The Madison Trust Company, Madison, Connecticut, into The Union and New Haven Trust Company, New Haven, Connecticut.

It is understood that within 30 days following the effective date of the merger The Union and New Haven Trust Company will sell the 216 shares of its own stock which it will acquire under the merger.

Enclosed are the Board's Order of this date, the accompanying Statement, and the press release on this action.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

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

Item No. 6
10/9/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 10, 1962

CONFIDENTIAL (FR)

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

Dear Mr. Nosker:

In accordance with the request contained in your letter of October 4, 1962, the Board approves the appointment of Fred L. Bagwell as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

It is noted that Mr. Bagwell is indebted to The Peoples National Bank of Greenville, Greenville, South Carolina. Accordingly, the Board's approval of Mr. Bagwell's appointment is given with the understanding that he will not participate in any examination of that institution until his indebtedness has been liquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.