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Minutes for October 29, 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, October 29, 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. King  
 Mr. Mitchell

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Molony, Assistant to the Board  
 Mr. Fauver, Assistant to the Board  
 Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank Operations  
 Mr. Solomon, Director, Division of Examinations  
 Mr. Harris, Coordinator of Defense Planning  
 Mr. Shay, Assistant General Counsel  
 Mr. Kiley, Assistant Director, Division of Bank Operations  
 Mr. Goodman, Assistant Director, Division of Examinations  
 Mr. Leavitt, Assistant Director, Division of Examinations  
 Mr. Young, Senior Attorney, Legal Division  
 Mr. Hunter, Supervisory Review Examiner, Division of Examinations  
 Mr. Mattras, General Assistant, Office of the Secretary

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

Item No.

Letter to the Federal Deposit Insurance Corporation regarding the application of First State Bank, Fremont, Nebraska, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

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	<u>Item No.</u>
Letter to Walker Bank & Trust Company, Salt Lake City, Utah, approving an extension of time to establish a branch at Washington and Eighth South Streets.	2
Letter to the Chairman of the Conference of Presidents interposing no objection to the execution of an amended agreement between the Federal Reserve Banks and the Postmaster General with regard to the processing of postal money orders.	3
Letter to The Union and New Haven Trust Company, New Haven, Connecticut, approving the establishment of a branch in Wallingford.	4
Letter to Lincoln Rochester Trust Company, Rochester, New York, approving the establishment of a branch in East Rochester.	5
Letter to the Presidents of all Federal Reserve Banks with respect to publication of newspaper notice by State member banks filing merger applications.	6

Defense planning report. Mr. Harris reported on System defense planning developments, in light of the Cuban crisis. Although recent events had eased the situation, he noted the possibility of similar situations arising in the future, which indicated the need for maintaining a high level of preparedness.

Governor King suggested the possibility of arranging a simulated defense exercise, under conditions that would prevail if the state of readiness known as DEFCON 2 were in effect, and it was agreed that the possibility of a "desk exercise" would be considered.

Mr. Harris then withdrew.

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Application of County Trust Company. There had been distributed a memorandum from the Division of Examinations dated October 17, 1962, with regard to an application by The County Trust Company, White Plains, New York, for permission to merge with The Gramatan National Bank and Trust Company of Bronxville, Bronxville, New York.

In the course of commenting on the application, Mr. Leavitt noted that the competitive factor reports of the Comptroller of the Currency and the Federal Deposit Insurance Corporation were favorable, but that the report of the Department of Justice was adverse. The Division of Examinations recommended approval and felt that the proposed merger would improve banking services in the Bronxville area. Mr. Leavitt noted that Gramatan National Bank was a unique institution. Over 90 per cent of its loan portfolio consisted of high-yielding installment loans, generated almost entirely outside its service area. The installment loans were originated by The Gramatan Company, Incorporated, an affiliate of Gramatan National Bank. Under the plan for the proposed merger, Gramatan Company would not be affiliated with County Trust and the portfolio of installment loans originating from that source would be liquidated. Gramatan National's failure to compete for loans in its own area was more significant because of the home office protection feature of the New York State Banking Law, the effect of which was to bar the entrance of any bank into Bronxville, presently served only by the two offices of Gramatan and a branch of a New Rochelle bank.

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The proposed merger with County Trust would terminate Gramatan National's home office status in Bronxville and open the way for other banks to enter the community. No other bank in Westchester County apparently had indicated an interest in merging with Gramatan National, presumably due largely to the unique installment loan arrangement. It was felt that the proposed merger would provide the Bronxville community with broader banking services, and it would solve a management succession problem at Gramatan National.

Governor Robertson, after raising several points of information, expressed the feeling that the importance of the home office protection provision may have been overstressed in this case, since the village of Bronxville appeared to be integrated closely with adjoining communities where banking offices were located. He then asked whether the Division of Examinations would recommend approval of the merger if this factor were not involved.

Mr. Leavitt stated that he thought a good case could still be made for the merger, in light of Gramatan National's unique type of operation, on account of which it had failed to serve the needs of the Bronxville community. He noted that the banking offices in Bronxville had deposits of about \$30 million, an indication that the area generated quite a little volume of business. Further, the national bank needed a new managing officer.

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The members of the Board then expressed their views on the application, beginning with Governor Mills, who said he would concur in the recommendation of the Division of Examinations. This could be regarded as a rather unusual situation, involving a specialized bank that was not performing a community service. It would appear that the substitution of County Trust Company would be of benefit to the Bronxville area. In anticipation of the elimination of the home office protection now enjoyed by Gramatan National, there was understood to have been an expressed desire on the part of other banks to establish branches in Bronxville, which suggested that the community--in their judgment at least--could support additional facilities. If these branches were established, there would be appropriate and active competition for County Trust Company, even though it remained the largest Westchester County bank.

Governor Robertson said that he would reluctantly approve the merger, based on the view of the New York Superintendent of Banks that the elimination of the home office protection feature was important. He was inclined to doubt this, but he lacked sufficient information to make a different judgment. In any event, however, the merger apparently would lead to additional competition, by virtue of the fact that other banks had already expressed an inclination to establish offices in Bronxville once the way was open.

Governor Shepardson indicated that he would approve on the basis of the arguments presented by the Division of Examinations.

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Governor King stated that he would approve the application. Gramatan National appeared to compete only by way of serving as a depository; the motivation of the management apparently was to make a profit rather than to take a balanced viewpoint of community banking service. As far as the local area was concerned, the bank evidently was out of the competitive race already. In these circumstances, it would be of doubtful value to require the bank to stay in business, in the vague hope that it might turn to a more balanced concept of community banking. There seemed little hope that that would come about, at least in the near future.

Governor Mitchell said he had an instinctive feeling that there was something wrong about this application, even though he could not put his finger on it. It seemed quite clear to him that the assigned reasons for no other bank wanting to take over Gramatan National were confused and inconsistent. Of all the banks that might have taken it over, County Trust, the largest bank in the county, seemed most likely to succeed in squelching competition. Nevertheless, he was persuaded that it was appropriate to approve the application. New York City banks were coming into this area, and he was inclined to think that the New York metropolitan area was going to end up with the major New York City banks and perhaps some large suburban banks. He felt that out of such a complex of banking institutions would come the competition that was needed. In this particular case, therefore, he would approve.

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Governor Balderston and Chairman Martin indicated that they would concur in the recommendation of the Division of Examinations.

The merger application was then approved unanimously, with the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

Mr. Hunter withdrew at this point and Mr. McClintock, Supervisory Review Examiner, Division of Examinations, entered the room.

Asbury Park and Ocean Grove Bank (Item No. 7). There had been distributed a memorandum from the Division of Examinations dated October 12, 1962, with respect to a letter from the Commissioner of Banking and Insurance of the State of New Jersey requesting reconsideration of the application of Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey, for permission to merge with The Central Jersey Bank and Trust Company, Freehold, New Jersey. The Board had denied the application by order dated June 29, 1962, principally on the grounds that significant competition in the Asbury Park area would be eliminated and that the resulting bank would achieve a position of dominance in the area.

Mr. Leavitt noted that the request for reconsideration of the application from the Commissioner of Banking in New Jersey was supported by the Federal Reserve Bank of New York, but that no additional material had been received from the applicant. The New Jersey Commissioner felt that the proposed merger would benefit the area by placing the resulting



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bank in a better competitive position vis-a-vis other large banks in Monmouth County. The New York Bank favored the merger due to the rapid growth of Monmouth County, which was becoming a part of the New York City metropolitan area. In the circumstances, the Reserve Bank concluded that the services of a larger bank were needed. The Reserve Bank foresaw the continuance of a trend that would result in each of the New Jersey counties near New York City being served principally by three or four major banks.

The Division of Examinations felt that the Commissioner's letter and the Reserve Bank's comments contained no new significant information and that the merger was not in the public interest. Although the proposed merger would provide a larger local source of credit in Monmouth County, it was felt that there was no significant need for large credits under the present circumstances. If the merger were approved, the resulting bank would become dominant in the immediate Asbury Park area, with an increase in the number of its offices from 4 to 9. A comparison of banking facilities in Monmouth County and neighboring counties that had been made by the Division of Examinations was thought not to provide a basis for justification of the merger.

In response to an inquiry from Governor Mitchell, Mr. Leavitt said that he was not too much concerned about the present situation of the Asbury Park bank. Much of the support for the merger was due to a feeling that a greater share of the county's credit needs should be

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satisfied by local sources. It had been reported that if the merger did not take place, the Asbury Park bank intended to sell additional capital stock and get back in the competitive race.

Governor Shepardson expressed some concern that the Board might not have an accurate picture of the economic development and financial needs of the county, particularly outside the resort area. He noted that the picture of industrial development contained in the Commissioner's report differed considerably from the picture presented by the staff memorandum. He wondered whether a new situation might have developed, since the staff memorandum was based primarily on 1961 figures, and whether the developing needs might warrant the availability of larger sources of credit.

Governor Balderston also expressed some concern, from the standpoint of the economic situation of a bank located in a resort area. After commenting on the poor experience of banks situated in such areas under recessionary conditions, he noted the apparent limitations on future development of a bank in Asbury Park as contrasted with banks in those parts of Monmouth County where industrial expansion was occurring. The question in his mind was whether the Board, by denying the right of a bank in Asbury Park to merge with an inland bank, would be putting the Asbury Park bank in a situation where it might suffer in the future, particularly in the event of a severe recession.

In reply, Mr. Leavitt pointed out that many resort area banks were in this situation. In the event of a serious recession, such banks

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possibly would have a greater problem. However, the question seemed to him to be basically a question of management competence. Mr. Solomon noted that an obstacle to the proposed transaction was the desire of the Asbury Park bank to merge with an institution that was to all purposes the dominant bank in the area. The merger would give the resulting bank 9 of 11 banking offices in and around Asbury Park, and the Division of Examinations felt that this was the proper area to consider from a competitive standpoint. If the Freehold bank had not been represented so heavily in this area, the Division might have come to a different conclusion. However, the proposal would lead to a substantial elimination of competition, and the Division had not been able to find offsetting benefits.

Governor Balderston then made further comments in which he agreed that the letters from the State Banking Commissioner and the New York Reserve Bank did not contain any significant new evidence. His question, however, went back to the validity of the original decision. He was not particularly impressed by the study of the Division of Examinations comparing Monmouth County with surrounding counties. It was more pertinent, he thought, to inquire whether Asbury Park, a resort town, presented such a unique situation that a bank therein should be allowed to combine with a bank in another part of the county to provide a healthy banking situation.

Governor King recalled that he was not present at the meeting at which the Board decided the application. However, he had studied

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the case and had heard the oral presentation. On that basis, he had concluded that he would deny the application. In reviewing the letter from the State Banking Commissioner, he found himself doubtful concerning the claim that the Monmouth County National Bank was attempting to monopolize banking in the county. It had less branches than the Freehold bank, although they were more scattered. Further, if the present application were approved, the resulting bank would be larger than the Monmouth County National Bank and would have 15 banking offices. After studying the matter, it was his conclusion that it would be appropriate to follow the recommendation of the Division of Examinations that the application not be opened up for reconsideration.

Governor Mitchell expressed the thought that the principal difficulty lay in the fact that the Asbury Park bank had selected its principal competitor with which to merge. He was inclined to sympathize with the points made by Governor Balderston about the situation of the Asbury Park bank, but he felt that the applicant bank had chosen the wrong avenue to try to get out of its predicament.

Governor Mills also agreed that the Board should stand on its earlier position. He thought it was much more important that adequate competition and alternative banking facilities be preserved in the area than that a larger source of credit be made available. So far as the Asbury Park bank was concerned, he thought the bank would find itself in difficulty only if it did not have proper management. The bank should know its own situation. If the local community did not provide sound

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credits, the bank should diversify and acquire assets of a better quality from outside the community.

Governor Robertson noted that the question was whether the Board would reconsider the application. As he understood the Board's Rules of Procedure, the Board would not reconsider cases unless substantial new information was submitted. That was not the case here.

Governor Shepardson commented that although he was troubled about the economic situation in the county as a whole, from the standpoint of whether credit needs were being properly met, he did not see a basis in the evidence that had been presented for reconsidering the Board's action.

Governors King and Mitchell concurred, and Governor Balderston indicated that he would agree with a decision not to reconsider on the ground previously mentioned by Governor Mitchell, namely, that the Asbury Park bank was seeking to merge with its principal competitor.

Accordingly, it was agreed unanimously to advise the New Jersey Commissioner and the New York Reserve Bank that the Board had concluded that the application should not be reconsidered. There followed discussion as to how the letter to the Commissioner should be phrased, at the conclusion of which agreement was expressed with a letter in the form attached as Item No. 7.

Mr. McClintock then withdrew from the meeting.

Application of Gary Trust and Savings Bank (Items 8 and 9).

Pursuant to the decision reached at the meeting on October 18, 1962, there

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had been distributed a proposed order and statement reflecting the Board's approval of the application of Gary Trust and Savings Bank, Gary, Indiana, to merge with Lake County State Bank, East Gary, Indiana, under the title Bank of Indiana.

After a short discussion, the issuance of the order and statement was authorized, with the understanding that the statement would be revised slightly in certain respects. Copies of the order and statement, as issued on October 30, 1962, are attached to these minutes as Items 8 and 9.

Mr. Young then withdrew from the meeting.

Israel Discount Bank. There had been distributed a memorandum from the Legal Division dated October 26, 1962, with further regard to the eligibility of Israel Discount Bank Limited to have a nonmember clearing account under section 13 of the Federal Reserve Act. In a letter dated September 28, 1962, the Federal Reserve Bank of New York was advised of the Board's position that there was nothing in the Federal Reserve Act which would make it improper for a Federal Reserve Bank to regard a branch of a foreign bank, such as the one in question, as a "nonmember bank" within the meaning and for the purposes of the first paragraph of section 13 of the Act. The letter also stated that the decision whether to open particular nonmember clearing accounts was a matter within the discretion of the individual Federal Reserve Banks. In a letter to the Board dated October 9, 1962, President Hayes of the New York Bank reiterated that his Bank's Counsel had serious doubts as to

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whether the Bank would have legal authority to open a nonmember clearing account for a branch in this country of a foreign commercial bank. A memorandum from Bank Counsel was enclosed.

The Legal Division memorandum stated that President Hayes' letter of October 9 and its enclosure had been carefully reviewed and that they appeared to present no points or arguments not previously presented to the Board.

Submitted with the memorandum from the Legal Division was a draft of reply to President Hayes that would reiterate the Board's view that there was nothing in the Federal Reserve Act that would make it improper for a Federal Reserve Bank to regard a branch of a foreign bank, such as the New York City branch of Israel Discount Bank, as a "nonmember bank" within the meaning and for the purposes of the first paragraph of section 13 of the Federal Reserve Act. The letter would note, however, that this provision of the statute had always been regarded as permissive and not mandatory; therefore the establishment of nonmember clearing accounts was a matter within the discretion of the individual Federal Reserve Banks. The Reserve Bank would be asked to transmit a copy of the letter to the Israel Discount Bank.

At the beginning of the discussion at this meeting, Mr. Shay distributed copies of a revised version of two of the paragraphs of the proposed letter, the intent being to make it less evident that there had been some contention between the Board and the New York Bank if a copy of the letter was to be transmitted to Israel Discount Bank.

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After a discussion of the language of the statute on which the Board's position was based, Mr. Shay stated that on first study he had been inclined to agree with the view expressed by Counsel for the New York Bank. On further study, however, he had become convinced that the position expressed in the proposed letter, and previously expressed by the Board, was a reasonable one. He felt that the Board ought to be the final arbiter, or court of last resort, in matters involving interpretation of the Federal Reserve Act, particularly since all Federal Reserve Banks were involved. The Board was not telling the Federal Reserve Bank of New York that it must open any particular nonmember clearing account; that was a matter within the discretion of the Reserve Bank. The Board was only saying that in its opinion the law was such as to make the New York City branch of Israel Discount Bank eligible for a nonmember clearing account, if the Reserve Bank in its discretion wished to open such an account.

Mr. Hackley supported the views expressed by Mr. Shay and pointed out that the Board had recently amended Regulation J, Check Clearing and Collection, in a manner consistent with its position on the question.

Comments by members of the Board reflected concurrence in the views stated by Messrs. Hackley and Shay. Therefore, a letter along the lines suggested to the New York Reserve Bank advising the Bank of the Board's position was regarded as appropriate. The remaining discussion therefore centered around the question whether the Reserve Bank should be asked to transmit a copy of the letter to Israel Discount Bank. Alternatives suggested were that the Reserve Bank be asked to convey the views



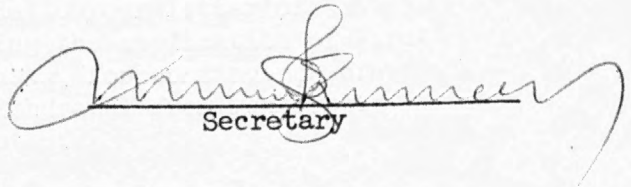
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expressed in the letter to Israel Discount Bank or, possibly, that a letter be sent direct to Israel Discount Bank. Chairman Martin then suggested that, if the Board so desired, he would undertake to discuss the matter with President Hayes in person, in lieu of sending a letter, and agreement was expressed with this procedural suggestion.

The meeting then adjourned.

Secretary's Note: The Board today issued a press release regarding the administrative proceeding involving The Continental Bank and Trust Company, Salt Lake City, Utah, the issuance of such release having been approved by the Board on October 11, 1962. A copy of the press release is attached as Item No. 10.

  
Secretary

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

Item No. 1  
10/29/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1962

The Honorable Erle Cocke, Sr., Chairman,  
Federal Deposit Insurance Corporation,  
Washington 25, D. C.

Dear Mr. Cocke:

Reference is made to your letter of  
October 12, 1962, concerning the application of First  
State Bank, Fremont, Nebraska, for continuance of  
deposit insurance after withdrawal from membership  
in the Federal Reserve System.

No corrective programs that the Board of  
Governors believes should be incorporated as condi-  
tions to the continuance of deposit insurance have  
been urged upon or agreed to by the bank.

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  
10/29/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1962



Board of Directors,  
Walker Bank & Trust Company,  
Salt Lake City, Utah.

Gentlemen:

The Board of Governors of the Federal Reserve System extends until May 21, 1963, the time within which Walker Bank & Trust Company, Salt Lake City, Utah, may establish an in-town branch at the southeast corner of the intersection of Washington and Eighth South Streets.

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  
10/29/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



October 29, 1962

Mr. W. D. Fulton, Chairman,  
Conference of Presidents,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Fulton:

A review has been made of the draft of the amended agreement between the Federal Reserve Banks and the Postmaster General as approved by the Conference of Presidents on September 10, 1962. The Board understands that this revision of the agreement was made necessary by the postal money order pre-punch program recently initiated by the Post Office Department.

This is to advise you that the Board interposes no objection to the execution of the amended agreement.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 4  
10/29/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



October 29, 1962

Board of Directors,  
The Union and New Haven Trust Company,  
New Haven, Connecticut.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Union and New Haven Trust Company, New Haven, Connecticut, of a branch in the Colony Shopping Center on North Colony Street, Wallingford, Connecticut, provided the branch is established within 12 months 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. 5  
10/29/62



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1962

Board of Directors,  
Lincoln Rochester Trust Company,  
Rochester, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch at 851 Fairport Road, Incorporated Village of East Rochester, Town of Perinton, Monroe County, New York, by Lincoln Rochester Trust Company, provided the branch is established within six months 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. 6  
10/29/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

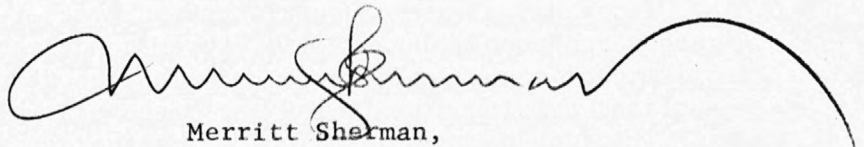
October 29, 1962.

Dear Sir:

The Bank Merger Act of 1960 (12 U.S.C. 1828) requires notice of any proposed merger, consolidation, or absorption to be published (except in emergencies), in a form approved by the appropriate Federal supervisory authority, in a newspaper (in some cases, two newspapers) during a period of 30 days. With a letter to your Bank dated August 24, 1960, the Board enclosed copies of the form approved by the Board for this purpose.

As stated in the House Banking and Currency Committee report on the Bank Merger Act, publication of notice was intended to "provide a means by which the people of the community served by the banks involved may be given an opportunity to consider the effects of a proposed merger and express their views concerning it." For this reason, as well as to expedite action on merger applications, member banks applying for approval of proposed mergers should be informed that publication of the required notice should begin promptly after the filing of the application with the Federal Reserve System.

Very truly yours,



Merritt Sherman,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 7  
10/29/62

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 29, 1962.

The Honorable Charles R. Howell,  
Commissioner of Banking and Insurance,  
Department of Banking and Insurance,  
State House Annex,  
Trenton 25, New Jersey.

Dear Mr. Howell:

Your letter of August 22, 1962, requested that the Board reconsider its denial of 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 Central Jersey Bank and Trust Company, Freehold, New Jersey, into Asbury Park and Ocean Grove Bank, Asbury Park, New Jersey.

Your comments regarding the transaction were devoted primarily to the convenience and needs of the communities to be served and the effect of the transaction on competition, and emphasized the expansion in recent years of Monmouth County, particularly the area immediately surrounding the city of Asbury Park, and the growth potential of the area. You stressed also the need for a stronger and larger bank to serve the growing financial needs of the developing areas of the county and to offer effective competition to other banks whose trade areas have expanded to include all the major sections of the county.

The information and views presented by your letter have been carefully considered as they are both relevant and significant to the case. However, in the Board's judgment such information and views do not differ essentially from those contained in the application of the Asbury Park and Ocean Grove Bank and presented by representatives of that bank and The Central Jersey Bank and Trust Company at the oral presentation on the application on May 25, 1962. As it does not appear to the Board that there has been submitted to it significant information not previously presented in this case, the Board has concluded that re-consideration of its prior action on the application would not be appropriate.

The Board wishes to express its appreciation for your interest in the matter.

Very truly yours,  
(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



Item No. 8  
10/29/62

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 :  
: GARY TRUST AND SAVINGS BANK :  
: for approval of merger with :  
: Lake County State Bank :  
: -----

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 Gary Trust and Savings Bank, Gary, Indiana, a member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Lake County State Bank, East Gary, Indiana, under the charter of the former and title of Bank of Indiana and, as an incident to the merger, the two offices of Lake County State Bank would be operated as branches of Bank of Indiana. 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 30th 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)

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Merritt Sherman,  
Secretary.

(SEAL)

Item No. 9  
10/29/62BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMAPPLICATION BY GARY TRUST AND SAVINGS BANK  
FOR APPROVAL OF MERGER WITH LAKE COUNTY STATE BANK

## STATEMENT

Gary Trust and Savings Bank, Gary Indiana ("Gary Trust"), with deposits of about \$27 million<sup>\*</sup>, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for prior approval by the Board of the merger of that bank and Lake County State Bank, East Gary, Indiana ("Lake County Bank"), with deposits of about \$4.3 million<sup>\*</sup>. The banks would merge under the charter of Gary Trust, which is a state-chartered member bank of the Federal Reserve System, and under the title of Bank of Indiana. Bank of Indiana would have five offices as it would continue the three offices of Gary Trust and the two offices of Lake County Bank would become branches of Bank of Indiana.

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

\* As of March 26, 1962.

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 would be satisfactory. Lake County Bank's management succession problem would be relieved by the management of Gary Trust.

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. - Gary, Indiana (1960 population about 178,000), is a growing industrial city situated on Lake Michigan and is one of the leading steel producing areas in the United States. The steel industry provides employment for over one-half of the Gary labor force. Banking services in Gary are supplied by Gary National Bank, by far the largest bank in the metropolitan area, which operates twelve offices, and Gary Trust, which operates three offices.

Lake County Bank has its main office in East Gary (1960 population about 9,300) and operates a branch at Hobart (1960 population about 18,600) located to the south of East Gary. These communities are mostly residential in character and the principal employment is provided by the nearby steel plants.

The proposed merger would provide home owners, small businessmen, and salaried individuals, which constitute the population of the East Gary area, with more complete and broader banking services.

Competition. - Although East Gary and Hobart are contiguous to Gary, there is little overlapping of the service areas of the two banks involved in this merger. The main offices of Gary Trust and Lake County Bank are seven miles apart and no offices of the respective banks are closer than four miles to each other. There appears to be only a small amount of competition between these banks.

Gary National Bank has long been the dominant institution in the Gary metropolitan area. This bank operates 12 of the 17 offices operated by the two Gary banks and the Lake County Bank, and holds over 82 per cent of the IPC deposits held by these three banks. Among its offices is one in Hobart which now competes with a branch of the much smaller Lake County Bank. Under the proposal, the Hobart office of Lake County Bank would become an office of the Bank of Indiana, and this should increase competition in the Hobart area.

Since the present management of Gary Trust acquired control of that bank about three and one-half years ago, the bank's deposits have increased from approximately \$16 million to about \$25 million. Consummation of the proposal would extend the services of that aggressive management into a new area.

Summary and conclusion. - Very little competition will be eliminated by this proposed merger, and a basis would be provided for the resulting bank, with stronger management, to compete more aggressively and effectively with the much larger bank which presently

competes directly with both of the merging banks. The proposed merger would provide broader and more complete banking services in the city of East Gary.

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

October 30, 1962.



# FEDERAL RESERVE

press release

Item No. 10

10/29/62

October 29, 1962

For immediate release

In 1956 the Board of Governors instituted a proceeding for the stated purposes of determining whether the capital funds of The Continental Bank and Trust Company, Salt Lake City, Utah, were adequate; what additional amount of capital funds, if any, were needed by the Bank; and what period of time would be reasonable in which to allow the Bank to increase its capital funds if found to be inadequate.

In 1960 the Board entered an order directing the Bank to increase its capital funds in a stated amount. Following the Bank's failure to comply with the Board's directive, the Board ordered a hearing at which the Bank might show cause why its membership in the System should not be forfeited.

That hearing was held today at the Federal Reserve Bank of San Francisco. In the course of the hearing there was introduced into the record a copy of a letter from The Continental Bank and Trust Company to the Board of Governors enclosing a resolution of the Bank's Board of Directors setting forth a plan pursuant to which the Bank will take specific actions to effect an increase in its capital funds.

In the light of the Bank's current capital condition and the Bank's plan to increase its capital funds within a reasonable period of time, the Board has concluded that there is sufficient ground for the Board to terminate the pending administrative proceeding. Advice to this effect has been given by the Board in a letter to the Bank, a copy of which has also been introduced into the record of today's hearing. An appropriate Order terminating the proceeding will be issued by the Board following receipt from the Hearing Examiner of the certified record of the show cause hearing.