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Minutes for November 7, 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 Wednesday, November 7, 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. Mitchell

Mr. Sherman, Secretary
 Mr. Molony, Assistant to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Noyes, Director, Division of Research and Statistics
 Mr. Solomon, Director, Division of Examinations
 Mr. Connell, Controller
 Mr. Hexter, Assistant General Counsel
 Mr. Shay, Assistant General Counsel
 Mr. Brill, Adviser, Division of Research and Statistics
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Mattras, General Assistant, Office of the Secretary
 Mr. Young, Senior Attorney, Legal Division

Circulated items. 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 First State Bank, Fremont, Nebraska, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	1
Letter to Southern Arizona Bank and Trust Company, Tucson, Arizona, approving the establishment of a branch at the Tucson Municipal Airport.	2

11/7/62

-2-

	<u>Item No.</u>
Letter to the Federal Reserve Bank of San Francisco waiving the assessment of penalties incurred by Security National Bank of Monterey County, Pacific Grove, California, because of deficiencies in its required reserves.	3
Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch in Auburn.	4
Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch in San Jose.	5

With reference to Item No. 2, it was understood that the letter of transmittal to the Federal Reserve Bank of Dallas would include a reference to the S-letter reflecting the Board's action of November 6, 1962, which authorized the Reserve Banks, in certain circumstances, to inform a State member bank upon request that the Board had approved one six-month extension of time for the establishment of a branch beyond the date specified in the Board's original letter to the State member bank. It was also understood that in the future letters to Federal Reserve Banks regarding the approval of applications by State member banks to establish branches ordinarily would include an authorization to handle a request for extension of time pursuant to the provisions of the S-letter (S-1846, dated November 9, 1962).

Report on competitive factors (Albany-Gloversville, New York).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger

11/7/62

-3-

of Trust Company of Fulton County, Gloversville, New York, into The National Commercial Bank and Trust Company of Albany, Albany, New York.

The report was approved unanimously for transmission to the Comptroller in a form in which the conclusion read as follows:

While the proposed merger of Trust Company of Fulton County, Gloversville, into The National Commercial Bank and Trust Company of Albany would eliminate the small amount of competition now existing between the two banks, the over-all effect on competition would not be adverse.

Application of County Trust Company (Items 6 and 7). Pursuant to the decision reached at the meeting on October 29, 1962, there had been distributed a proposed order and statement reflecting the Board's approval of the application of The County Trust Company, White Plains, New York, to merge with The Gramatan National Bank and Trust Company of Bronxville, Bronxville, New York.

In discussion, the Board agreed to a minor change in the wording of the statement, following which the issuance of the order and statement was authorized. Copies of the order and statement, as issued, are attached to these minutes as Items 6 and 7.

Messrs. Solomon, Hexter, and Shay then withdrew and the following entered the room:

Miss Dingle, Chief, Consumer Credit and Finances Section,
Division of Research and Statistics

Mrs. Projector, Economist, Division of Research and
Statistics

11/7/62

-4-

Consumer finances surveys. There had been distributed a memorandum from the Division of Research and Statistics dated October 30, 1962, with regard to projects for 1963 in the area of consumer finances surveys. The memorandum noted that the Division's program in this field for the years 1960-62 was focused on methodological improvements rather than on the collection of substantive data. This program developed new sampling procedures to assure greater coverage of upper income groups, which are presumed to own the largest share of financial assets and whose habits may dominate shifts in aggregate financial flows. Only one methodological aspect, that relating to reinterview surveys, remained to be explored. The memorandum then proposed a survey of consumer financial positions to be conducted in the spring of 1963, in which fairly complete and detailed balance sheets would be obtained from a cross section of the population, with a special concentration of interviews among upper income families, and a reinterview survey in the spring of 1964 to collect information on changes in balance sheets for a large share of the population initially interviewed in 1963. The survey in 1963 would seek to determine the pattern of asset ownership among households of differing economic and demographic characteristics, while the 1964 survey would be expected to show shifts among income classes in the ownership of particular types of assets and the relationship of these shifts to changes in financial market conditions.

It was estimated that the cost of conducting the survey of consumer financial positions in 1963 would be about \$240,000, while

11/7/62

-5-

the remaining methodological survey would cost an additional \$25,000. There was no precise estimate of the cost of the reinterview survey proposed for 1964, but it was believed that it would be of at least the same magnitude contemplated for the financial positions survey of 1963.

Mr. Noyes stated that while the validity of the results could not be guaranteed, he regarded the proposed survey as a good calculated risk. The actual collection of data would be conducted by the Bureau of the Census, assisted by information supplied by the Bureau of Internal Revenue. In response to questions, Mr. Noyes expressed the feeling that the proposed survey would not conflict with surveys conducted by private organizations, such as the Sindlinger firm in Philadelphia. He noted that the proposed survey dealt only with the financial assets of consumers and would exclude information relating to consumer buying plans, a controversial area. Mr. Noyes added that the proposed survey could produce information which would be useful in many studies, including an analysis of idle liquid assets, and he indicated that within the academic field there was considerable interest in such a survey.

Miss Dingle then stated that the main concentration of the survey would be directed at upper income groups because of the share of total assets held by them. She indicated that the lower income groups would be included to provide a comprehensive picture but that the results in the lower income groups would probably be less reliable than the results in the more compact upper income groups.

11/7/62

-6-

In reply to a question from Mr. Connell, Mr. Noyes stated that he did not plan to expand his staff at this time in connection with the proposed survey, although some help might be necessary from outside consultants. Mr. Noyes said that much of the work involved in the proposed survey could be performed by data processing equipment. There would, of course, be analytical work by the Board's staff following the survey, but to a substantial degree a survey of this type would make generally available basic data that the academic and financial community could use in analytical studies outside the Federal Reserve System.

The proposed program for 1963, as described in the memorandum from the Division of Research and Statistics dated October 30, 1962, was then approved unanimously.

All members of the staff then withdrew except Messrs. Sherman, Molony, and Fauver.

Director appointments. It was agreed to request the Chairmen of the appropriate Federal Reserve Banks to ascertain and advise whether the following persons would accept appointments, if tendered, as Federal Reserve Bank or branch directors for the terms indicated, with the understanding that if it were ascertained that they would accept, the appointments would be made:

Logan T. Johnston, President, Armco Steel Corporation, Middletown, Ohio, as Class C director of the Federal Reserve Bank of Cleveland for the three-year term beginning January 1, 1963.

11/7/62

-7-

Secretary's Note: It having been ascertained that Mr. Johnston would accept, an appointment telegram was sent to him on November 14, 1962.

Dean A. McGee, President, Kerr-McGee Oil Industries, Inc., Oklahoma City, Oklahoma, as Class C director of the Federal Reserve Bank of Kansas City for the three-year term beginning January 1, 1963.

Secretary's Note: It having been ascertained that Mr. McGee would accept, an appointment telegram was sent to him on November 7, 1962.

Robert D. O'Brien, President, Pacific Car and Foundry Company, Seattle, Washington, as a director of the Seattle Branch of the Federal Reserve Bank of San Francisco for the two-year term beginning January 1, 1963.

Secretary's Note: It having been ascertained that Mr. O'Brien would accept, an appointment telegram was sent to him on November 28, 1962.

The meeting then adjourned.

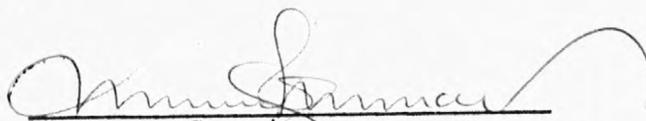
Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Robertson, acting in the absence of Governor Shepardson, today approved on behalf of the Board the following actions relating to the Board's staff:

Reinstatement following maternity leave

Jean C. King as Technical Editor, Division of Research and Statistics, with basic annual salary at the rate of \$6,675, effective November 9, 1962.

Acceptance of resignation

Jane C. Turner, Minutes Clerk, Office of the Secretary, effective at the close of business November 16, 1962.


Secretary

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

Item No. 1
11/7/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 7, 1962



Board of Directors,
First State Bank,
Fremont, Nebraska.

Gentlemen:

The Federal Reserve Bank of Kansas City has forwarded to the Board of Governors a letter dated October 22, 1962, signed by Executive Vice President James H. Moore, Jr., together with the accompanying resolution dated July 24, 1962, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Kansas City of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Kansas City.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure

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

Item No. 2
11/7/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 9, 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 of a branch by Southern Arizona Bank and Trust Company, Tucson, Arizona, in the new terminal building of the Tucson Municipal Airport, adjacent to but outside the corporate limits of Tucson, Arizona, provided the branch is established by December 13, 1963.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 3
11/7/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 7, 1962



Mr. H. E. Hemmings,
First Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Hemmings:

This refers to your letter of October 24, 1962, regarding the penalties totaling \$1,293.56 incurred by the Security National Bank of Monterey County, Pacific Grove, California, on deficiencies in its reserves during five bi-weekly computation periods in August, September and October 1962.

It is noted that: (1) the subject bank was a nonmember bank that converted to a national bank on August 16, 1962; (2) through a combination of oversights, both at the member bank and the Reserve Bank, the usual weekly and bi-weekly reports of deposits for reserve purposes were not received until October 15; (3) the bank was deficient for the four reserve computation periods since membership and in the period ending October 17; (4) the member bank explained these deficiencies by its misunderstanding that a portion of its required reserves could not be maintained with a correspondent bank, as when it had been a nonmember bank; and (5) that the penalties of \$152.47 and \$322.19 for the periods ended August 22 and September 5, respectively, can be waived by your Bank under the provisions of Paragraph B of the Board's instructions (S-1123; FRLS #6120).

In the circumstances, the Board authorizes your Bank to waive the assessments of the penalties for the periods ended September 19, October 3 and October 17, 1962.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
11/7/62



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 7, 1962

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approved the establishment of a branch by Wells Fargo Bank either in the vicinity of the downtown area of Auburn or in the vicinity of the intersection of State Highway 49, Fulweiler and Elm Avenues, Auburn, Placer County, California, on November 16, 1961, provided the branch was established within one year. The Board notes that the location of this branch has now been determined and extends to January 15, 1963, the time within which Wells Fargo Bank may establish a branch in the vicinity of Highway 49 and Fulweiler Avenue, Auburn, California.

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
11/7/62

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 7, 1962

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to November 18, 1963, the time within which Wells Fargo Bank may establish a branch in the vicinity of the intersection of Saratoga, Prospect, and Campbell Avenues, San Jose, Santa Clara County, California.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 6
11/7/62

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 COUNTY TRUST COMPANY
for approval of merger with
The Gramatan National Bank and Trust
Company of Bronxville

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 County Trust Company, White Plains, New York, a member of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Gramatan National Bank and Trust Company of Bronxville, Bronxville, New York, under the charter and title of County Trust and, as an incident to the merger, the two offices of Gramatan National would be operated as branches of County Trust. 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 7th day of November, 1962.

By order of the Board of Governors.

Voting for this action: Unanimous, with all members present.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 7
11/7/62

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY THE COUNTY TRUST COMPANY
FOR APPROVAL OF MERGER WITH
THE GRAMATAN NATIONAL BANK AND TRUST COMPANY OF BRONXVILLE

STATEMENT

The County Trust Company, White Plains, Westchester County, New York ("County Trust"), with deposits of \$516.2 million,* 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 The Gramatan National Bank and Trust Company of Bronxville, Bronxville, Westchester County, New York ("Gramatan"), with deposits of \$16.2 million.* The banks would merge under the charter and title of County Trust, which is a member State bank of the Federal Reserve System. As an incident to the merger, the two offices of Gramatan National would become branches of County Trust, increasing the number of offices of County Trust from 43 to 45.

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

* As of December 31, 1961.

powers are consistent with the purposes of 12 U.S.C. Ch. 16 (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 history of each bank is satisfactory. Both have sound financial conditions, adequate capital structures, and the future earnings prospects of County Trust are favorable. This would be true also of the resulting bank, which would be under the competent management of County Trust. Gramatan, with a good earnings record, is facing a management succession problem as the bank's chief executive officer has announced his intention to retire this year, and efforts thus far to find a qualified successor have not been fruitful. This situation is complicated by virtue of the unusual lending operations of Gramatan, which consist mostly of installment loans originating outside Westchester County. Consummation of the proposal would not only solve Gramatan's management problem, but the resulting arrangement would provide more local use of banking resources at the two offices now operated by Gramatan.

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. - Westchester County is a rapidly growing area which adjoins New York City on the north. The county, which had a population of about 809,000 in 1960, is primarily

residential, although it has experienced important business growth in recent years. Continued substantial growth both in population and business is expected. The proposed merger would have little effect on the convenience and needs of the communities now served by County Trust, which has its main office and six of its branches in White Plains (population 50,485 in 1960), county seat of Westchester County. County Trust's 36 other branches are located in most of the larger towns and villages in Westchester County.

Gramatan's main office and one branch are located in the Village of Bronxville (population of 6,744 in 1960) about nine miles south of White Plains. The bank's service area, i.e., the area from which it derives more than 75 per cent of its deposits by individuals, partnerships, and corporations ("IPC deposits"), is principally residential and includes portions of the adjacent communities of Eastchester, Tuckahoe, Yonkers, and Mt. Vernon, and has an estimated population of 40,000.

Gramatan, as noted previously, has not provided all normal banking services to Bronxville and environs. For many years about 90 per cent of the bank's loan portfolio has consisted of installment loans originating, not in Westchester County, but in the eastern and southeastern parts of the United States. Such loans as are made by Gramatan within the Bronxville area carry higher interest rates than do similar loans at County Trust; and consequently, consummation of the proposed merger would provide to the Bronxville area a source of credit at lower rates, and would eliminate the "home office protection" which

under New York law, now prevents other banks from establishing new branches in Bronxville. The result should be increased competition and improved banking services in the Bronxville area.

Competition. - Gramatan's unusual type of operation has minimized its competitive ability and little competition exists between it and County Trust.

Nine commercial banks with head offices in Westchester County are currently operating 65 banking offices, and two of these have a total of six branches approved but not yet opened. Four New York City banks, three of which are in the multi-billion dollar deposit category, are currently operating seven branch offices in the county and two of these have eight additional offices approved but not yet opened.

County Trust is the largest commercial bank with head office in Westchester County. If the proposed merger were consummated, County Trust would hold 49 per cent of the IPC deposits in the county held by commercial banks. This would be an increase of only 1.6 per cent, however; and County Trust's size has had no adverse effect upon the other county-headquartered banks, which now hold a larger percentage of commercial banking business in the county than they held at the end of 1956. Five of these other banks show a much higher rate of growth than County Trust. The movement of New York City banks into the area weakens any tendency toward dominance of county banking by County Trust.

Following the proposed merger, there would remain numerous alternative banking offices in or near to Gramatan's present

-5-

service area, including ten branches of three banks with home offices in Westchester County and two branches of large New York City banks. Consummation of the proposal also would terminate the "home office protection" now prevailing in Bronxville, as noted above; and this would likely result in increased competition. Applications for branches by banks not presently operating offices in Bronxville have been filed, contingent on consummation of this merger.

Summary and conclusion. - The slight increase in banking concentration that would result from the proposed merger would be more than offset by the positive benefits that would flow therefrom. The elimination of the "home office protection" presently existing in Bronxville can be expected to result in increased competition. Moreover, the share of commercial bank deposits in Westchester County held by County Trust and Gramatan has declined during the past five years. This, together with the present activity of New York City banks in establishing branches in Westchester County, substantially lessens any tendency toward dominance of county banking by County Trust.

Such slight competition as exists between County Trust and Gramatan consists primarily of competition for deposits and not for loans, largely because of Gramatan's emphasis on installment loans originating outside of Westchester County. The proposed merger would not only solve the management succession problem at Gramatan, which is closely related to the bank's unusual type of business, but would enable County Trust to provide a full range of banking services at the present offices of Gramatan.

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

November 7, 1962