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Minutes for February 15, 1963

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>[Signature]</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 Friday, February 15, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
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. Koch, Associate Director, Division of Research and Statistics
Mr. Holland, Adviser, Division of Research and Statistics
Mr. Solomon, Associate Adviser, Division of Research and Statistics
Mr. Hersey, Adviser, Division of International Finance
Mr. Landry, Assistant to the Secretary
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Yager, Chief, Government Finance Section, Division of Research and Statistics
Mr. Axilrod, Senior Economist, Division of Research and Statistics
Miss Dingle, Senior Economist, Division of Research and Statistics
Mr. Reynolds, Chief, Special Studies and Operations Section, Division of International Finance
Mr. Gemmill, Economist, Division of International Finance

Money market review. Mr. Yager reported on developments in the Government securities market, including comments on recent and prospective Treasury debt operations. Following this report Mr. Axilrod

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made a statement on monetary developments and referred to a summary table covering the four weeks ended February 13, 1963, that had been distributed before the meeting. With the aid of several hypothetical supply-demand diagrams that had also been distributed, Mr. Axilrod then presented an analysis of the possible effects on interest rates and credit availability of the current Administration proposal for tax reduction, following which Mr. Gemmill reported on the balance of payments and foreign exchange market developments.

At the conclusion of these reports all members of the staff except Messrs. Sherman, Kenyon, Fauver, Solomon (Examinations), and Landry withdrew and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Shay, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of Bank
Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Benner, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. McClintock, Supervisory Review Examiner, Division of
Examinations
Miss Hart, Senior Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on February 14, 1963, 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.

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

	<u>Item No.</u>
Letter to Bankers International Financing Company, Inc., New York, New York, granting consent to the purchase of shares of InterAfrica (Liberia) Limited, Monrovia, Liberia.	1
Letter to International Banking Corporation, New York, New York, interposing no objection to the acquisition by First National City Trust Company (Bahamas) Limited of stock of First National Nominees Ltd. and Providence Associates Ltd., both of Nassau, Bahamas.	2
Letter to Southern Commercial and Savings Bank, St. Louis, Missouri, waiving the requirement of six-months' notice of withdrawal from membership in the Federal Reserve System.	3
Letter to the Federal Reserve Bank of St. Louis noting amendment of its agreement with Schwarz & Van Hofen, architects, so as to pertain to construction of a new building rather than an addition at Little Rock and to reduce the fee; and also noting the employment of outside counsel.	4
Letter to the Bureau of the Budget stating that the Board had no proposals for State legislation to suggest for consideration by the Committee of State Officials on Suggested State Legislation of the Council of State Governments.	5
Letter to Security Bank and Trust Company, Danville, Virginia, approving the establishment of a branch at Wooding Avenue and West Main Street.	6
Letter to Trust Company of Georgia, Atlanta, Georgia, approving the establishment of a branch at North Avenue and West Peachtree Street.	7

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	<u>Item No.</u>
Letter to The Detroit Bank and Trust Company, Detroit, Michigan, approving the establishment of a branch in Sterling Township.	8
Letter to Security Bank, Lincoln Park, Michigan, approving the establishment of a branch in the vicinity of Dix Road and Old Goddard Road.	9
Letter to Citizens Fidelity Bank and Trust Company, Louisville, Kentucky, approving the establishment of a branch in Fern Creek, Jefferson County.	10
Letter to Bank of Dearborn, Dearborn, Michigan, approving the establishment of a branch at 12701 West Warren Avenue incident to removal of its head office from that address to a location in the vicinity of Michigan Avenue and Outer Drive.	11
Letter to Wilmington Trust Company, Wilmington, Delaware, approving the establishment of a branch in Dover.	12

With respect to Item No. 12, a letter to Wilmington Trust Company approving the establishment of a branch in Dover, it was noted that the delay in action on the matter had resulted in a question being raised with a member of the Board by the State Bank Commissioner. In discussion, it was pointed out that the time required for processing branch applications in the Division of Examinations normally did not exceed two weeks from the date of receipt from a Reserve Bank, which in this case had been February 4, 1963. The record showed that the Federal Reserve Bank of Philadelphia had received the application in mid-November of 1962, and the reason for the delay in processing the application at the Reserve Bank was not clear. In general, pursuant to

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a letter from the Board (S-1822, January 29, 1962), the Reserve Banks were following the practice of processing and forwarding State member bank branch applications to the Board rather than holding them pending action by the appropriate State banking authorities. It was understood that the Division of Examinations would continue to urge the expeditious processing of such applications by the Reserve Banks.

Messrs. Farrell, Daniels, and Goodman then withdrew from the meeting.

Application of Peoples Trust Company of Bergen County

(Items 13-15). Pursuant to the decision reached at the meeting on February 7, 1963, copies had been distributed of a draft order and statement reflecting the Board's approval of the application of Peoples Trust Company of Bergen County, Hackensack, New Jersey, to merge with The First National Bank of Wyckoff, Wyckoff, New Jersey. Copies of a dissenting statement by Governor Robertson had also been distributed.

After a discussion during which the Legal Division was granted permission to make minor editorial changes in the majority statement, issuance of the order, statement, and dissenting statement was authorized. Copies of the order and statements, as issued, are attached hereto as Items 13 through 15.

Mr. Shay and Miss Hart then withdrew and Mr. Eckert, Chief, Banking Section, Division of Research and Statistics, returned to the room.

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Revised form FR 209 (Item No. 16). There had been distributed under date of February 14, 1963, copies of a memorandum from the Division of Examinations pertaining to a proposed revision of form FR 209, currently prepared by the Bank Examination Department at each Reserve Bank as a summary of the reports of examination of State member and national banks and forwarded to the Examinations Division for review. Recently consideration had been given by the Examinations Division and the Division of Research and Statistics to utilizing the form as a means of obtaining supplementary banking data, and in consequence a revised and expanded form FR 209 had been designed by representatives of the two Divisions following receipt of the views and comments of the Reserve Banks. Attached to the memorandum was a draft of the revised form and a suggested transmittal letter to all Reserve Bank Presidents with instructions for preparation and use of the form by the Reserve Banks.

As stated in the memorandum, the information that would be obtained with respect to State member banks on the new FR 209 form would be complete since it was under the exclusive control of the Reserve Banks. However, information taken from national bank examination reports would not be as complete. Furthermore, the Comptroller of the Currency had recently discontinued certain schedules that were a source of information of particular interest to the Division of Examinations and at the same time had announced that the national bank report form would be revised, thereby creating the possibility that data for the FR 209 form might be further curtailed. Therefore, following release of the

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Comptroller's revised examination report form and after evaluation of national bank data obtained from FR 209, consideration would be given to (1) continuation of national bank reporting as now provided, (2) devising a separate form for national banks, or (3) discontinuing the use of FR 209 for national banks. Although it had not been thought necessary to discuss the above program with the Comptroller because the information used would be taken from purchased copies of bank examination reports and all figures compiled would be in totals within which data from individual banks would not be identifiable, it was the view of the staff that the new information about banks which would become available through this project might be of interest and use to the Comptroller.

In a discussion of the memorandum, Governor Balderston inquired how much less data were provided in the examination reports of national banks than in the examination reports of State member banks. Mr. Eckert replied by citing as examples certain balance sheet ratios, data on liquid assets, information on time deposits, and data on maturity distribution of securities. Mr. Benner commented that the difference consisted essentially of a relative lack of qualitative data in the national bank examination report as compared to the State member bank examination report. He said that there was some indication, which might be explored further, the Comptroller of the Currency was preparing some qualitative data on work sheets compiled by national bank examiners.

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Governor Robertson expressed the view that the best course would be to proceed on the basis of the data available, which he thought would be sufficient to justify the project.

In further discussion, reference was made to a statement in the memorandum that the Federal Deposit Insurance Corporation was endeavoring to develop a program somewhat similar to the FR 209 program for insured nonmember banks, and it was noted that the FR 209 program would presumably help the Corporation in establishing such a program.

Question was then raised as to communicating with the Comptroller of the Currency with respect to the FR 209 program. After discussion it was agreed, pursuant to a suggestion by Governor Robertson, that no notification need be given at the present time. When the results of the revised FR 209 program became available, it was felt that the prospect of obtaining the Comptroller's cooperation would be more favorable.

It being indicated that the members of the Board favored the proposal for use of the revised form FR 209 for analysis of reports of examination of State member and national banks, the program was unanimously authorized. A copy of the letter sent to all Reserve Bank Presidents pursuant to the foregoing action is attached hereto as Item No. 16.

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

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Working Party 3 meeting. Governor Shepardson reported that since the agenda for the meeting of Working Party 3 of the Economic Policy Committee of the Organization for Economic Cooperation and Development to be held in Paris, France, February 25-29, 1963, related more closely than usual to U. S. monetary policy considerations, he had approved, pursuant to the Board's authorization on May 17, 1962, a proposal that Mr. Holland, Adviser, Division of Research and Statistics, accompany Mr. Young to the meeting. Governor Shepardson also noted that there might be occasion for the Federal Reserve to share with the Treasury the cost of a dinner for delegates to the Working Party 3 meeting; the Board had authorized him on May 17, 1962, to approve representation expenses in connection with Mr. Young's attendance at Working Party 3 meetings, so no action by the Board was called for on this matter, which was mentioned as an item of information.

The meeting then adjourned.

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

Appointment

William Lane Porter, Jr., as Law Clerk (Summer) in the Legal Division, with basic annual salary at the rate of \$4,565, effective the date of entrance upon duty.

Salary increases, effective February 17, 1963

James S. Nystrom, Economist, Division of Research and Statistics, from \$6,900 to \$8,045 per annum.

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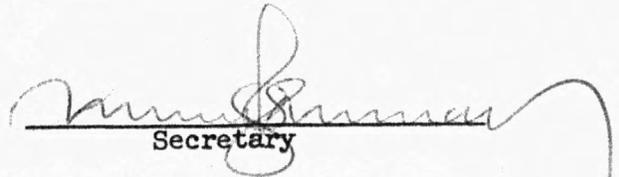
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Salary increases, effective February 17, 1963 (continued)

Ann R. Walka, Statistical Assistant, Division of Research and Statistics, from \$5,045 to \$5,375 per annum.

Acceptance of resignation

Walter Frumin, Guard, Division of Administrative Services, effective February 14, 1963.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963



Bankers International Financing Company, Inc.,
16 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with your request and on the basis of the information furnished in your letter of December 11, 1962, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants consent for Bankers International Financing Company, Inc., ("BIFC"), to purchase and hold 400 shares, par value \$100 each, of InterAfrica (Liberia) Limited, Monrovia, Liberia, ("IAL"), a company in formation, at a cost of US\$40,000, provided such stock is acquired within one year from the date of this letter.

The Board's consent is granted upon condition that BIFC shall dispose of its holdings of stock in IAL, as promptly as practicable, in the event that IAL should at any time (1) engage in issuing, underwriting, selling or distributing securities in the United States; (2) engage in the general business of buying or selling goods, wares, merchandise, or commodities in the United States or transact any business in the United States except such as is incidental to its international or foreign business; or (3) otherwise conduct its operations in a manner which, in the judgment of the Board of Governors, causes the continued holding of its stock by BIFC to be inappropriate under the provisions of Section 25(a) of the Federal Reserve Act or regulations thereunder.

It is assumed that IAL will not engage in the business of receiving or paying out deposits or accepting drafts or bills of exchange, and the Board's consent is given subject to this further condition.

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
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963

International Banking Corporation,
399 Park Avenue,
New York 22, New York.

Gentlemen:

Reference is made to your letter of November 15, 1962 transmitted through the Federal Reserve Bank of New York, requesting approval of the Board of Governors for the acquiescence by your Corporation in the ownership by First National City Trust Company (Bahamas) Limited of stock of First National Nominees Ltd., Nassau, Bahamas, and Providence Associates Ltd., Nassau, Bahamas.

In the circumstances and on the basis of the information furnished, the Board interposes no objection to the acquisition by First National City Trust Company (Bahamas) Limited of stock of First National Nominees Ltd. and Providence Associates Ltd.

It is understood that the sole activity of the nominee companies will be to act as nominees for the Trust Company and its customers.

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
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963



Board of Directors,
Southern Commercial and Savings Bank,
St. Louis, Missouri.

Gentlemen:

The Federal Reserve Bank of St. Louis has forwarded to the Board of Governors President Hawkins' letter dated January 16, 1963, together with the accompanying resolution, 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 St. Louis 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 St. Louis.

Attention is invited to the fact that if your bank is desirous of continuing deposit insurance after withdrawal from membership in the Federal Reserve System, it will be necessary that application be made to the Federal Deposit Insurance Corporation.

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. 4
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963



Mr. Harry A. Shuford, President,
Federal Reserve Bank of St. Louis,
P. O. Box 442,
St. Louis 66, Missouri.

Dear Mr. Shuford:

This refers to your letter of January 16, 1963, concerning the amendment of the agreement entered into by your Bank with the architects, Schwarz & Van Hoefen, so as to pertain to the construction of a new building for the Little Rock Branch, rather than an addition, and to reduce the fee from $7\frac{1}{2}$ per cent to $6\frac{1}{2}$ per cent of the cost of the work.

It is noted that compensation in the amount of \$6,039.32 has been paid to the architects and their consulting engineers for their work under the original agreement calling for the construction of an addition to and alterations of the existing Little Rock Branch building.

It is also noted that the Directors have approved the employment of the Little Rock law firm, House, Holmes, Butler & Jewell, to assist in legal matters involved in the acquisition of a new building site in Little Rock.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 5
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963



Mr. William D. Carey,
Executive Assistant Director,
Bureau of the Budget,
Washington 25, D. C.

Dear Mr. Carey:

This refers to your letter of February 4, 1963, inquiring whether the Board has any proposals for State legislation which it would desire to present through the Bureau of the Budget for consideration by the Committee of State Officials on Suggested State Legislation of the Council of State Governments.

There do not appear to be any proposals for State legislation which the Board would wish to suggest at this time.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963



Board of Directors,
Security Bank and Trust Company,
Danville, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Security Bank and Trust Company at the intersection of Wooding Avenue and West Main Street, Danville, 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.

(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. 7
2/15/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963

Board of Directors,
Trust Company of Georgia,
Atlanta, Georgia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Trust Company of Georgia, Atlanta, Georgia, of a branch in the Life Insurance Company of Georgia building at the corner of North Avenue and West Peachtree Street, Atlanta, Georgia, provided the branch is established by December 31, 1964.

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. 8
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963



Board of Directors,
The Detroit Bank and Trust Company,
Detroit, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Detroit Bank and Trust Company, Detroit, Michigan, of a branch in the vicinity of the intersection of Van Dyke Road and Sixteen Mile Road, Sterling Township, Macomb County, Michigan, 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.

(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. 9
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963



Board of Directors,
Security Bank,
Lincoln Park, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Security Bank, Lincoln Park, Michigan, of an in-town branch in the vicinity of the intersection of Dix Road and Old Goddard Road, 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.

(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. 10
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963



Board of Directors,
Citizens Fidelity Bank and Trust Company,
Louisville, Kentucky.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Citizens Fidelity Bank and Trust Company in the community of Fern Creek, Jefferson County, Kentucky, 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.

(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. 11
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963

Board of Directors,
Bank of Dearborn,
Dearborn, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of an in-town branch by Bank of Dearborn at 12701 West Warren Avenue in connection with the removal of its head office from that address to a location in the vicinity of the intersection of Michigan Avenue and Outer Drive, Dearborn, Michigan. This approval expires six months from the date of this letter.

It is understood that capital structure of the bank is to be increased by not less than \$250,000 through the sale of additional common stock for cash during the latter half of 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. 12
2/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1963

Board of Directors,
Wilmington Trust Company,
Wilmington, Delaware.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wilmington Trust Company, Wilmington, Delaware, of a branch at the intersection of routes 13, 113, and Court and Lookerman Streets in Dover, Kent County, Delaware, 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.

(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.)

Item No. 13
2/15/63

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
PEOPLES TRUST COMPANY OF BERGEN COUNTY
for approval of merger with
The First National Bank of Wyckoff

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 Peoples Trust Company of Bergen County, Hackensack, New Jersey, for the Board's prior approval of the merger of that bank and The First National Bank of Wyckoff, Wyckoff, New Jersey, under the charter and title of the former. As an incident to the merger, the sole office of the latter bank would be operated as a branch of the former bank. 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 15th day of February, 1963.

By order of the Board of Governors.

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

Voting against this action: Governor Robertson.

Absent and not voting: Governor King.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS

Item No. 14
2/15/63

OF THE

FEDERAL RESERVE SYSTEM

APPLICATION BY PEOPLES TRUST COMPANY OF BERGEN COUNTY
FOR APPROVAL OF MERGER WITH
THE FIRST NATIONAL BANK OF WYCKOFFSTATEMENT

Peoples Trust Company of Bergen County, Hackensack, New Jersey ("Peoples"), with deposits of \$177.9 million,* 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 First National Bank of Wyckoff, Wyckoff, New Jersey ("First National"), with deposits of \$10.7 million.* The banks would merge under the charter and title of Peoples, which is a State-chartered member bank of the Federal Reserve System. As an incident to the merger, the sole office of First National would become a branch of Peoples, increasing the number of its offices from twelve to thirteen.

Under the law, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (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.,

* Deposit figures are as of June 30, 1962.

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. - Both Peoples and First National have satisfactory financial histories. The financial condition of First National is excellent, its capital structure is adequate, and its earnings prospects are favorable. First National's management, while satisfactory, has refrained from expanding or diversifying the bank's services in response to recent growth in the community. Although the bank has had some success in recruiting executive personnel, it has as yet no successor for the present president.

Peoples' financial condition is satisfactory, its earnings prospects are favorable, its capital structure is reasonably adequate, and its management is competent. Under the management of Peoples, those attributes would also characterize the resulting bank.

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

Convenience and needs of the communities. - Hackensack, with a 1960 population of 31,000, is the seat of Bergen County (1960 population 780,000), situated on the west bank of the Hudson River, opposite New York City. Peoples has its main office and two branches in the county seat, with nine other branches in various communities which, like

Hackensack, are located generally in the south-central part of the county. Economically, Bergen County is well balanced, with residential, commercial, and industrial sections. During the past decade, it has been one of the most rapidly developing industrial and residential sections of New Jersey, and the most intensive commercial and industrial activity is concentrated in the vicinity of Hackensack.

Wyckoff is primarily an upper middle-class residential community with the usual retail outlets, located in the northwest section of the county. The completion of a new State highway (Route 208) has helped to open this area for residential development. Unlike some of the more densely settled sections in the middle and southern parts of the county, Wyckoff and its surroundings have an abundance of undeveloped land.

Hackensack and Bergen County generally are served by numerous other large and small banks with offices in the county, as well as by large banks in neighboring counties, and by New York City banks which advertise in the county and are conveniently accessible to the many residents who commute to and from the city. Six offices of four banks encircle Wyckoff, at a distance of from three to five miles from First National, and offer convenient alternative sources of banking services, in addition to those proffered by larger New Jersey and New York City banks.

If the merger takes place, the legal lending limit to one borrower from the Wyckoff office will be increased from \$60,000 to

\$1,325,000. It appears from the application that Peoples will markedly expand installment and commercial credits, which have formed a relatively low proportion of loans by First National, and that it will make available such services as construction loans, revolving check credit, and trust facilities, which First National has not provided in Wyckoff. The fact that Peoples has \$2.5 million in mortgage loans in the Wyckoff area, apparently obtained because the bank is active in construction mortgage financing which is not handled by First National, indicates a need for this service in the area.

Competition. - The effect of the merger on competition will be felt chiefly in the Wyckoff area. Peoples' closest office to First National, at Glen Rock, is six miles southeast of Wyckoff. Between these two are located three offices of competing banks. While Peoples regards itself as serving the whole of Bergen County, its competitive focus would appear to be in the central and southern portions. Most of the business Peoples derives from in and near Wyckoff is in installment loans, revolving check credits, commercial loans, and real estate mortgage loans resulting from construction mortgages. In some of these categories First National does not extend credit and in others its activities are unaggressive. First National's business drawn from the areas where Peoples' offices compete in a more concentrated way is negligible, both in amount and in proportion to the total business of First National. There are 27 common depositors with total deposits in both banks aggregating less than \$300 thousand, and one common borrower, with loans from both aggregating less than \$125,000.

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Peoples is the largest bank in Bergen County, with 19 per cent of the county's IPC deposits,^{*} which will be increased to 20 per cent by consummation of the proposed merger. However, the large banks in Bergen County are relatively small when compared with the large banks in adjacent New Jersey counties. This has hampered the competitive efforts of Bergen County banks in the big bank area of competition. Additional competition within the county is provided by 19 savings and loan associations, by life insurance companies, credit unions, 34 sales finance and personal loan company offices, and direct lending agencies of the Government. To the extent that Peoples will be serving a county-wide area after the proposed merger takes place, it will be in competition with all of these, as well as with the other in-county and larger out-of-county and New York City banks.

Summary and conclusion. - The Bank Merger Act requires the Board to take into consideration not only the effect on competition between the banks involved, but also the effect on the general competitive situation in the areas served by those banks. In this connection, the high density of banking and quasi-banking facilities, particularly in that portion of New Jersey which is in reasonably close proximity to New York City, is relevant. While there is some existing competition

^{*} Deposits of individuals, partnerships, and corporations.

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between First National and the Glen Rock branch of Peoples which will be eliminated when the proposed merger takes place, this fact must be balanced against the wide variety of alternative sources for bank services and credit that will remain. The transaction will replace First National with the office of a bank offering a far broader range of banking services. Some of these services are already in demand, as demonstrated by the number of Wyckoff residents who are already banking outside the town, and it appears highly probable that the need for more and expanded services will grow as the area itself grows. It does not appear probable that the increased competition afforded by placing an office of Peoples directly in Wyckoff will have an adverse effect on the remaining banks which now have offices in the area.

For these reasons, the Board finds that the proposed merger would be in the public interest.

February 15, 1963.

DISSENTING STATEMENT OF GOVERNOR ROBERTSON

Once again, the majority of the Board permits a large aggressive bank in Bergen County, New Jersey, to swallow up a sound small neighborhood bank, which has been adequately serving the needs of a nearby residential community. Here the large bank has been competing vigorously in the small bank's service area, from an office six miles away, and would find it more convenient to serve its customers from a facility located in the community itself. Under New Jersey law, it can operate in Wyckoff only by merging with the one independent bank there, and the size of the premium to be paid for stock of the local bank measures the anxiety of Applicant to acquire an office there. The merger has little more than this to recommend it. I am not impressed by the weight of the reasons cited by the majority in favor of approval.

1. It is true that the loan limit of the resulting bank will be many times that of the bank to be absorbed. But no need has been demonstrated, or even alleged by the Applicant, for an increased lending limit in Wyckoff. Moreover, the Applicant, as well as some of the other banks whose offices surround the community, is evidently already offering the other additional services which, it is urged, should be offered from the office of the local bank.

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2. Management of the local bank is conceded to be satisfactory, and there will be ample time to recruit a successor before the president, a relatively young man, retires - even if that should be necessary, which is doubtful.

3. The fact that banking concentration is already far higher in neighboring counties may be regrettable; it does not seem to me a valid argument for permitting such concentration to grow in Bergen County.

Followed to its logical conclusion, as I pointed out in my dissenting statement in the matter of the application of Liberty Bank and Trust Company for approval of its merger with The First National Bank of Batavia (Federal Reserve Bulletin, January 1963, page 16), the philosophy exemplified by such decisions tolerates tranquil acquiescence while smaller banks are being absorbed, one by one, by aggressive, larger banks in a race which may well lead to a few banks controlling all the banking facilities of an area, or even of a whole State.

The Board operates under a statutory injunction to refrain from approving a merger unless "it finds the transaction to be in the public interest". In approving mergers like this one for the stated reason that market dominance in the area has not yet been achieved, the Board is sporting with a tidal wave. It is here, in the early stages of a trend toward market dominance, that I believe Congress intended the Board to protect the public interest by preserving competition. Consequently, I would deny the application.

February 15, 1963.

Item No. 16
2/15/63

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

S-1864

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 19, 1963.

Dear Sir:

Form FR 209, currently prepared as a summary of the report of examination of member banks, has been revised and expanded to provide certain supplementary banking data not now available to the System. Two copies of the revised form, which the Board has authorized for immediate use, are enclosed. The white form is to be used for State member banks; the green for national banks. There are also enclosed for illustrative purposes two reproductions of the form completed with sample data for a State member and a national bank. A supply of form 209 is being forwarded to you under separate cover, and additional copies may be obtained upon request.

It is contemplated that each Reserve Bank will assume the responsibility for completing the form for member banks in its District. This will include editing, preparing punch cards, machine verifying the data, and forwarding finished punch cards and forms as discussed in greater detail below. After the data have been tabulated, each Reserve Bank will be furnished a summary of the information reported for the banks in its District together with national summaries for all member banks.

Tabulating the data from form 209 will be done on a quarterly basis and, insofar as possible, each quarter should include data for all banks for which the examination was started in that quarter. If, for some banks, the examination report is not available within a six-week period following the end of the calendar quarter, the data for these banks should be included with those transmitted for the succeeding quarter.

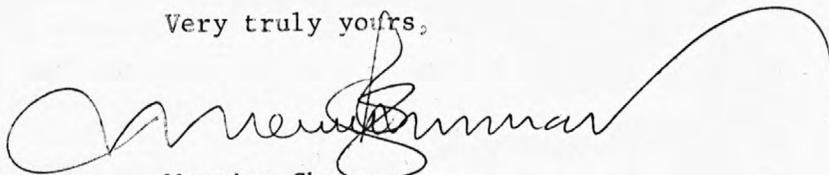
Within six weeks after the close of each calendar quarter, punch cards containing the information on FR 209 for all member banks for which the examination date falls within the quarter, along with a copy of FR 209, should be forwarded to the Board's offices. The original and one copy of FR 209 for State member banks should be forwarded with the report of examination. Only one copy of FR 209 for national banks should be sent (forwarded with punch cards), and comments currently supplied at the bottom of the form regarding the bank's condition, management, etc., are to be discontinued.

To insure confidentiality of the data, the copy of FR 209 forwarded with the punch cards should not contain the name and location of the bank. For statistical purposes the identification code in the block at the upper right hand corner of the form will suffice.

With respect to reports of examination of State member banks prepared by State authorities and furnished the Reserve Banks, it is not necessary to prepare form 209 and punch cards, except that the form should be prepared if the State report is that of a problem bank (rated "3" or "4") or if the report discloses a seriously deteriorating condition arising since the previous Federal Reserve examination or contains information that should be brought to the attention of the Board. Only an original and one copy of form 209, as nearly complete as possible, should be forwarded to the Division of Examinations and, since these forms will not be used for statistical purposes, punch cards need not be prepared.

There is attached the format for the punchcards and suggested instructions for the preparation of form 209 and for editing and machine verification of the data.

Very truly yours,



Merritt Sherman,
Secretary.

Attachments.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS