

FR 609  
Rev. 9/61

Minutes for March 27, 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>FW</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>RO</u>
Gov. Balderston	<u>CB</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, March 27, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman 1/  
 Mr. Mills  
 Mr. Robertson  
 Mr. King  
 Mr. Mitchell 2/

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Fauver, Assistant to the Board  
 Mr. Hackley, General Counsel  
 Mr. Solomon, Director, Division of Examinations  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Sammons, Adviser, Division of International Finance  
 Mr. Smith, Assistant Director, Division of Examinations  
 Mr. Mattras, General Assistant, Office of the Secretary  
 Mr. Entriken, Attorney, Legal Division

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

	<u>Item No.</u>
Letter to Westport Bank, Kansas City, Missouri, granting its request for permission to exercise fiduciary powers.	1
Memorandum from the Division of International Finance dated March 25, 1963, regarding a request for the services of Mr. Kaufman, Economist in that Division.	2

1/ Entered meeting at point indicated in minutes.  
2/ Withdrew at point indicated in minutes.

3/27/63

-2-

With reference to Item No. 2, it was reported that Governor Shepardson recommended approval of the request.

Application of Brenton Companies (Items 3 and 4). Pursuant to the decision reached at the meeting on February 27, 1963, there had been distributed a proposed order and statement reflecting the Board's approval of the application of Brenton Companies, Inc., Des Moines, Iowa, to acquire stock of the First National Bank of Davenport, Davenport, Iowa (a proposed new bank).

The issuance of the order and statement was authorized; copies are attached to these minutes as Items 3 and 4.

Governor Balderston, who had been called from the room at the beginning of the meeting, returned to the room at this point. Messrs. Sammons, Mattras, and Entriken withdrew from the meeting.

Disappearance of securities at San Francisco. Reference was made to an article in today's edition of the San Francisco Examiner concerning the unexplained disappearance several months ago of certain Treasury certificates of indebtedness having a face value of \$7.5 million that had been held in custody by the Federal Reserve Bank of San Francisco for a member bank. (The incident was reported to the Board at its meetings on August 15 and September 6, 1962.) There was also read to the Board an Associated Press dispatch, based on the newspaper article, that had come in on the ticker service.

3/27/63

-3-

Governor Balderston reported that he had just talked by telephone with President Swan, who indicated that a detailed statement would be issued today by the San Francisco Bank with respect to the matter. Governor Balderston stated that he had asked Mr. Swan to have the statement read to Mr. Sherman over the telephone as soon as it was prepared.

After discussion, it was understood that replies to inquiries received at the Board's offices would make reference to the detailed statement that was to be issued by the Reserve Bank. It was also understood that Governor Balderston would get in touch with the Department of the Treasury to verify certain comments that the press article had attributed to representatives of the Secret Service.

Governor Mitchell withdrew from the meeting prior to consideration of the following matters.

Examination of Dallas Reserve Bank. There had been circulated to the Board the report of examination of the Federal Reserve Bank of Dallas made by the Board's examining staff as of October 5, 1962, together with the usual accompanying memoranda.

At the Board's request, Mr. Smith commented on the information contained in the report of examination. In the course of his comments, Mr. Smith referred to a special study of the Bank's auditing function that had been made by the Audit Review Committee of the Board of Directors as a result of the discussion of the auditing program of the Reserve Banks

3/27/63

-4-

at the 1961 meeting of the Conference of Chairmen of the Federal Reserve Banks. In this connection, Mr. Smith indicated that at the Dallas Bank salary proposals for members of the audit staff continued to be handled through the administrative processes applicable to the fixing of compensation for employees in various other functions of the Bank. These comments led to a discussion of the practices followed at the various Banks, and it was agreed that a letter should be drafted to the Federal Reserve Banks clarifying the views of the Board of Governors.

Whitney Holding Corporation. Mr. O'Connell referred to current litigation involving an attempt to nullify the Board's decision, by order dated May 3, 1962, approving the application of Whitney Holding Corporation, New Orleans, Louisiana, to become a bank holding company.

Mr. O'Connell stated that the Department of Justice, which was representing the Board in this litigation, had advised him that the petitioners were seeking a delay on the basis that the Department had deposited certain exhibits with the Court under seal. (This procedure had been endorsed by the Board at its meeting on August 3, 1962.) The Department was opposing the move for a delay and wished to introduce a statement to the effect that the exhibits in question had been among the application papers that were available for public inspection at the time the Whitney application was under consideration at the Board. Mr. O'Connell said that if a further check verified this recollection he

3/27/63

-5-

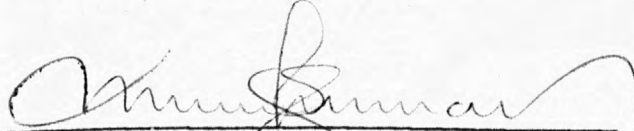
would suggest that he be authorized to advise the Department that the Board would have no objection to the proposed statement being made.

After discussion, Mr. O'Connell was authorized to advise the Department of Justice in the manner he had suggested.

The meeting then adjourned.

Secretary's Note: Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board memoranda from the Division of Research and Statistics dated March 12 and March 13, 1963, recommending the appointment of the following individuals as Consultants in that Division effective until December 31, 1963, on a temporary contractual basis, with compensation at the rates indicated and, when in travel status, transportation expenses and a per diem allowance to be paid in accordance with the Board's travel regulations:

George R. Hall, Assistant Professor of Economics, University of Virginia, Charlottesville, Virginia	\$50 per day
Charles F. Phillips, Jr., Assistant Professor of Economics, Washington and Lee University, Lexington, Virginia	\$50 per day
James W. McKie, Professor of Economics and Business Administration, Vanderbilt University, Nashville, Tennessee	\$75 per day

  
Secretary

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

Item No. 1  
3/27/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



March 27, 1963

Board of Directors,  
Westport Bank,  
Kansas City, Missouri.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants Westport Bank permission to exercise any and all fiduciary powers now or hereafter conferred upon such bank by or pursuant to the laws of the State of Missouri.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

1039  
Item No. 2  
3/27/63

March 25, 1963.

To: Board of Governors

Subject: Temporary detail for

From: Ralph A. Young

Mr. Richard Kaufman.

The Agency for International Development has requested that we provide the services of Mr. Kaufman for a period of 30-40 days for an assignment in Viet-Nam. Mr. Kaufman would assist in making a study of the commercial import program in that country in an effort to eliminate nonessential imports from the U.S.-financed aid program. Necessary travel and per diem expenditures would be paid by the Agency for International Development, but no request for reimbursement for salary would be made.

I believe that this assignment not only presents an opportunity for Mr. Kaufman to perform a useful service for the Government, but also to acquire experience and knowledge that would significantly enhance his capacity to perform his duties at the Board. For this reason, I recommend that the Board approve this assignment, including the contribution of Mr. Kaufman's services without reimbursement.

It is also suggested that we take advantage of his presence in the Far East and authorize him to spend up to three weeks visiting Singapore, Malaya, Thailand, India, and Pakistan. The additional cost involved would be relatively small and the value to the Board in terms of improving Mr. Kaufman's knowledge of the countries on which he works would be substantial.

(Signed) Ralph A. Young

---



BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

-----

In the Matter of the Application of	:
	:
BRENTON COMPANIES, INC.,	:
Des Moines, Iowa,	:
	:
for prior approval of acquisition of	:
shares of First National Bank of Davenport,	:
Davenport, Iowa	:
	:
-----	:

ORDER APPROVING APPLICATION UNDER  
BANK HOLDING COMPANY ACT

There has come before the Board of Governors, pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842) and section 222.4(a)(2) of Federal Reserve Regulation Y (12 CFR 222.4(a)(2)), an application by Brenton Companies, Inc., Des Moines, Iowa, for the Board's prior approval of the acquisition of 60 per cent or more of the voting shares of First National Bank of Davenport, Davenport, Iowa.

As required by section 3(b) of the Act, the Board notified the Comptroller of the Currency of the receipt of the application and requested his views. The Comptroller recommended approval of the application.

A Notice of Receipt of Application was published in the Federal Register on January 15, 1963 (28 Federal Register 386), affording opportunity for submission of comments and views regarding the proposed acquisition. The time provided by the notice for filing comments and views has expired and the matter has been considered fully by the Board.

-2-

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that the said application be and hereby is granted, and the acquisition by Applicant of 60 per cent or more of the voting shares of First National Bank of Davenport is hereby approved provided that such acquisition shall not be consummated (a) within 7 calendar days after the date of this Order or (b) later than 3 months after said date.

Dated at Washington, D. C., this 27th day of March, 1963.

By order of the Board of Governors.

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

Absent and not voting: Governor King.

(Signed) Merritt Sherman

---

Merritt Sherman,  
Secretary.

(SEAL)

Item No. 4  
3/27/63BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMAPPLICATION BY BRENTON COMPANIES, INC.,  
DES MOINES, IOWA, FOR APPROVAL OF ACQUISITION OF SHARES OF  
FIRST NATIONAL BANK OF DAVENPORT, DAVENPORT, IOWASTATEMENT

Brenton Companies, Inc., Des Moines, Iowa ("Applicant"), a registered bank holding company, has applied pursuant to section 3(a)(2) of the Bank Holding Company Act of 1956 ("Act"), for the Board's prior approval of the acquisition of 60 per cent or more of the outstanding voting shares of the First National Bank of Davenport ("Bank"), a proposed new bank to be located in the city of Davenport, Iowa.

Statutory factors. - Section 3(c) of the Act requires that the Board take into consideration the following five factors: (1) the financial history and condition of the holding company and banks concerned; (2) their prospects; (3) the character of their management; (4) the convenience, needs, and welfare of the communities and area concerned; and (5) whether or not the effect of the acquisition would be to expand the size or extent of the bank holding company system involved beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

Discussion. - Applicant, organized in 1948 for the purpose of managing the Brenton family banks, presently controls thirteen banks in the State of Iowa. The financial history, condition and management of Applicant are satisfactory, and its prospects are favorable.

Bank, of course, has no financial history; however, based on projected deposits of \$3.5 million and loans of \$1.7 million at the end of the third year of operation, considering that its management will be supplied from Applicant's experienced personnel, and in view of the area that it will primarily serve, Bank's prospects appear favorable.

Davenport, Iowa, the seat of Scott County, is located on the north bank of the Mississippi River in the extreme eastern section of the State. Its 1961 population is estimated to be slightly over 90,000 and that of Scott County approximately 122,000. The principal business district is about three blocks north of the river.

Bank will be located in the approximate geographical center of Davenport, about one and a half miles north of the business district, at the intersection of two major thoroughfares, one of which becomes U. S. Highway 61 to Dubuque. Within the principal business district and within a few blocks of each other are two of the three banks located in and serving Davenport. They are the Davenport Bank and Trust Company (June 30, 1962, deposits of \$100 million), and the First Trust and Savings Bank (June 30, 1962, deposits of \$19 million). Davenport's third bank, located about one and a half miles west of Bank's proposed site, is the Northwest Bank and Trust Company (June 30, 1962, deposits

of \$21 million). A fourth bank, Bettendorf Bank and Trust Company, is located about four miles to the east-southeast in the contiguous city of Bettendorf. This bank had deposits, as of June 30, 1962, of \$7 million. None of the four banks mentioned are located within Bank's projected seven square mile primary service area, which has an estimated population of about 30,000. However, Applicant states that the four banks are in competition for the business of the area.

Applicant has made no showing that there presently exists in the Davenport area any unserved demand for usual banking services. However, in the period 1950-1961, the population of Davenport increased by 15,850. In the same period no new banks have been established in the city of Davenport or in nearby areas. Of the four banks presently serving the area involved, the newest bank in Davenport was opened for business in 1941. The Bettendorf Bank and Trust Company was opened in 1949. Davenport is presently not overbanked, and it appears that it can well support an additional banking institution. In view of Bank's proposed location in a section of the city that is experiencing commercial development extending north from downtown Davenport, there is reasonable assurance that Bank will experience a healthy, although gradual, growth rate. Bank's growth will, to a large extent, mirror what appears to be a present need within the area for more convenient banking services than are presently available. The reasonable appearance of benefit to the public in this respect weighs in favor of approval of the application.

As to the effect of the proposed acquisition on banking competition in the area involved, none of Applicant's subsidiary banking offices are located in Scott County nor in any of the counties contiguous thereto. Applicant's nearest subsidiary to Bank's proposed location is approximately 90 miles northwest. None of these banks compete in the Davenport area. Applicant's thirteen subsidiary banks are located in eight counties of the State, and at June 30, 1962 operated twenty-four offices and held aggregate deposits of \$64.5 million, representing 2.8 per cent of the offices, and 2 per cent of the deposits, of all banks in the State. Applicant's banks ranged in size from \$7.5 million down to \$1.9 million of deposits.

As mentioned earlier, there are three banks located in Davenport and one in Bettendorf. Assuming that at the end of three years of operation, Bank has reached the deposit and loan totals projected by Applicant, and presuming that the banks in Davenport and the one bank in Bettendorf remain at their respective midyear 1962 deposit and loan totals, Bank would control less than 2.5 per cent of the deposits and of the loans of the four banks in Davenport, and of the five banks in Davenport and Bettendorf.

A study of all data relevant to a determination of the size and extent of Applicant's present system reflects that the proportions of total banking offices represented and total deposits controlled by Applicant's banking offices in the State as a whole are relatively small. The extent to which these figures would be increased as a result of the

proposal under consideration is negligible. Similarly, Applicant's entry into the city of Davenport and the Davenport-Bettendorf area through consummation of this proposal would not result in an undue concentration in any respect.

The Board concludes that consummation of Applicant's proposal would not adversely affect the existing competitive structure in the areas concerned, but rather would offer reasonable promise of improving to a modest degree the competition that presently exists.

Accordingly, viewing the relevant facts in the light of the general purposes of the Act and the factors enumerated in section 3(c), it is the judgment of the Board that the proposed acquisition would be consistent with the statutory objectives and the public interest and that the application should be approved.

March 27, 1963.