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Minutes for April 26, 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

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on Friday, April 26, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of Research and Statistics
Mr. Connell, Controller
Mr. Koch, Associate Director, Division of Research and Statistics
Mr. Brill, Adviser, Division of Research and Statistics
Mr. Holland, Adviser, Division of Research and Statistics
Mr. Solomon, Associate Adviser, Division of Research and Statistics
Mr. Furth, Adviser, Division of International Finance
Mr. Hersey, Adviser, Division of International Finance
Mr. Katz, Associate Adviser, Division of International Finance
Mr. Bass, Assistant Controller
Mr. Mattras, General Assistant, Office of 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

1/ Withdrew from meeting at point indicated in minutes.

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Mr. Bernard, Economist, Division of
Research and Statistics
Mr. Goldstein, Economist, Division of
International Finance

Money market review. There were distributed tables on the securities involved in the Treasury's May refinancing operation and on monetary developments during the five-week period ending April 24, 1963.

Mr. Bernard commented on recent developments in the Government securities market, with particular attention to the Treasury refinancing operation, after which Miss Dingle discussed changes in bank reserves, bank credit, and the money supply. Mr. Goldstein then commented on recent foreign exchange market developments and on the U. S. gold stock. Mr. Koch supplemented Mr. Bernard's comments on the Treasury refinancing, with particular reference to System holdings of maturing securities and the alternative courses that might be followed in connection therewith.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, Fauver, Noyes, Connell, Bass, and Mattras and the following entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Hexter, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Doyle, Attorney, Legal Division

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Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on April 25, 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.

Circulated or distributed 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 the Federal Deposit Insurance Corporation regarding the application of Rochester State Bank, Rochester, Illinois, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	1
Letter to Rising Sun State Bank, Rising Sun, Indiana, approving an investment in bank premises.	2
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving an investment in bank premises.	3
Letters to Rhode Island Hospital Trust Company, Providence, Rhode Island, approving the establishment of branches at (1) 60 Newport Avenue, East Providence, and (2) Mendon and Albion Roads, Cumberland.	4-5
Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch on U. S. Highway 401, near Raleigh.	6
Letter to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch at 176 Sharon-Amity Road, South, Charlotte.	7

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	<u>Item No.</u>
Letter to Farmers and Merchants Bank, Forest, Mississippi, approving the establishment of a branch in Forest.	8
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Fremont.	9
Letter to Chase Manhattan Overseas Banking Corporation, New York, New York, granting consent to the establishment of branches of Banco Hipotecario Lar Brasileiro, S.A., Rio de Janeiro, Brazil, at specified locations in Bahia, Brazil.	10
Memorandum from the Division of Personnel Administration dated April 23, 1963, recommending a voluntary accident insurance program for Board employees.	11

Application of State Bank of Albany (Items 12 and 13). Pursuant to the decision reached at the meeting on April 19, 1963, there had been distributed a proposed order and statement reflecting the Board's denial of the application of State Bank of Albany, Albany, New York, to merge with The Unadilla National Bank, Unadilla, New York.

The issuance of the order and statement was authorized. Copies of the order and statement, as issued, are attached to these minutes as Items 12 and 13.

Governor Mills withdrew from the meeting at this point. Messrs. Johnson, Connell, Shay, Bass, and Doyle also withdrew and Messrs. Dembitz, Associate Adviser, and Partee, Chief, Capital Markets Section, Division of Research and Statistics, entered the room.

Extension of Securities Exchange Act. There had been distributed a memorandum dated April 23, 1963, from Messrs. Hexter and Dembitz regarding a proposed amendment of the Securities Exchange Act. The memorandum noted that on April 19, 1963, the Bureau of the Budget

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transmitted to the Board copies of a draft bill to amend certain provisions of the Act, and that on the same day the Securities and Exchange Commission requested the Board's assistance in drafting a suitable provision for a particular section of the bill.

As explained in the memorandum, the draft bill would amend the Securities Exchange Act to make certain provisions relating to financial reporting, proxy regulation, and controls on insider trading applicable to all corporations with 300 or more stockholders of record, whereas at present these provisions extended only to issuers of securities registered on securities exchanges. The draft bill would provide no exemption with respect to banks, and it contemplated that regulation and administration, insofar as banks were concerned, would be vested in one or more of the Federal bank supervisory authorities. The first question, then, related to the Board's views on the draft bill apart from the question of coverage of banks. The second question related to the Board's views on applying the provisions of the draft legislation to banks with 300 or more stockholders. If this was regarded favorably, there was the further question of administration of the provisions of the bill as they applied to banks.

In commenting on the matters covered in the memorandum, Mr. Hexter noted that the draft bill was now in the process of redrafting, so the draft on which the Budget Bureau had requested the Board's comments was not current. He also noted and read a proposed statement that it was understood might be read in the Congress if the draft legislation were

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introduced. Mr. Hexter presented certain information that had been obtained from the Securities and Exchange Commission affording some rough indication of the volume of staff work that might be involved in the administration of the provisions of the draft legislation as they related to the issuance of securities by banks.

There followed a general discussion of the kinds of financial reporting that would be envisaged and the question whether the subjecting of banks to requirements such as contemplated by the proposed legislation would create any significant impediment to the ability of banks to raise additional capital through the sale of stock. It appeared to be the consensus of Board and staff views that this should create no substantial impediment. During the discussion, question also was raised as to the grounds on which there might be objection on the part of banks to legislation of the kind proposed. It was noted, in this connection, that in the past the argument had been made that since each bank was examined and supervised by Governmental authorities it was unnecessary for the individual stockholder to have as much information as needed in the case of other corporations. A view was expressed by some members of the Board that it would be undesirable for the requirements of the draft legislation, as they applied to banks, to be administered by the bank supervisory authorities, particularly if the responsibility for administration was divided among different agencies.

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The discussion at this meeting did not go beyond the exploratory phase, and it was understood that the subject would be considered further at another meeting of the Board.

Mr. Partee then withdrew from the meeting.

Drafting of legislation. In its recent report to the President, the Committee on Financial Institutions had suggested that consideration of an increase in the coverage of insurance of bank deposits and share accounts should await the resolving of certain other regulatory and supervisory matters, including an extension of reserve requirements to savings and loan associations and mutual savings banks, a strengthening of the authority of supervisory authorities over liquidity positions, standby authority over rates paid on savings and time accounts, and broadening of safeguards against conflicts of interest to additional institutions. In light of subsequent developments, steps were being taken to prepare draft legislation covering the areas mentioned, and an interagency meeting had been called for Monday, April 29. The Budget Bureau had inquired whether a member of the Board's staff could be present to offer technical assistance.

After discussion, Mr. Solomon, Director of the Division of Examinations, was designated to attend the meeting on Monday, with the understanding that he might arrange for additional staff to accompany him if he desired.

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Disappearance of securities at San Francisco Bank. Mr. Sherman informed the Board of a telephone call from President Swan of the San Francisco Reserve Bank advising that he was recommending to the Bank's Board of Directors that they authorize for inclusion in the public record the minutes of a meeting of the Audit Review Committee on August 16, 1962, and the report of the General Auditor of the Bank dated August 15, 1962, regarding the disappearance of certain Treasury securities from the Bank's vault. The inclusion of these documents in the record had been requested during the hearing held on April 22, 1963, by the Subcommittee of the House Banking and Currency Committee that was investigating the disappearance of the securities.

Mr. Sherman also advised the Board of a request from a staff member of the House Banking and Currency Committee that the Subcommittee be furnished copies of the operating procedures and instructions of all Reserve Banks regarding custody of securities. In order that full up-to-date information might be available to the Board in considering this request, it was proposed at this point to send a telegram to the Reserve Banks requesting that they provide the Board with copies of their complete current procedures and instructions. It was understood that the operating procedures of the San Francisco Reserve Bank had been incorporated into the record of the hearing held by the Subcommittee. However, it was not clear whether the operating procedures of the other Banks would be made public.

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After discussion, the Board approved the sending of the proposed telegram, with the understanding that the matter would be brought back to the Board after the requested information was obtained from the Reserve Banks.

Mr. Solomon commented that the aforementioned Committee staff member had also inquired whether there was available a report on the disappearance of a Treasury security at the Richmond Reserve Bank similar to the report previously transmitted by the Board on the disappearance at San Francisco. It seemed likely, therefore, that a request for such a report would be forthcoming from the Committee. Mr. Solomon added that the Richmond Bank had been preparing a report and only recently had sent a draft to the Board's staff.

Governor Balderston suggested that the Reserve Bank Presidents be advised that they were free to make available to branch directors and officers, as a matter of information, the report on the San Francisco incident that was transmitted by the Board to the Chairman of the House Banking and Currency Committee on April 1, 1963. If it developed that the report, as understood, had been included in the public record of the hearing held by the Subcommittee of the Banking and Currency Committee on April 22, there would obviously be no objection to general use of the document.

The meeting then adjourned.

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Secretary's Notes: On April 25, 1963, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Chicago (attached Item No. 14) approving the appointment of Peter M. Layden as assistant examiner.

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

Salary increases, effective April 28, 1963

Lee Sawyer Elliott, Supervisor, Clearing Unit, Office of the Secretary, from \$5,375 to \$5,725 per annum.

Albert A. Portnoy, Supervisor-Inspector, Division of Administrative Services, from \$4,885 to \$5,205 per annum.

Acceptance of resignation

Ted Edward Garner, Assistant Federal Reserve Examiner, Division of Examinations, effective at the close of business May 21, 1963.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board increases in the basic annual salaries of the following persons on the Board's staff, effective April 28, 1963:

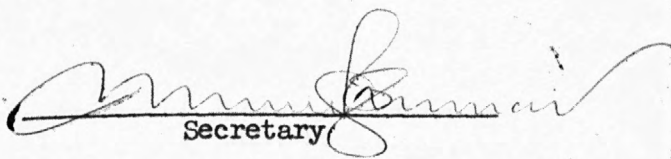
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Legal</u>		
Samuel E. Entriken, Attorney		\$8,575	\$8,840
	<u>International Finance</u>		
Rodney H. Mills, Jr., Economist		9,475	9,790
	<u>Examinations</u>		
James H. Joyce, Assistant Federal Reserve Examiner		6,280	6,675
M. Patricia McShane, Training Assistant		6,900	7,125
Carl A. Zimmerman, Assistant Federal Reserve Examiner		6,650	7,125

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Salary increases, effective April 28, 1963 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Wesley B. Collins, Senior Mail Clerk		\$4,950	\$5,090
Leroy H. Cooley, Senior Teletype Operator (change in title from Telegraph Operator)		5,845	6,225
Esmond C. Langley, Senior Messenger		4,580	4,705
<u>Data Processing</u>			
Albert C. Bain, Senior Operator (Tabulating Equipment)		6,055	6,465
Marjorie M. Gray, Digital Computer Programming Assistant		4,530	4,885



Secretary

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

Item No. 1
4/26/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963

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

Dear Mr. Cocke:

Reference is made to your letter of April 12, 1963, concerning the application of Rochester State Bank, Rochester, Illinois, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions 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.

Item No. 2
4/26/63

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963



Board of Directors,
Rising Sun State Bank,
Rising Sun, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, pursuant to Section 24A of the Federal Reserve Act, an investment in bank premises by Rising Sun State Bank, of not to exceed \$119,000, including the cost of land, for the purpose of constructing new banking quarters.

It is noted that in accordance with approval given by the Indiana Department of Financial Institutions, only \$125,000 of the proposed total investment of \$175,000 in fixed assets is to be capitalized, and that the carrying value of fixed assets will be reduced to \$100,000 within three years.

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
4/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, for the remainder of the year 1963, an additional investment of \$214,500 in bank premises by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, for the purpose of effecting leasehold improvements at the main office and for improvements to branch real estate and leaseholds.

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
4/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963



Board of Directors,
Rhode Island Hospital Trust Company,
Providence, Rhode Island.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Rhode Island Hospital Trust Company, Providence, Rhode Island, of a branch at 60 Newport Avenue, East Providence, Rhode Island, 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. 5
4/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963



Board of Directors,
Rhode Island Hospital Trust Company,
Providence, Rhode Island.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Rhode Island Hospital Trust Company, Providence, Rhode Island, of a branch at the intersection of Mendon and Albion Roads, Cumberland, Rhode Island, 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. 6
4/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963

Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wachovia Bank and Trust Company on U. S. Highway 401, .3 of a mile south of the city limits of Raleigh, North Carolina, 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.

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Item No. 7
4/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963



Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wachovia Bank and Trust Company at 176 Sharon-Amity Road, South, Charlotte, North Carolina, 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. 8
4/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963



Board of Directors,
Farmers and Merchants Bank,
Forest, Mississippi.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch (drive-in facility) by Farmers and Merchants Bank, Forest, Mississippi, 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
4/26/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963



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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wells Fargo Bank, San Francisco, California, in the vicinity of the intersection of Warm Springs Boulevard and Mission Boulevard, Fremont, California, 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
4/26/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963

Mr. Charles Cain, Jr., President,
Chase Manhattan Overseas Banking Corporation,
1 Chase Manhattan Plaza,
New York 5, New York.

Dear Mr. Cain:

This will acknowledge your letter of April 22, 1963 relating to proposed changes in location of branches of Banco Hipotecario Lar Brasileiro, S.A. ("Banco Lar"), Rio de Janeiro, Brazil, as follows:

- (1) The moving of Banco Lar's present branch in Bahia, Brazil, from Rua Juliano Moreira 6 to the corner of Rua Chile and Rua Bonifacio Costa; and
- (2) The closing of one of Banco Lar's present branches in Rio de Janeiro, Brazil, located at Avenida Ernani Cardoso 77, and the opening of a second branch in Bahia, Brazil, at Avenida Estados Unidos 58.

In accordance with the request and on the basis of the information furnished, the Board grants consent to the establishment of branches at the locations indicated. Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branches are removed to the new locations and opened for business. In the event of any further change in location of branches within the City of Bahia, please notify the Board of Governors of the new address.

As you know, the Board has recently published proposed revisions of Regulations K and M which, if adopted, would simplify the procedure for handling applications to establish overseas branches of member banks and of Section 25 and 25(a) Corporations. If adopted, it is contemplated, of course, that appropriate modification would be made in the existing procedure for handling requests to establish branches and agencies of subsidiaries of such Corporations. Your request of January 3, 1963 is being studied further, but, in the circumstances, it may be desirable to resolve this question as a part of the general consideration being given to the overseas branches of member banks and of Section 25 and 25(a) Corporations.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 11 362
4/26/63

Office Correspondence

Date April 23, 1963.

To Board of Governors
From Division of Personnel Administration

Subject: Voluntary Accident Insurance
for Board Employees.

Recommendation:

It is recommended that the Board's insurance program be enlarged to include accident insurance coverage (accidental death, dismemberment, and total permanent disability) on a voluntary, payroll-deduction, employee-pay-all basis.

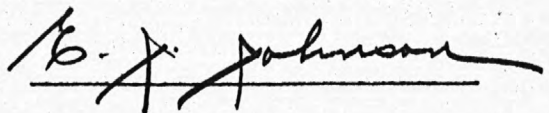
It is also recommended that the Board designate Marsh & McLennan, Inc., as its insurance broker with the understanding that there will be no cost to the Board for its services.

It is further recommended that the Board authorize the Division of Personnel Administration to complete whatever arrangements are necessary to make this insurance available to Board employees, including selecting an insurance carrier. The program would go into effect as soon as negotiations can be completed.

Contemplated Provisions of Contract:

It is contemplated that group coverage would be available on a voluntary basis to all employees and their wives with a minimum amount of \$10,000 and in multiples of \$5,000 up to a maximum of \$100,000 per individual. Upon retirement of an employee, coverage could be continued to age 70 for him and also his wife, but only to a maximum of \$25,000 per individual. Payment of premium by retirees would be direct remittance to the insurance broker. The cost to both active and retired employees would be 72 cents a year per \$1,000, substantially less than could be obtained on a non-group basis.

Further information is given in the attachment.


E. J. Johnson

Accident Insurance for Board Employees

Reasons for Recommendation

In order to maintain a sophisticated current personnel program this Division continuously reviews what other progressive employers are doing and analyzes the desirability and practicality of adopting new developments. High protection and low cost group accident insurance appears to be worthy of consideration.

Because of the constantly increasing number of fatalities attendant upon greater mobility of the population, 24-hour-a-day insurance protection against accident hazards, particularly where employers offer coverage at greatly reduced rates under group contracts, is becoming increasingly attractive.

Seven of the Federal Reserve Banks have recently made group accident insurance arrangements on an employee-pay-all basis and the other 5 Banks are actively considering plans. The extent of participation at the Banks is from 40 to 80 per cent of staff. In the Government, the Executive Office of the President (White House employees, Bureau of the Budget, etc.) and the CIA now have accident insurance, employee-pay-all programs. A random survey of the Board's employees, conducted by a written questionnaire, showed that 28 of the 30 employees polled would like to have the insurance if it were made available. Further, in a check conducted of the members of the Employees' Committee by its chairman, all of them contacted (10 out of 11) favored the inauguration of the insurance. On the basis of these samplings the Personnel Division believes that the staff will participate in the recommended program to a substantial extent. There is no required percentage of participation.

All Board employees and their dependents are presently protected without cost by Federal Employees' Compensation for accidental death or injury suffered by the employee in line of duty. Also, all employees who have not affirmatively waived the protection in writing are insured on a 24-hour-a-day basis under the Federal Employees Group Life Insurance Program, which provides double indemnity protection for accidental death and for dismemberment; but this protection is limited by the annual salary rate of the employee. Most of the Board's employees also have health insurance that affords substantial protection against hospitalization and surgical costs resulting from accidents, as well as from any other cause. However, coverage on any accident for 24 hours a day anywhere in the world is not available on a group basis.

Use of an Insurance Broker

The use of the services of a broker will involve no expense to the Board, the firm's fee being paid by the insurance company. The broker will counsel the Board, secure quotations from insurers, recommend a company to provide the coverage, and handle all the liaison work between the Board and the insurance company selected. The broker will also provide samples of material to be used in explaining the program to the Board's staff. Marsh and McLennan, Inc., a well-recognized, capable firm, whose services are being currently utilized by the Federal Reserve System for its major medical program as well as by three of the Reserve Banks in their accidental death insurance

program, is being recommended to serve as the Board's broker.

Administration of Program:

All administrative details of presenting the program to employees, processing enrollments and subsequent claims, and maintaining liaison with the broker and the insurer would be handled by the Division of Personnel Administration. The deduction of premiums from employees' salaries and payment to the insurance broker would be handled by the Office of the Controller. The additional workload in both divisions would be absorbed by the present staffs.

Type of Group Contract Desired:

We have reviewed the various group accident insurance contracts that are available and have consulted informally with insurance specialists. We believe that the plan now in effect at the Boston, Cleveland, and Chicago Reserve Banks would be substantially the most desirable one for adoption here. The details of the coverage are explained below.

Eligibility

All employees of the Board, (employee defined as any regular member of one of the Board's retirement plans), would be eligible for coverage to an individual maximum of \$100,000. Wives of those employees who enter the program would also be eligible. Coverage may be continued after retirement to age 70 in the maximum of \$25,000. The wife may not be covered to a greater extent than the husband, and may not continue coverage following the husband's death, either while he is in active service or after he retires. The husband of a female employee is not eligible.

Description of Coverage

Each participant in the program would be insured 24 hours a day, worldwide, against all accidents. If injury results in any of the following losses within 365 days after the date of accident, the insurance company would pay the amount specified opposite each loss:

Loss of Life	The Principal Sum
Loss of both hands or both feet	The Principal Sum
Loss of one hand and one foot	The Principal Sum
Loss of the entire sight of both eyes	The Principal Sum
Loss of the entire sight of one eye and one hand or one foot	The Principal Sum
Loss of one hand or one foot	One-half The Principal Sum
Loss of the entire sight of one eye	One-half The Principal Sum

Only one benefit, the largest to which the insured is entitled, is payable for all losses resulting from one accident.

Permanent Total Disability

When as the result of an injury, and commencing within 365 days of the date of accident, an insured person is totally and permanently disabled, and prevented from engaging in each and every occupation or employment for compensation or profit for which he is qualified by reason of his education, training, or experience, the insurance company will pay, provided such disability is continued for a period of 12 months and is total, continuous, and permanent at the end of the 12-month period, the principal sum less any other amount paid or payable under the policy as a result of the same accident.

Beneficiary Designation

Benefit in the event of loss of life would be payable to the beneficiary or beneficiaries named in the application for this insurance. If no such beneficiary is named or if the named beneficiary is not surviving, then benefits shall be payable to the estate of the insured person.

Exclusions

- A. Suicide or self-destruction or any attempt thereat, sane or insane.
- B. War or any act of war.
- C. Accidents occurring in Military, Naval, or Air Force Service of any country.
- D. Injury sustained while engaged in, or taking part in, aeronautics and/or aviation of any description or resulting from being in an aircraft, except while a passenger of any aircraft then licensed to carry passengers.

Limits and Premiums

Each employee may select the amount of insurance for self only and for wife in any multiple of \$5,000 up to a maximum of \$100,000 subject to a minimum of \$10,000, and with the proviso that the wife's insurance may not exceed the husband's. Premium payments will be made by payroll deduction in the amounts shown in the center column immediately hereunder:

<u>Principal Sum</u>	<u>Bi-Weekly Cost</u>	<u>Annual Cost</u>
\$10,000 minimum	\$.28	\$ 7.20
20,000	.56	14.40
30,000	.84	21.60
40,000	1.12	28.80
50,000	1.40	36.00
60,000	1.68	43.20
70,000	1.96	50.40
80,000	2.24	57.60
90,000	2.52	64.80
100,000	2.80	72.00

Life insurance premiums are ordinarily scheduled for payment on an annual basis, and where there are 24 pay periods a year (as for Members of the Board) 30 cents per \$10,000 of insurance may be deducted twice a month with no overpayment or underpayment. But where there are 26 pay days, (as for members of the staff) the closest appropriate deduction for the minimum \$10,000 coverage is 28 cents, and an annual 8 cent overpayment will have been made on each \$10,000 of insurance. The accumulation of these small overpayments could gross about \$100 a year for the entire program. As this would be impractical to pay back to the employees, an appropriate disposition could be left to the decision of the Board Member in charge of the Board's internal affairs, upon a recommendation made to him jointly by the Office of the Controller and the Division of Personnel Administration.

After retirement, the premium for an individual and for his wife if she is covered, is remitted direct to the insurance broker by the retiree.

No physical examination is required for this insurance.

Item No. 12

4/26/63

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
 STATE BANK OF ALBANY
 for approval of merger with
 The Unadilla National Bank

ORDER DENYING APPLICATION FOR APPROVAL OF 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 State Bank of Albany, Albany, New York, a member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Unadilla National Bank, Unadilla, New York, under the charter and title of the former. As an incident to the merger, the single office of The Unadilla National Bank would be operated as a branch of State Bank of Albany. 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,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is denied.

Dated at Washington, D. C., this 26th day of April, 1963.

By order of the Board of Governors.

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

Absent and not voting: Governor Mitchell.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 13
4/26/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMAPPLICATION BY STATE BANK OF ALBANY
FOR APPROVAL OF MERGER WITH
THE UNADILLA NATIONAL BANKSTATEMENT

State Bank of Albany, Albany, New York ("State Bank"), with deposits of \$492.6 million as of September 28, 1962, 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 Unadilla National Bank, Unadilla, New York ("Unadilla National"), with deposits of \$4.7 million as of the same date. The banks would merge under the charter and title of State Bank, which is a member bank of the Federal Reserve System; and, as an incident to the merger, the only office of Unadilla National would become a branch of State Bank, increasing the number of its authorized offices from 24 to 25.

Under the Act, 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., 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. - State Bank, with a satisfactory financial condition, acquired 14 of its banking offices through mergers with 9 other banks during the past 10 years. More than one-half of the increase of over 200 per cent in the bank's deposits of individuals, partnerships, and corporations ("IPC deposits") during the past decade resulted from this series of mergers. State Bank's capital structure is adequate, its future prospects are favorable, and its management is satisfactory.

Unadilla National, which has had a modest deposit growth since 1952, has a generally satisfactory financial condition, and its capital structure is adequate. While the net current operating earnings and the retained earnings of the bank during recent years have been somewhat below the averages for banks of comparable size in the Second Federal Reserve District, they are, nevertheless, fairly satisfactory and showed improvement for 1962. The management of Unadilla National is satisfactory.

The resulting bank, which would be under the management of State Bank, would have a satisfactory financial condition and an adequate capital structure, and its future prospects would be favorable.

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

Convenience and needs of the communities. - The head office and one branch of State Bank are in Albany (1960 population 130,000; trade area population 700,000), the State capital. As of December 31, 1962, State Bank operated a total of 23 offices in 10 of the 15 counties in the Fourth Banking District of New York, which covers a large area in the eastern and northeastern part of the State. The bank has authorization for still another branch.

The sole office of Unadilla National is the only banking office in the village of Unadilla (1960 population 1,600), which lies in the southwest corner of Otsego County 100 miles southwest of Albany and about 45 miles northeast of Binghamton. Unadilla serves a good agricultural area and is growing steadily. In addition to the usual small business and retail stores found in such communities, the village has three small industrial plants. A number of Unadilla residents are employed in Sidney (1960 population 5,200) in Delaware County, about five miles southwest of Unadilla.

Any effect of the proposed transaction on banking convenience and needs would be limited almost entirely to the service area^{1/} of Unadilla National. In addition to the village of Unadilla, the bank's service area, which contains about 13,000 people, encompasses Sidney and Franklin in Delaware County. Both Sidney and Franklin (which is about 12 miles east of Unadilla) have banking offices, and the bank in Sidney offers trust facilities.

^{1/} That area from which a bank obtains 75 per cent or more of its deposits of individuals, partnerships, and corporations.

Unadilla National offers the usual services provided by most rural banks of comparable size. While it is expected that State Bank would make available a number of additional services at the office of Unadilla National if the application were approved, including trust facilities, there is virtually no indication in the record of need for these expanded services or evidence that they would materially contribute to the convenience of the area. Unadilla National appears to be serving its community and service area satisfactorily.

Competition. - The branch of State Bank nearest Unadilla National is at Richfield Springs (1960 population 1,600), also in Otsego County and 50 road miles north of Unadilla. The service areas of this branch of State Bank and of Unadilla National do not overlap and there are a number of intervening banking offices. There appears to be very little competition between the two banks.

Unadilla National's chief competitor is the First National Bank in Sidney, with deposits of \$7.2 million as of September 28, 1962. Expansion by State Bank into the Unadilla area would expose the bank in Sidney, and also the other six banking offices located from 10 to 16 miles from Unadilla, to the strong competitive capabilities of a significantly larger bank.

As of June 30, 1962, there were 50 commercial banks in the Fourth Banking District of New York. State Bank was the largest, holding over 30 per cent of the total commercial bank deposits in the District. National Commercial Bank and Trust Company of Albany was the second largest, holding 23 per cent of the commercial bank deposits in the District. Combined,

these two banks held 53 per cent of the total commercial bank deposits in the District. On the basis of IPC deposits alone, State Bank held 21 per cent and National Commercial Bank and Trust Company of Albany held 20 per cent of the District total, and together they held about 41 per cent.

In the 10 counties in which State Bank maintains offices, it held 28.5 per cent of the total IPC deposits of all banks as of June 30, 1962. The proposed merger would increase State Bank's holdings to about 30 per cent of the total IPC deposits of these counties.

Summary and conclusion. - If approved, this merger would replace the only bank in Unadilla with a branch of one of the two largest banks in the Fourth Banking District of New York having its main office 100 miles away, and would constitute one more step in a significant series of bank absorptions by State Bank. There is no substantial evidence that the banking needs or convenience of the Unadilla area are not being served adequately, or that Unadilla National cannot continue its operations profitably. Any benefits that might accrue to the public as a consequence of the merger would be more than offset in the circumstances of this case by the increase in the size of the largest bank in the Fourth Banking District of New York, by the increase in the already high concentration of banking resources in that District, and by the adverse potential effect on banking competition in Unadilla and the surrounding area.

Accordingly, the Board is unable to find that the proposed merger would be in the public interest.

April 26, 1963.

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

Item No. 14
4/26/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 26, 1963

AIR MAIL

Mr. Leland Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Ross:

In accordance with the request contained in your letter of
April 19, 1963, the Board approves the appointment of Peter M.
Layden as an assistant examiner for the Federal Reserve Bank of Chicago.
Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.