

Minutes for July 23, 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 proposed to place in the record of policy actions required to be kept under the provisions of section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 11 Approval of a discount rate of 3-1/2 per cent for the Federal Reserve Bank of Atlanta.

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

M

Gov. Mills

RC

Gov. Robertson

CRB

Gov. Balderston

CSW

Gov. Shepardson

Gov. King

✓

Gov. Mitchell

M

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, July 23, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Balderston, Vice Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson

Mr. Sherman, Secretary  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Kiley, Assistant Director, Division of Bank Operations  
Mr. Benner, Assistant Director, Division of Examinations  
Mr. Mattras, General Assistant, Office of the Secretary  
Miss Hart, Senior Attorney, Legal Division  
Mr. Hricko, Senior Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on July 22, 1963, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Distributed item. The following item, a copy of which is attached to these minutes as Item No. 1, was approved unanimously:

Letter to Bank of Idaho, Boise, Idaho, approving the establishment of a branch in Nampa and commenting on the need for further strengthening the bank's capital position.

Report on competitive factors (Charlotte-Chapel Hill, North Carolina). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Bank of Chapel Hill, Chapel Hill, North Carolina, into North Carolina National Bank, Charlotte, North Carolina.

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The report was approved unanimously for transmission to the Comptroller; the conclusion read as follows:

A merger of North Carolina National Bank and The Bank of Chapel Hill would eliminate present and potential competition between them and would expose the remaining Chapel Hill offices of a much smaller bank to the competitive abilities of a substantially larger regional banking institution. The merger represents the continuance of a trend in North Carolina toward concentration of banking resources in a few large banks.

Application of Wilmington Trust Company (Items 2, 3, and 4).

Pursuant to the decision reached at the meeting on July 10, 1963, there had been distributed a proposed order and supporting statement reflecting the Board's approval of the application of Wilmington Trust Company, Wilmington, Delaware, to acquire the assets and assume the liabilities of the Camden (Delaware) branch office of the Baltimore Trust Company, Selbyville, Delaware. There had also been distributed a dissenting statement of Governor Robertson.

The issuance of the order and supporting statement was authorized with the understanding that certain changes suggested by Governors Balderston and Mills would be made in the wording of the statement. Copies of the order and statement, as issued, are attached to these minutes as Items 2 and 3; a copy of the dissenting statement of Governor Robertson is attached as Item No. 4.

In connection with approval of the application, the Board had also approved an additional investment of \$66,000 in bank premises.

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Accordingly, the letter to Wilmington Trust Company transmitting the order and statements contained the following paragraph:

The Board also approves, under section 24A of the Federal Reserve Act, the increase in investment in bank premises occasioned by consummation of the transaction covered by the application in this matter.

Mr. Hricko then withdrew from the meeting.

Application of Bankers Trust Company. There had been distributed memoranda dated July 19, 1963, from the Division of Examinations and the Legal Division, along with other pertinent papers, relating to the application of Bankers Trust Company, New York, New York, to purchase the assets and assume the liabilities of The First National Bank of Farmingdale, Farmingdale, New York. The Division of Examinations recommended approval of the application.

On April 30, 1963, the Comptroller of the Currency approved a Proposal whereby First National Bank of Farmingdale, Farmingdale, New York (a new bank in process of organization) was to purchase the assets and assume the liabilities of The First National Bank of Farmingdale. Under that proposal, the capital stock of the new bank would be owned by BT New York Corporation, a wholly-owned affiliate of Bankers Trust Company. By letter dated April 30, 1963, the Board expressed to Bankers Trust Company its view that the purchase by BT New York Corporation of the stock of First National Bank of Farmingdale would involve Bankers Trust Company in a violation of section 5136 of the Revised Statutes.

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Subsequently, the application of First National Bank of Farmingdale with the Comptroller had been withdrawn and the instant application had been filed with the Board by Bankers Trust Company for outright acquisition of The First National Bank of Farmingdale.

The competitive factor report received from the Federal Deposit Insurance Corporation stated that the effect of the proposed transaction on competition would not be unfavorable, but the report of the Department of Justice was adverse. The Comptroller of the Currency had not yet submitted a report.

According to the memorandum from the Legal Division, the proposed acquisition of assets and assumption of liabilities might be vulnerable to attack as a merger under section 7 of the Clayton Act, even though it was technically not a merger. Among the factors to be considered under the Bank Merger Act was the effect on competition, including any tendency toward monopoly. The proposed transaction would eliminate a small independent bank, the only one headquartered in the service area, and place a large New York City bank in possession of almost a third of the service area deposits. However, the number of banking offices in the area would remain the same and the scope of services offered by the office of First Farmingdale would improve. A management succession problem would also be solved.

Mr. Benner commented briefly on the memorandum from the Division of Examinations and stated that the banking factors seemed to favor approval

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of the application. The First National Bank of Farmingdale was the smallest bank in Nassau County (deposits \$33,000,000) and was faced with a management succession problem. Although there were a number of other banks in the area, the growth of the community suggested that the broader services of another large bank might be helpful. At present Bankers Trust had no branches in Nassau or Suffolk Counties (the service area of First Farmingdale where it derived over 75 per cent of its deposits), and Bankers Trust's nearest branch was about 20 miles from Farmingdale.

Governor Mills stated that he would approve the application as recommended by the Division of Examinations. It was his view that the service area of the Farmingdale bank (Nassau and Suffolk Counties) might not be an appropriate dividing line in considering the overconcentration of banking facilities. He felt that it was logical and useful to consider a bank service area in relation to cities or sparsely settled communities, but such a concept was not too meaningful in suburban areas where the residents were very mobile and where there were many banking facilities immediately adjacent to the service area. Governor Mills then added that the mere establishment of a branch of a large bank in a community such as Farmingdale would not necessarily develop the overwhelming competition that might be expected.

Governor Robertson stated that he would disapprove the application although, in view of the relatively small size of the Farmingdale bank

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and its lack of management succession, he could understand the position taken by Governor Mills and the Division of Examinations. However, it was Governor Robertson's feeling that it was in the public interest to have a larger number of banking institutions serve the needs of the public rather than to have banking centered in a few institutions. He expressed the view that with deposits of \$33 million First Farmingdale should be able to obtain good replacement of management and that there was sufficient business to justify its independent operation. Governor Robertson noted that the bank had been operating profitably and he did not feel it was unprogressive. He then added that he would have been more favorably inclined if a merger had been proposed with a small banking institution rather than with Bankers Trust.

Governor Shepardson said that he would approve the application based on the recommendation of the Division of Examinations and the points mentioned by Governor Mills.

Chairman Martin and Governor Balderston stated that they would also approve the application.

Thereupon, the application of Bankers Trust Company was approved, Governor Robertson dissenting, with the understanding that an order and statement reflecting this decision would be prepared for the Board's consideration.

Mr. Benner and Miss Hart then withdrew from the meeting.

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American Bankers Association letter on coin shortages. There had been distributed a memorandum from the Division of Bank Operations dated July 22, 1963, with respect to a draft of letter that the American Bankers Association proposed to send to all members of the Association with regard to the problem of coin shortages.

Mr. Kiley said that in general the letter urged the commercial banks to accelerate the return flow of coin to the Federal Reserve Banks in order to make maximum use of the available supply. The proposed letter had been shown to the Board's staff as a matter of courtesy and to obtain any views the Board might have on a proposed sentence in the letter that would suggest that nonmember banks might be able to arrange with member banks in their communities to return their excess coin (presumably at System expense). All Reserve Banks had been asked for their views on that portion of the draft letter, and the Reserve Banks' replies generally favored or did not object to the sending of the letter, although there was some feeling that the sentence with regard to the return of coin by nonmember banks might imply the provision of such banks with services contrary to System policy.

Mr. Kiley felt that the letter might have some effect in helping to alleviate the coin shortage problem, and he could see some reason for sending it. The letter might, of course, raise the question whether nonmember banks could return excess coin at the System's expense, but this would be a matter for consideration by the System either as an



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exception to present System policy or a change in that policy. He also noted that the matter would be discussed at the forthcoming meeting of the Presidents' Conference Subcommittee on Cash, Leased Wire and Sundry Operations and that recommendations might then be made to the Conference in September.

During discussion, the suggestion was made that the problem of coin shortages might last for an extended period of time and that the absorption of the cost of servicing nonmember banks in the return of excess coin might be appropriate, with the understanding that the privilege could be withdrawn in the future when the problem ceased to be pressing. There was some feeling that nonmember banks might not be willing to change their present habits of returning coin to correspondent banks in order to take advantage of the proposed service. It was understood, however, that this was a question to be considered in the light of any developments that might occur.

After further discussion, it was understood that the American Bankers Association would be informed that the Board had no objection to the sending of the proposed letter.

Federal Reserve motion picture. Mr. Sherman informed the Board that the new System motion picture had been completed and it was felt that the Board might wish to view it.

Mr. Fauver stated that two prints of the film had been sent to each Reserve Bank and that additional prints would be available for sale

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but that the price had not yet been determined. A bulk order would be placed and the cost per print would depend on the number of films ordered.

The Board then agreed to view the film at some suitable time on July 24, 1963.

All of the members of the staff except Mr. Sherman then withdrew from the meeting.

Supplemental retirement allowances for Reserve Bank Presidents.

At Chairman Martin's request Mr. Sherman reported that Mr. Schremp of the House Banking and Currency Committee staff, who was assisting in the review of certain work papers covering examinations of Federal Reserve Banks, had noted a disbursement by the Federal Reserve Bank of Boston to former President Erickson for a supplemental retirement payment and had asked for an explanation of that item along with a statement of the reasons why the Bank was making such payments. Mr. Sherman noted that Mr. Erickson had started receiving payments after his retirement on February 28, 1961, under the contract entered into by the Boston Bank on December 28, 1959, with the approval of the Board of Governors, whereby Mr. Erickson's regular retirement benefit from the Retirement System of the Federal Reserve Banks would be supplemented by a direct payment by the Federal Reserve Bank of Boston of an amount sufficient to provide a total retirement payment equal to 40 per cent of his salary at the time of retirement. Payments were also being made under other contracts entered into with Messrs. Williams, Johns, and Peyton, former Presidents of the

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Federal Reserve Bank of Philadelphia, St. Louis, and Minneapolis. Contracts that would provide for supplemental payments had been entered into by the New York, Cleveland, and Atlanta Reserve Banks with Messrs. Hayes, Hickman, and Bryan, respectively, and could be expected to become operative at some future time. The question presented was the extent to which the Board felt it desirable to comply with Mr. Schremp's request for information on the Boston Bank contract.

The members of the Board indicated that a full disclosure of the existing contracts and of payments being made under four of them should be given to Mr. Schremp along with a brief statement of the purpose that the Reserve Banks and the Board had in mind in approving such contracts. It was understood that the Secretary would arrange for the furnishing of such information.

Mr. Sherman then withdrew from the meeting and the Board went into executive session. Following the meeting the Secretary was informed that during the executive session the Board took the following actions:

Appointment of Mr. Broida. The Board approved the appointment of Arthur L. Broida, presently Chief of the Consumer Credit and Finances Section, Division of Research and Statistics, as Assistant Secretary of the Board effective upon entrance on duty in that position sometime during September 1963, with annual salary at the rate of \$17,000 effective when Mr. Broida assumes his duties as Assistant Secretary. It was understood that appropriate announcement of Mr. Broida's appointment would be prepared and distributed at once.

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Designation of Governor Shepardson. The Board vested in Governor Shepardson for the year beginning August 1, 1963, the direction of its internal affairs that are of a managerial nature. This meant that the Directors of Divisions would continue to take up with him matters pertaining to Board personnel, budget, and housekeeping. The Board as a whole would continue to keep in touch with the operating problems of the staff and would determine questions of policy.

The designation continued Governor Shepardson's authorization to approve travel requests, in accordance with the provisions of the official travel regulations of the Board.

The action also continued Governor Shepardson's authorization to approve on behalf of the Board (1) all proposed personnel actions relating to Board employees other than members of the official staff; and (2) the proposed appointment of examiners, assistant examiners, and special or special assistant examiners of the Federal Reserve Banks. It continued to be the understanding that all approvals by Governor Shepardson under the authorization of this paragraph would be entered in the minutes as of the date of his approval.

The meeting then adjourned.

Secretary's Notes: A telegram was received today from the Federal Reserve Bank of Atlanta stating that the directors of that Bank had established, subject to review and determination by the Board of Governors, a rate of 3-1/2 per cent (rather than 3 per cent) on discounts for and advances to member banks under sections 13 and 13a of the

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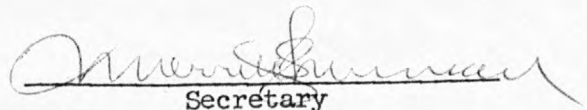
Federal Reserve Act, a rate of 4 per cent on advances under section 10(b), and a rate of 5 per cent on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13. Pursuant to the authorization given at the meeting on July 16, 1963, the Secretary informed the Federal Reserve Bank of Atlanta by telegram of the Board's approval of the rates established by the Bank's directors, effective July 24, 1963. A press statement was issued at 4:00 p.m., EDT, all Reserve Banks and branches were notified by telegram, and arrangements were made for publication of a notice in the Federal Register.

Governor Shepardson approved on behalf of the Board on July 22, 1963, the following items:

Letter to the Federal Reserve Bank of Philadelphia regarding arrangements for the assignment to the Board's Division of Examinations of William J. McCuen, Jr., an assistant examiner for that Bank, for a period of approximately three months beginning on or about August 19, 1963, with the understanding that during his assignment in Washington, Mr. McCuen would be designated as Federal Reserve Examiner and that the Reserve Bank would absorb his salary and travel expenses.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 5) approving the designation of James E. Edwards as special assistant examiner.

Governor Shepardson today approved on behalf of the Board a memorandum from the Division of Administrative Services recommending the appointment of Bert Harvey as Cafeteria Laborer in that Division, with basic annual salary at the rate of \$3,245, effective the date of entrance upon duty.

  
Secretary

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

Item No. 1  
7/23/63

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 23, 1963

Board of Directors,  
Bank of Idaho,  
Boise, Idaho.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Bank of Idaho, Boise, Idaho, in the downtown business district of Nampa, Idaho, provided the branch is established within six months from the date of this letter.

The Board notes that Vice President Galvin of the Federal Reserve Bank of San Francisco emphasized in his letter to you of July 2, 1963, the need for further strengthening the bank's capital position. The Board strongly concurs in Vice President Galvin's comments in this regard.

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.)

UNITED STATES OF AMERICA

Item No. 2  
7/23/63

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

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In the Matter of the Application of

WILMINGTON TRUST COMPANY

for approval of acquisition of  
assets of the Camden Office of  
Baltimore Trust Company  
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## ORDER APPROVING ACQUISITION OF BANK'S ASSETS

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 Wilmington Trust Company, Wilmington, Delaware, a member bank of the Federal Reserve System, for the Board's prior approval of its acquisition of assets of and assumption of deposit liabilities in the Camden Office of Baltimore Trust Company, Selbyville, Delaware, and, as an incident thereto, Wilmington Trust Company has applied, under section 9 of the Federal Reserve Act, for the Board's prior approval of the establishment of a branch by that bank at the present location of the Camden Office (Camden, Delaware) of Baltimore Trust Company. Notice of the proposed acquisition of assets and assumption of deposit liabilities, in form approved by the Board of Governors, has been published pursuant to said Bank Merger Act.

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Upon consideration of all relevant material, including the 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 transaction,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said applications be and hereby are approved, provided that said acquisition of assets and assumption of deposit liabilities and establishment of a branch shall not be consummated (a) within seven calendar days following the date of this Order, or (b) later than three months after said date.

Dated at Washington, D. C., this 23rd day of July, 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

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Merritt Sherman,  
Secretary.

(SEAL)



Item No. 3  
7/23/63BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEMAPPLICATION OF WILMINGTON TRUST COMPANY  
FOR PRIOR APPROVAL OF ACQUISITION OF ASSETS OF  
CAMDEN OFFICE OF BALTIMORE TRUST COMPANYSTATEMENT

Wilmington Trust Company, Wilmington, Delaware ("Wilmington Trust"), with deposits of about \$351 million,\* has applied pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of its acquisition of assets and assumption of the deposit liabilities of approximately \$2.7 million\* of the Camden Office of the Baltimore Trust Company, Selbyville, Delaware ("Baltimore Trust"), with deposits of \$14.9 million.\* Incident to such application, Wilmington Trust also has applied, under section 9 of the Federal Reserve Act (12 U.S.C. 321), for the Board's prior approval of the establishment of a branch in Camden, Delaware, at the present location of the Camden Office of Baltimore Trust. This would increase the number of offices operated by Wilmington Trust from 15 to 16. In addition, Wilmington Trust has received approval to establish a branch at Dover, Delaware, which is not yet operative.

\* Deposit figures as of December 28, 1962.

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. - The financial condition and management of Wilmington Trust are satisfactory, its capital structure is adequate, and it has a good earnings record. Continuance of these attributes would not be adversely affected by the proposed transaction.

Baltimore Trust also has a satisfactory financial condition and an adequate capital structure. The bank is managed by capable personnel and its over-all earnings are satisfactory. The Camden Office, however, has a poor earnings record. Its ratio of net profits to total assets for 1962 was only 40 per cent of the average for banks with a comparable volume of deposits in the Third Federal Reserve District. This is attributable, at least in large measure, to the conservative policy under which the branch is operated. For example, the branch operates under the supervision of 10 directors who meet

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biweekly to pass on loan applications under restrictive loan-amount limitations noted below. The branch has no officer authorized to grant loans.

The main office of Baltimore Trust is located 52 miles southeast of the Camden Office. The Camden Office faces keen competition from several progressively managed banking offices in the Camden-Dover area, which is becoming more industrialized and less dependent on agriculture. Management of Baltimore Trust has indicated that it does not believe it to be expedient for that relatively small bank, which serves primarily the southern, agricultural part of the State, to continue to operate the Camden Office; and there is no evidence that Baltimore Trust contemplates any changes in its management policy for its Camden Office.

Under the progressive management of Wilmington Trust, with its greater experience in servicing needs of the kinds developing in the Camden-Dover area, it is expected that the Camden Office would become a more efficient and economic operation.

No inconsistency with the purposes of 12 U.S.C., Ch. 16, is indicated.

Convenience and needs of the communities. - The Camden Office of Baltimore Trust is the only banking facility in Camden (1960 population 1,125), which is centrally located in Kent County about four miles south of Dover (1960 population 7,250), the capital of Delaware and the seat of the County. The area between Camden

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and Dover is substantially settled residentially, and the town of Wyoming (1960 population 1,170) lies only one mile northwest of Camden and is essentially a part of the Camden-Dover area, the total population of which exceeds 20,000. The proposed transaction affects only the banking needs and convenience of the Camden-Dover area.

Since the end of World War II, the Camden-Dover area has been changing from an essentially agricultural environment to an area of growing population and industrialization. The population of the area has about doubled in the past decade. Evidencing the area's industrial growth, a nationally-known company is constructing a plant on the southern outskirts of Dover which will employ between 1,200 and 1,700 local residents.

While the Camden Office has served its community as an essentially agricultural one fairly well, it operates under restrictive policies and procedures not ordinarily applicable in branch operations. Among other things, the branch has a management-imposed limitation of \$10,000 on unsecured loans and a \$25,000 limit on secured loans as compared to the legal lending limit of \$220,000 and \$550,000, respectively. In addition, the branch offers no installment lending or trust services, limits mortgage loans on real estate to maturities of 10 to 12 years, and interest rates on loans are not flexible. The conservative operation of the branch has prevented it from satisfying frequent requests for bank services and credit. The

types of service and credit increasingly required by the changing and expanding Camden-Dover area are more comprehensive than Baltimore Trust is prepared to make available at its Camden Office.

In the Camden-Dover area are one relatively small bank and five offices of four larger banks in addition to the Camden Office of Baltimore Trust. Consummation of the transaction, however, would make available in Camden the branch of a large commercial bank at which there would be more conveniently available to the residents of the town and its immediate vicinity a full line of consumer loans, home mortgages with maturities extending to 20 years, a loan limit in excess of \$3 million, flexible interest rates geared to type, size, and quality of the loan, and facilities of a large, competently managed trust department. More generally, consummation of the transaction also would make the Camden Office a convenient alternative source of a full range of commercial banking and trust services which would be expected to contribute to the growth and expansion of the Camden-Dover area.

Competition. - There is no competition between Baltimore Trust's Camden Office and any office of Wilmington Trust. Wilmington Trust, with most of its offices in New Castle County, has no office nearer to Camden than its branch at Milford, which is 17 miles southeast of Camden on the boundary between Kent County and Sussex County. The operations of the Milford branch are oriented primarily toward the latter County.

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The proposal would eliminate some potential competition between the Camden Office and the de novo branch which Wilmington Trust was recently authorized to establish at Dover, but which is not yet in operation. This potential competition would be limited by the fact that a branch of Delaware's third largest commercial bank is situated between the Camden Office and the proposed site of the de novo branch. In addition, the banking services available at the Camden Office are markedly more limited than the full range of commercial banking service available at branches of Wilmington Trust. With 69 per cent of its total deposits in time deposits, the Camden Office may be likened to a savings bank. Although in existence for 60 years, the Camden Office has the smallest total deposits of any of the seven banking offices in the Camden-Dover area.

Although Delaware's largest commercial bank, Wilmington Trust has not heretofore been represented in the Camden-Dover area in which its three principal state-wide competitors have five offices. The acquisition by Wilmington Trust of an established banking office in Camden would intensify banking competition in the Camden-Dover area, and bring better balance to the banking structure of Delaware.

Consummation of the transaction would bring the relatively small bank in Wyoming into competition with Wilmington Trust for the first time. The Wyoming bank, however, has demonstrated its ability to compete successfully with branches of the larger banks already in the Camden-Dover area and, therefore, would not be expected to be adversely affected by the proposal.

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The four largest banks in Delaware held 69 per cent of the total banking offices and 89 per cent of the total commercial bank deposits of the State as of December 28, 1962. Wilmington Trust was the largest with 20 per cent of the total banking offices and 43 per cent of total deposits as of the same date. Such concentration of banking resources is obviously high, even after taking into account questions that may properly be noted as to whether the State is the most appropriate area to be considered. Through the subject acquisition, Wilmington Trust's share of the total deposits of commercial banks in Delaware would be increased by .3 per cent. While the degree of concentration is an important consideration, the Board concludes that this slight degree of increase does not require denial of the application in view of all the present circumstances, including the fact that only one branch and not an entire bank is being absorbed.

Summary and conclusion. - Substitution of a branch of Wilmington Trust, the largest commercial bank in Delaware, for the unaggressive, limited-service branch of Baltimore Trust in Camden, would provide better banking services in Camden and contribute beneficially to the changing and expanding Camden-Dover area. No present competition exists between the Camden Office and Wilmington Trust, and the potential competition between them which may be eliminated would not be significant. Wilmington Trust, which would acquire .3 per cent of the total deposits of commercial banks in

Delaware, would be enabled to compete for the first time in the Camden-Dover area with the other three largest Delaware banks competing on a state-wide basis.

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

July 23, 1963.



Item No. 4  
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## DISSENTING STATEMENT OF GOVERNOR ROBERTSON

The Board's approval of the application in this case seems virtually to ignore the fact that "the increases in the sizes of the largest banks, particularly those which have grown through mergers" were a major concern of the Congress in enacting the statute.

(S. Rep. No. 196, April 17, 1959, p. 8; H. Rept. No. 1416, March 23, 1960, p. 5) The views of the majority of the Board in this matter

prompt me to observe, as I did In the matter of the application of

Liberty Bank and Trust Company for approval of merger with The First

National Bank of Batavia, 1963 Federal Reserve Bulletin, page 17, that

"To hold, in these circumstances, that the transaction is in the public interest (as the majority does) leaves the statute without any real meaning or effect and makes it an instrument conducive to further concentration of banking resources rather than an effective regulation to curb mergers and thereby counter the trend toward concentration of banking resources, which occasioned enactment of the statute."

Wilmington Trust, which holds 45 per cent of the total IPC deposits of all commercial banks in Delaware, is more than twice the size of the second largest commercial bank in the State. During the past 12 years, 10 of the 15 offices now operated by the bank were acquired by it through merger with eight commercial banks scattered throughout Delaware's three counties. Half of these mergers have been consummated in the past four years.

The way is now clear for Wilmington Trust to acquire yet another established banking office, and this notwithstanding the fact

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that the bank recently received approval for a de novo branch which, when established, will be located in Dover less than four miles from the Camden Office being acquired from Baltimore Trust. The competition that would have existed between the latter office and the de novo branch thus dies aborting, as Wilmington Trust further augments its dominance in the highly concentrated Delaware commercial banking structure in which the four largest banks - which compete on a State-wide basis - operate 69 per cent of the total banking offices and hold 89 per cent of the total deposits. Of the remaining 16 banks in Delaware, none holds more than two per cent of the total deposits. The number of commercial banking offices in Delaware has declined over 52 per cent since 1957.

In my view, considerations such as those just discussed require the disapproval of an application under the Bank Merger Act unless offset by reasons for approval very much more persuasive than anything that I have been able to discover in the record of this case.

The acquisition which the Board has approved does not involve a "problem bank" nor is it a "rescue operation". Baltimore Trust is a viable institution, whose Camden Office - despite its overly conservative operation - obviously fulfills certain banking needs in the Camden area, as evidenced by the continuing, although modest, deposit growth. In view of the increased industrialization and population growth that is occurring in the Camden-Dover area, I am completely unconvinced that the Camden Office of Baltimore Trust need find itself without benefits from the area's favorable economic prospects.

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It may well be that the Camden Office might be more efficiently or otherwise better operated as the branch of a larger bank. The transaction obviously would afford to Wilmington Trust ample opportunity to preserve its dominance over the other three large Delaware banks, each of which has already established offices in the Camden-Dover area. It is recognized also that the proposal would not eliminate an independent bank as such, and that the share of the State's total bank deposits of the Camden Office is only .3 per cent.

Regardless of the weight to which such points as these might be entitled in other situations, they are far overshadowed here by the critical degree of dominance and concentration already existing in the banking structure in the State of Delaware. In any event, there is no evidence in the record that the banking needs and convenience of the Camden-Dover area are not now being adequately met by conveniently located alternative sources of banking services of varying sizes, or that the banking needs and convenience of the area will not be adequately fulfilled in the absence of the transfer of the Camden Office of Baltimore Trust to Wilmington Trust.

In my view, a consideration of the factors enumerated in the Bank Merger Act does not warrant a finding that the transaction is in the public interest, and I would, therefore, disapprove the application.

July 23, 1963.

2401

Item No. 5  
7/23/63

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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



July 23, 1963

CONFIDENTIAL (FR)

Mr. John L. Nosker, Vice President,  
Federal Reserve Bank of Richmond,  
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of July 15, 1963, the Board approves the designation of James E. Edwards as a special assistant examiner for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of State member banks except Bank of Powhatan, Incorporated, Powhatan, Virginia.

The authorization heretofore given your bank to designate Mr. Edwards as a special assistant examiner is hereby canceled.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.