

Minutes for October 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 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

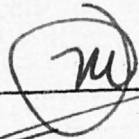
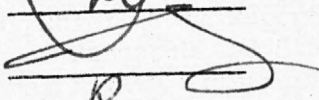

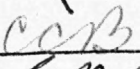
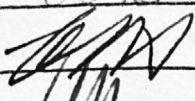
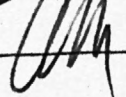
Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, October 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. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Farrell, Director, Division of
Bank Operations
Mr. Solomon, Director, Division of
Examinations
Mr. Connell, Controller
Mr. Hexter, Assistant General Counsel
Mr. Conkling, Assistant Director, Division
of Bank Operations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Mattras, General Assistant, Office of the
Secretary
Mr. Hricko, Senior Attorney, Legal Division
Mr. Doyle, Attorney, Legal Division
Mr. Eckert, Chief, Banking Section, Division
of Research and Statistics
Mr. Axilrod, Senior Economist, Division of
Research and Statistics
Mr. Veenstra, Chief, Call Report Section,
Division of Research and Statistics
Mr. Poundstone, Review Examiner, Division
of Examinations

Discount rates. The establishment without change by the
Federal Reserve Banks of Atlanta and Kansas City on October 21, 1963,
of the rates on discounts and advances in their existing schedules was
approved unanimously, with the understanding that appropriate advice
would be sent to those Banks.

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Report on competitive factors (Lancaster, Pennsylvania).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Lancaster County National Bank, Lancaster, Pennsylvania, and Farmers Bank and Trust Company of Lancaster, Lancaster, Pennsylvania.

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

The consolidation of The Lancaster County National Bank and Farmers Bank and Trust Company would eliminate the considerable degree of competition currently existing between them. It would also reduce the number of unit banks and the banking options available to the residents of the area. While the resulting bank would not be large enough to dominate banking in the area, it would be in a position to exert considerable pressure upon the other banks, both in the city of Lancaster and the over-all competitive area.

The over-all effect of the proposed consolidation on competition would be adverse.

Report on competitive factors (Norfolk-Franklin, Virginia).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Tidewater Bank & Trust Company, Franklin, Virginia, into Virginia National Bank, Norfolk, Virginia.

Following a discussion with reference to the trend toward concentration of banking resources through branching and holding company systems in the State of Virginia, including the compatibility of the proposed report with actions taken by the Board in that State on holding

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company applications, the report was approved unanimously for transmission to the Comptroller. The conclusion read as follows:

There is virtually no direct competition existing between Virginia National Bank and Tidewater Bank & Trust Company. However, Virginia National attracts correspondent business from a wide region and solicits accounts from large national and regional corporations that operate in the service areas of both banks.

Virginia National is the second largest bank in the State and the dominant bank in eastern and central Virginia. The conversion of Tidewater Bank into a branch of Virginia National would increase the existing significant concentration of area deposits in Virginia National and expand its geographical coverage in the eastern section of the State. It would also further concentrate banking resources in Virginia.

The over-all effect of the proposed merger on competition would be adverse.

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

Letter to Wells Fargo Bank International Corporation, San Francisco, California, granting permission to purchase shares of China Development Corporation, Taipei, Taiwan, China.

Mr. Koch, Associate Director, and Mr. Holland, Adviser, Division of Research and Statistics, entered the room at this point.

Foreign branches of U. S. banks (Item No. 2). There had been distributed a memorandum from the Legal Division and the Division of Examinations dated October 11, 1963, with regard to the procedure for handling notices of intent to establish additional branches by national or State member banks that already had established a branch or branches in a given foreign country. The memorandum had been prepared in connection

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with a notice from Bank of America National Trust and Savings Association, San Francisco, of its intent to establish an additional branch in Hong Kong.

The memorandum noted that the recently revised Regulation M, Foreign Branches of National Banks, provided for a procedure whereby a national bank with an established branch in a particular foreign country could, unless otherwise advised by the Board, establish other branches in that country after 30 days' notice to the Board with respect to each additional branch. A similar procedure with regard to State member banks was incorporated in Regulation H, Membership of State Banking Institutions in the Federal Reserve System.

In keeping with these provisions, it was felt that the Board might wish to avoid formal consideration of such additional branches except in unusual circumstances. It was therefore suggested that as a routine procedure the Division of Examinations could prepare a memorandum upon receipt of advice of intent to establish an additional branch, which memorandum would include information from call or examination reports concerning the business at the branch or branches already being operated in the particular foreign country, together with comment about other U. S. banks with branches in the city where the proposed branch was to be established. This memorandum, together with a proposed letter of acknowledgment, could be sent to the Secretary's Office.

It was suggested that the Board might then wish to follow one of two alternative ways of handling routine cases. The first would be

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to have the letter of acknowledgment mailed from the Secretary's Office without having been brought to the Board's attention for formal consideration, thus leaving it to the discretion of the staff to bring to the Board's attention only those cases in which questions seemed to be involved concerning the propriety of a proposed branch. A second alternative would be to have letters of acknowledgment placed in circulation to the Board members, accompanied by the explanatory background memorandum. The letters would thereafter be mailed by the Secretary's Office unless a case was noted by some Board member for consideration at a Board meeting.

In reply to a question, Mr. Goodman stated that as previously agreed upon by the Board, the filing of notices of intent to establish additional branches would appear on the weekly K.2 release, which would also contain an announcement later reflecting the disposition of the matter.

Governor Robertson expressed the view that it would be useful to have the Board also provided with a quarterly summary of additional foreign branches established, and Mr. Goodman stated that a quarterly supplement could be provided in addition to the statement on foreign branches now prepared annually.

The Board then indicated agreement with the procedure proposed in the first alternative. A copy of the letter sent to Bank of America National Trust and Savings Association noting its intent to establish an additional branch in Hong Kong is attached to these minutes as Item No. 2.

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Mr. Doyle then withdrew and Mr. Young, Adviser to the Board and Director, Division of International Finance, entered the room.

Application of Peoples Trust Company of Bergen County (Items 3, 4, and 5). Pursuant to the decision reached at the meeting on October 10, 1963, there had been distributed a proposed order and statement reflecting the Board's approval by majority vote of the application of Peoples Trust Company of Bergen County, Hackensack, New Jersey, for permission to merge with Palisades Trust Company, Englewood, New Jersey.

The issuance of the order and statement was authorized; copies of the documents, as issued, are attached to these minutes as Items 3 and 4. A copy of the letter sent to Peoples Trust Company of Bergen County in connection with this matter is attached as Item No. 5.

Application of West Branch Bank and Trust Company (Items 6, 7, and 8). Pursuant to the decision reached at the meeting on October 14, 1963, there had been distributed a proposed order and statement reflecting the Board's approval by majority vote of the application of West Branch Bank and Trust Company, Williamsport, Pennsylvania, for permission to merge with Bank of Newberry, Williamsport, Pennsylvania, under the title Northern Central Bank and Trust Company. A dissenting statement by Governor Robertson had also been distributed.

The issuance of the order, statement, and dissenting statement was authorized, with the understanding that the majority statement would be revised to incorporate one minor change agreed to at this

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meeting. Copies of the order, statement, and dissenting statement, as issued, are attached to these minutes as Items 6, 7, and 8.

Pending applications. At the instance of Governor Robertson, Mr. Leavitt reviewed the status of certain pending merger applications and factors complicating their processing. He and Mr. Solomon indicated that the delays on these cases, and on certain holding company cases to which Governor Robertson also had referred, were attributable to factors inherent in the respective applications rather than to manpower difficulties within the Division of Examinations.

Mr. Hricko then withdrew from the meeting.

Call report (Item No. 9). There had been distributed a memorandum from the Division of Bank Operations dated October 21, 1963, with reference to changes made by the Comptroller of the Currency in the national bank call report of condition, and to possibilities for achieving uniformity in the year-end call forms. (Memoranda dated September 27 and October 11, 1963, had previously been circulated to the Board.) It was noted that members of the Board's staff had discussed this matter at meetings, most recently on October 17, 1963, with representatives of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the National Association of Supervisors of State Banks.

According to the October 21 memorandum, the prospect of achieving some degree of uniformity in the year-end call report forms seemed remote. Question had been raised by a representative of the

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Comptroller regarding certain changes that might tend in such direction. At the same time, the National Association of Supervisors of State Banks had taken an action that would prevent any changes being made in the year-end form of individual States. It was indicated, however, that the Association would consider revisions in the form for mid-year 1964.

There was submitted with the memorandum from the Division of Bank Operations a draft of a memorandum that might be sent from Mr. Conkling to the Comptroller's Office regarding the question that had been raised by the Comptroller's representative at the October 17 meeting. The proposed reply would note the position taken by the National Association of Supervisors of State Banks and would state that the Board would not unilaterally cancel for one call date the joint publication arrangements developed over the years with most of the States. Nor would it burden State banks with dual publication, or with dual reporting on one form for statistical purposes and on another form for required publication purposes. The view would also be presented that it would not seem worthwhile to submit piecemeal revisions in the call report form to the Bureau of the Budget and its Advisory Committee. In these circumstances, and having in mind the collection of usable and consistent statistics at year end, question would be raised about the feasibility of the use of a slip sheet that would reconcile the differences between a national bank report as submitted and as it would have been submitted if the previous form had been used.

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In discussion, Mr. Conkling reviewed the present status of the matter and various alternatives that might be considered, none of which appeared to be particularly satisfactory.

Governor Mitchell then raised with Mr. Conkling a series of questions which he prefaced by recalling that he had taken the position earlier that the System's statistical objectives should be severed from the call report. This not having been done, however, he inquired as to the extent that the System's statistical needs could be met through the call report form that the Comptroller proposed to use at year end. From the detailed comments made in reply by Mr. Conkling, it appeared that the statistical purposes could be served and that the principal problem was one of reconciliation of the different forms for tabulating purposes. This problem was, of course, complicated by the positions taken, respectively, by the Comptroller and by the National Association of Supervisors of State Banks. It further appeared that if the difficulties involved in tabulating the year-end call reports could be resolved, for example, through use of the proposed slip sheet, the way would be left open for further negotiations looking toward the possibility of uniformity in the call report forms at mid-year 1964.

At the conclusion of the discussion, Mr. Conkling was authorized to send the proposed memorandum to the Office of the Comptroller of the Currency in a form reflecting certain editorial changes that had been suggested. A copy of the memorandum, as sent, is attached to these minutes as Item No. 9.

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Messrs. Conkling and Veenstra then withdrew from the meeting.

Survey of bank loans to foreigners. Mr. Young advised that in connection with the consideration being given to the proposed interest equalization tax, now pending in the Congress, there had been an indication that the Treasury Department might ask the Federal Reserve to conduct a benchmark survey of bank loans to foreigners. Such loans would not be covered by the interest equalization tax in its present form. It appeared to be the Treasury's thinking that the exemption should be retained and, if anything, some form of moral suasion utilized. In the event the Treasury should come forward with a request for a survey, the time element would be important. In view of this, it would seem prudent for the Board's staff to proceed with the planning of the survey so that it could be conducted promptly if requested and authorized.

A general discussion followed during which various questions were raised with regard to the envisaged coverage of the survey. A view was expressed by some members of the Board that this would appear to be a type of information that should be collected by the Federal Reserve on its own initiative, not only on a benchmark but also on a continuing basis. At the conclusion of the discussion, it was understood that the staff would consider the matter further and undertake such preparatory work for a survey as might seem indicated, with the understanding that the suggestions that had been made regarding collection by the Federal Reserve of statistics of this kind would be taken into account.

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Messrs. Young, Koch, Holland, Goodman, Eckert, Axilrod, and Poundstone then withdrew from the meeting.

Federal Reserve notes. There had been distributed a memorandum from the Division of Bank Operations dated October 22, 1963, with regard to a suggestion from the Bureau of Engraving and Printing that some or all of the Federal Reserve Banks might like to have the 32 bills comprising the first sheet of their new one-dollar Federal Reserve notes mounted on an exhibit board and covered with plastic. While the bills would be cut, the mounting would be done in such a way as to give the appearance of an uncut sheet. (On October 21, 1963, the Board had sent a telegram to the Federal Reserve Banks regarding a suggestion that low-numbered notes of the new one-dollar series might be retained in the archives of the Reserve Banks and the Board, and the views of the Banks were requested.) The question presented was whether the views of the Reserve Banks should be solicited on the exhibit proposal of the Bureau of Engraving and Printing.

After discussion, it was agreed that the Bureau should be advised orally that, although its interest in the matter was appreciated, adoption of the proposal might involve difficulties and that the Board therefore had decided against requesting the Bureau to go forward with the project.

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

Director appointments. The following actions were taken with respect to the appointment of Chairmen, Deputy Chairmen, and Class C

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directors at Federal Reserve Banks and the appointment of directors at Federal Reserve Bank branches, with the understanding that advice of the appointments would be sent to the respective appointees at an appropriate time and that public announcement would be made near the end of the year in accordance with the usual practice:

The following were reappointed as Class C directors of the Federal Reserve Banks indicated, each for a three-year term beginning January 1, 1964:

<u>Name</u>	<u>Bank</u>
William Webster	Boston
Everett N. Case	New York
Walter E. Hoadley	Philadelphia
William H. Grier	Richmond
John W. Sheldon	Chicago
Judson Bemis	Minneapolis
Homer A. Scott	Kansas City
John D. Fredericks	San Francisco

The following were reappointed as directors of the Federal Reserve Bank branches indicated, each for a three-year term beginning January 1, 1964:

<u>Name</u>	<u>Branch</u>
Thomas E. LaMont	Buffalo
Walter C. Langsam	Cincinnati
G. L. Bach	Pittsburgh
Harry B. Cummings	Baltimore
J. Ollie Edmunds	Jacksonville
Max P. Heavenrich, Jr.	Detroit
Frederick P. Blanks	Little Rock
Edward B. LeMaster	Memphis
Max Levine	Houston
G. C. Hagelstein	San Antonio

The following were reappointed as directors of the Federal Reserve Bank branches indicated, each for a two-year term beginning January 1, 1964:

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<u>Name</u>	<u>Branch</u>
Robert T. Person	Denver
James E. Allison	Oklahoma City
John T. Harris	Omaha
Graham J. Barbey	Portland
Howard W. Price	Salt Lake City

The following were designated as Chairmen and Federal Reserve Agents of the Federal Reserve Banks indicated for the year 1964, with compensation fixed at an amount equal to the fees that would be payable to any other director of the same Bank for equivalent time and attendance to official business:

<u>Name</u>	<u>Bank</u>
Erwin D. Canham	Boston
Philip D. Reed	New York
Walter E. Hoadley	Philadelphia
Joseph B. Hall	Cleveland
Edwin Hyde	Richmond
Jack Tarver	Atlanta
Robert P. Briggs	Chicago
Raymond Rebsamen	St. Louis
Atherton Bean	Minneapolis
Homer A. Scott	Kansas City
Robert O. Anderson	Dallas
F. B. Whitman	San Francisco

The following were appointed as Deputy Chairmen of the Federal Reserve Banks indicated for the year 1964:

<u>Name</u>	<u>Bank</u>
William Webster	Boston
James DeCamp Wise	New York
David C. Bevan	Philadelphia
Logan T. Johnston	Cleveland
William H. Grier	Richmond
James H. Hilton	Chicago
J. H. Longwell	St. Louis
Judson Bemis	Minneapolis
Dolph Simons	Kansas City
John D. Fredericks	San Francisco

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At the end of this year, Mr. Henry N. Anderson would have completed six full years of service as a director of the Seattle Branch and therefore would not be eligible for reappointment under the Board's rotation policy. In the circumstances, it was agreed to ascertain through the Chairman of the Federal Reserve Bank of San Francisco whether William McGregor, Vice President of McGregor Land and Livestock Company, Hooper, Washington, would accept appointment if tendered as a director of the Seattle Branch for the two-year term beginning January 1, 1964, with the understanding that if he would accept the appointment would be made, with announcement toward the end of the year. It was also agreed that if it were found that Mr. McGregor would not be available, a similar procedure would be followed with respect to Worth B. Fowler, President of American Mail Line, Ltd., Seattle, Washington.

Secretary's Note: In view of a question raised with respect to the availability of Mr. Bach for reappointment as a director of the Pittsburgh Branch because of his announced plans for the academic year, a check was made with President Hickman of the Federal Reserve Bank of Cleveland, from which it developed that Mr. Bach would be available for reappointment if tendered.

Visit of ABA group. A luncheon was authorized at the Federal Reserve Building on Monday, December 16, 1963, for officers and executive committee members of the National and State Bank Divisions of the American Bankers Association, with the understanding that the luncheon would be followed by a conference with available members of the Board.

The meeting then adjourned.

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

Salary increases, effective October 27, 1963

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Cleo J. Kray, Records Clerk		\$ 4,110	\$ 4,250
<u>Research and Statistics</u>			
Ketty Anagnos, Statistical Assistant		4,565	4,725
Mary Janice Krummack, Economist		6,675	6,900
Virginia Lambert, Secretary		5,525	5,685
<u>International Finance</u>			
Ruth Logue, Economist		10,735	11,050
Ann N. Vermeulen, Clerk		4,250	4,390
<u>Administrative Services</u>			
Bishop Hart, Bindery Worker		6,136	6,448
James H. Lowden, Cafeteria Laborer		3,350	3,455
<u>Foreign travel</u>			

Ralph A. Young, Adviser to the Board and Director, Division of International Finance, to travel to Paris, France, during the period November 1-7, 1963, for the purpose of attending the regular meetings of Working Party 3 and the Economic Policy Committee of the Organization for Economic Cooperation and Development and meeting, in addition, with representatives of the Bank of England and British Treasury. It was understood that a hotel suite would be reserved for the purpose of the latter meeting and that reimbursement to Mr. Young would be made on the basis of expenses incurred during the travel, including an allowance for official entertainment.

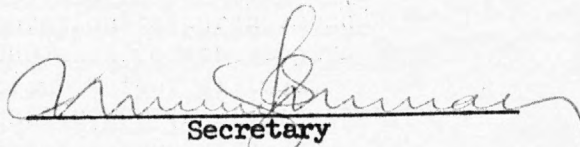
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Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board the following items:

Letter to the Vice Governor of the Bank of Spain accepting his invitation for the Board to exchange economists with that institution, with the understanding that each institution would provide for the expenses of its own economist, and advising that Rodney Mills, Economist in the Board's Division of International Finance, had been designated to visit the Bank of Spain for a period of one month during 1964 under this program.

Memorandum dated October 22, 1963, from Mr. Furth, Adviser in the Division of International Finance, recommending that a new position of Senior Economist be established in the Europe and British Commonwealth Section in that Division, that a budget position in the Special Studies and Operations Section be abolished, and that Boris C. Swerling, Senior Economist, be transferred from the position in the Special Studies and Operations Section to the new position in the Europe and British Commonwealth Section.


Secretary

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

Item No. 1
10/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1963.

Wells Fargo Bank International Corporation,
464 California Street,
San Francisco, California.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of October 10, 1963, transmitted through the Federal Reserve Bank of San Francisco, the Board of Governors grants its specific consent, pursuant to Section 211.8(b) of Regulation K, for Wells Fargo Bank International Corporation to purchase and hold 4,800 shares, par value NT\$1,000 each, of the capital stock of China Development Corporation, Taipei, Taiwan, China, at a cost of approximately US\$140,000 (equivalent), provided such stock is acquired within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

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Item No. 2
10/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1963.

Bank of America National Trust
and Savings Association,
300 Montgomery Street,
San Francisco, California.

Gentlemen:

This will acknowledge your letter of September 18, 1963
(received September 30, 1963), advising, pursuant to Regulation M,
of your intention to establish a branch in Kowloon, Colony of Hong
Kong.

Unless the branch is actually established and opened for
business on or before November 1, 1964, it will be deemed that
plans for its establishment have been abandoned, in which event
authority to establish the branch under the notice furnished in
your letter of September 18, 1963, will automatically terminate.

Please inform the Board of Governors, through the Fed-
eral Reserve Bank of San Francisco, when the branch is opened for
business, furnishing information as to the exact location of the
branch. The Board should also be promptly informed of any future
change in location of the branch.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
PEOPLES TRUST COMPANY OF BERGEN COUNTY
for approval of merger with
Palisades Trust Company

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by Peoples Trust Company of Bergen County, Hackensack, New Jersey, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and Palisades Trust Company, Englewood, New Jersey, under the charter and title of the former. As an incident to the merger, the three offices of Palisades Trust Company would become branches of Peoples Trust Company of Bergen County. 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 approved,
provided that said merger shall not be consummated (a) within seven
calendar days after the date of this Order or (b) later than three
months after said date.

Dated at Washington, D. C., this 23rd day of October, 1963.

By order of the Board of Governors.

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

Voting against this action: Governors Robertson
and Mitchell.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION BY PEOPLES TRUST COMPANY OF
BERGEN COUNTY FOR APPROVAL OF MERGER
WITH PALISADES TRUST COMPANY

STATEMENT

Peoples Trust Company of Bergen County, Hackensack, New Jersey ("Bergen County Bank"), with deposits of \$199 million,* has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the merger of that bank and the Palisades Trust Company, Englewood, New Jersey ("Englewood Bank"), with deposits of \$32 million,* under the charter and title of the applicant bank. The proposal contemplates that the three existing offices of Englewood Bank would become branches of the resulting bank, increasing the number of its offices from 13 to 16.

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

* Deposit figures as of March 31, 1963.

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 histories of both banks are satisfactory. Englewood Bank's financial condition is good and its capital structure is considered fairly adequate. However, low earnings have been a problem at Englewood Bank for several years. Net operating earnings have consistently been below the average of member banks of comparable size in the Second Federal Reserve District, in which it is situated. Prospects for any marked improvement in earnings do not appear to be favorable.

The management of Englewood Bank is regarded as satisfactory. A management succession problem exists, as there is no apparent successor to the chief executive officer, who is two years past the normal retirement age. Efforts to recruit competent younger officers for eventual senior responsibility have not been successful. It appears that the bank's low earnings record and marked differences of opinion within the Board of Directors as to the future course of the bank's policies apparently have posed formidable barriers to its securing successor management.

Bergen County Bank's financial condition is satisfactory, management is now considering means to strengthen its capital position, and future earnings prospects are favorable. The management of Bergen County Bank is competent and aggressive, and its training program for junior officers has provided management depth.

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

Convenience and needs of the communities. - Bergen County, wherein both banks are located, is in the northeastern part of New Jersey across the Hudson River from New York City, with which it is connected by the George Washington Bridge. The County has experienced a well-balanced residential, industrial, and commercial expansion; its 1960 population of 780,255 reflected an increase of 44.7 per cent since 1950. The areas in the general vicinity of Hackensack, where the head office and two branches of Bergen County Bank are located, have participated in this intensive industrial and retail trade development. Bergen County Bank also operates 10 other branches in as many communities in the western and central parts of the County.

Englewood Bank has its main office and one branch in the city of Englewood, which is located in the eastern portion of Bergen County. Its other branch is located in the adjoining town of Englewood Cliffs. Prior to World War II the Englewood area was a residential community occupied by people of substantial means. The postwar years, which brought industrial and commercial expansion to the area, also resulted in a change in the composition of the population, which now includes a much larger proportion of families in somewhat lower income brackets.

These changes have created a need for larger loans, specialized forms of personal credit, and a broader range of other banking services.

It appears that Englewood Bank, which has followed quite conservative policies, has failed to keep abreast of the development and changing needs of the community.

With respect to the industrial needs, Englewood Bank has a legal lending limit to any one borrower of \$197,000, while the resulting bank's lending limit would be \$1,550,000. Several firms doing international business have their headquarters in the Englewood area. The full line of industrial and commercial loans offered by Bergen County Bank and use of their foreign department would become conveniently available to these and other firms in the Englewood area.

The resulting bank would offer to the residents of the area such services as revolving check credit, college tuition loans, and investment advisory service, none of which is presently available from Englewood Bank. Although a number of these services can be secured from other banks in Bergen County, their availability in Englewood would be of convenience to its residents.

Competition. - The main offices of Bergen County Bank and Englewood Bank are about 5.5 miles apart. Branches of Englewood Bank are approximately 3 to 3.8 miles from the nearest offices of Bergen County Bank; however, offices of other commercial banks are located between them, which tends to limit direct competition between these two banks. Although there is a slight overlap of service areas, the competition between the two institutions is not particularly significant.

Bergen County Bank is the largest bank in the County, holding about 20 per cent of the total individual, partnership, and corporate deposits and loans. The proposed merger would increase that figure to about 23 per cent.

The principal impact on competition would be felt in Englewood. The chief competitors of Englewood Bank are Citizens National Bank of Englewood, with its head office one block away, and County Trust Company in Tenafly, located 2.3 miles north, which draws business from the northern part of Englewood. These well-established banks, both of which are substantially larger than Englewood Bank and aggressive competitors, should be able to compete effectively with offices of Bergen County Bank.

The Bergen County banks lie in the competitive shadow of the large New York City banks, which compete vigorously not only for industrial accounts but also for the banking and trust business of individual residents. An estimated 65,000 daily commuters from Bergen County to New York City afford these banks an excellent opportunity to reach a substantial part of the latter category of business through branches located in or near transportation and employment centers.

Savings and loan associations, life insurance companies, and personal loan companies offer considerable competition in their specialized fields.

The slight increase in banking concentration that would result from consummation of this proposal loses its prominence as an adverse

factor when viewed in the light of competition provided the Bergen County banks by banks in the adjoining counties and New York City and by the numerous nonbanking financial institutions.

Summary and conclusion. - The merger will provide the Englewood area with an aggressive alternative source of banking more attuned to the needs of the community than is the Englewood Bank.

Utilization of Bergen County Bank's competent executive staff would provide a solution for Englewood Bank's management succession problem.

Numerous banking alternatives that provide strong and effective competition would remain easily accessible to the residents and commercial firms of the Englewood area.

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

October 23, 1963.

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

Item No. 5
10/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1963



REGISTERED - RETURN
RECEIPT REQUESTED

Board of Directors,
Peoples Trust Company of Bergen County,
210 Main Street,
Hackensack, New Jersey.

Gentlemen:

The Board of Governors has approved the application, under the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior consent to the merger of Palisades Trust Company, Englewood, New Jersey, into Peoples Trust Company of Bergen County, Hackensack, New Jersey.

Enclosed are the Board's Order of this date, the accompanying Statement, and the press release on this action.

The need for additional capital for Peoples Trust Company of Bergen County has been brought to your attention by the New Jersey Department of Banking and Insurance. Approval of this merger application does not imply approval of the present capital structure, and the Board wishes to emphasize the need for strengthening of your bank's capital position. The proposed addition of \$2,756,250 to capital structure is a constructive step. However, in view of the prospects of continued rapid growth in Bergen County, which will undoubtedly be reflected in the further growth of your bank, consideration should be given to providing more than this amount of new capital.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of
WEST BRANCH BANK AND TRUST COMPANY
for approval of merger with
Bank of Newberry

ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by West Branch Bank and Trust Company, Williamsport, Pennsylvania, a State member bank of the Federal Reserve System, for the Board's approval of the merger of that bank and Bank of Newberry, Williamsport, Pennsylvania, under the charter of the former and with the title Northern Central Bank and Trust Company. As an incident to the merger, the office of Bank of Newberry would become a branch of the resulting bank. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation,

and the Department of Justice on the competitive factors involved in the proposed merger, and the information received at and in connection with the public proceeding which was ordered in this matter (28 Federal Register 9681) pursuant to the Board's Rules of Procedure (12 CFR 262.2(f)(3),

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated

- (a) within seven calendar days after the date of this Order or
- (b) later than three months after said date.

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

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 7
10/23/63

APPLICATION BY WEST BRANCH BANK AND TRUST COMPANY
FOR APPROVAL OF MERGER WITH BANK OF NEWBERRY

STATEMENT

West Branch Bank and Trust Company, Williamsport, Pennsylvania ("West Branch Bank"), with deposits of \$25 million,* has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's approval of the merger of that bank and Bank of Newberry, also of Williamsport, Pennsylvania, with deposits of \$11 million,* under the charter of the applicant bank and with the title Northern Central Bank and Trust Company. The proposal contemplates that the sole office of the Bank of Newberry would become a branch of the resulting bank, increasing the number of its offices to two.

To assist the Board in its consideration of the matter, a public oral presentation before members of the Board, pursuant to section 262.2(f)(3) of its Rules of Procedure, was ordered (28 Federal Register 9681) and conducted, at which representatives of West Branch Bank and Bank of Newberry presented views and other data in support of the application. There were no other appearances or requests to appear at the proceeding.

* Deposit figures as of December 31, 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 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 history and condition of both banks are satisfactory. The capital structure of West Branch Bank is adequate; however, the capital structure of Bank of Newberry is regarded by the Board as somewhat below the desirable level. The resulting bank's capital position would be reasonably satisfactory.

West Branch Bank has a good earnings record and its future earnings prospects are favorable. Although Bank of Newberry's earnings are regarded as only fair, efforts are being made by management to increase them. The resulting bank's earnings prospects are favorable and would appear to be enhanced by anticipated economies of operation and the larger lending capacity that would result from the merger.

Both banks are competently managed, and the union of their two staffs would provide a measure of depth in experienced executives that neither presently enjoys.

Convenience and needs of the community. - Williamsport, where both institutions are located, is the seat of Lycoming County, in north-central Pennsylvania. While the population of Williamsport, 41,967 in 1960, decreased during the decade preceding 1960, the population of the surrounding suburbs showed a modest increase. A large part of the County is forested and mountainous. Most of its approximately 110,000 residents are in the southern section, where Williamsport serves as the main trade center.

The economy of the Williamsport area is based principally on diversified industrial activity, with approximately 166 industrial establishments engaged in the production of furniture, leather goods, textiles, and transportation equipment. Through efforts of local community groups the "Williamsport Industrial Park" was established, and several new industrial plants have been located in this development.

The proposed merger would place the resulting bank in a position to serve, better than either existing bank, not only the credit needs generated by future industrial expansion but also those of existing concerns. The legal lending limit for one borrower would be \$250,000, as contrasted with the present lending limit of \$150,000 for West Branch Bank. In a number of cases during the past few years both banks, due to their low lending limits, have found it necessary to invite other banks to participate in making local loans.

West Branch Bank offers a wide range of banking services, including a trust department. Bank of Newberry does not offer fiduciary

services; these services would now be more conveniently available to residents of the Newberry section of Williamsport through the proposed branch.

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

Competition. - West Branch Bank holds approximately 20 per cent of the individual, partnership, and corporate deposits in Lycoming County. The resulting bank would hold approximately 29 per cent of such deposits and would become the largest in the County. The sole offices of the banks are located about 2 miles apart in the city of Williamsport, and competition exists between them.

There are 13 other commercial banks with head offices in Lycoming County. Ten of these banks, which are from 5 to 24 miles from the applicant bank, would experience little or no competitive effect from the proposed merger. They are located in small towns and maintain single offices; their services are usually restricted to their communities and the environs.

The principal competitors of the merging institutions are three other commercial banks in the immediate Williamsport area. Williamsport National Bank, which recently was authorized by the Comptroller of the Currency to establish a branch, has deposits about equal to that of West Branch Bank; the remaining two, which operate a total of three offices, are somewhat smaller, holding approximately 15 and 4 per cent of deposits in the County.

Nonbanking financial institutions are extremely active in Lycoming County and provide a significant amount of competition for real estate mortgage loans and installment loans. Within the past six years insurance and mortgage service companies have purchased real estate mortgage loans in the Williamsport area in excess of \$11 million. Two local savings and loan associations have withdrawable deposits of \$15 million and loans of \$14 million.

As the character of credit services rendered by West Branch Bank and Bank of Newberry are complementary in such areas as commercial and industrial, real estate, and consumer installment credit, the banking institution resulting from the proposed merger will be in a position to continue to offer the community a satisfactory range of credit facilities.

Summary and conclusion. - The merger will provide the resulting bank with aggregate resources and expanded management facilities that should enable it to meet the needs of its growing industrial community better than can either constituent bank. Strong and effective competition will continue to be maintained by a variety of banking and other financial institutions in the Williamsport area, which offer a wide range of services to the residents and businesses of the community. Accordingly, the Board finds the proposed merger to be in the public interest.

October 23, 1963.

DISSENTING STATEMENT OF GOVERNOR ROBERTSON

Item No 3836
10/23/63

I would deny the application for the reasons given in my Dissenting Statements in the matter of The Hackensack Trust Company (1963 Federal Reserve Bulletin 172) and in the matter of Peoples Trust Company of Bergen County (1963 Bulletin 324), where the fundamental facts as to diminution of competition and the lack of any proven community need for the increased services expected to result from the proposed mergers were similar to those in the present case.

The merger will not, contrary to the implication contained in the majority opinion, enable the bank to meet the credit needs of the larger industrial concerns. Participation of loans will still be necessary.

In the face of a prospective reduction in competition, the desire of a bank to become bigger more quickly than can be accomplished by natural growth is not in itself sufficient to justify approval of a merger, under the Merger Act of 1960.

October 23, 1963.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

3637
Item No. 9
10/23/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 23, 1963

MEMORANDUM FOR:

Mr. Sherman Shapiro, Senior Economist,
Office of the Comptroller of the Currency,
Main Treasury, Room 4454,
Washington, D. C. 20220

In response to your request at the October 17 meeting of representatives of the three Federal bank supervisory agencies and Mr. Hospelhorn of the NASSB, I presented to the Board of Governors your inquiry whether it would favor a requirement that State member banks, at the forthcoming call, should publish their loans and investments gross with valuation reserves being set forth in the format used in the September 30 call on national banks (the only difference being that your Item 30, total valuation reserves, would be extended, thus separating liabilities, valuation reserves, and capital into three distinct categories).

The Board was not requested to consider the relative merits of the proposed reporting of valuation reserves and the related assets, but only the practicality of this type of reporting by State member banks for the purpose of obtaining uniform and consistent member bank statistics at the forthcoming call. It has authorized me to report to you and the other conferees:

The Board understands that the National Association of Supervisors of State Banks, at its recent

Mr. Sherman Shapiro

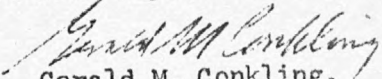
- 2 -

Williamsburg meeting, took action to prevent any changes being made in the year-end forms of individual States; but that the Association would consider revisions in the form for midyear 1964. In the circumstances the Board would not unilaterally cancel, for this one call date, the joint publication arrangements developed over the years with most of the States; nor would it burden State banks with the dual publication, or with dual reporting that would be necessary if one form were used for statistical purposes and another for required publication purposes.

Furthermore, it does not seem advisable to submit piecemeal revisions in the call report form to the Bureau of the Budget and its Advisory Committee, or to confuse banks with recurring changes in reporting, when it is known that both Board and Comptroller staff intend to suggest other revisions for consideration in the form for midyear 1964.

As I stated in my memorandum of October 4, the element of time makes it necessary for us to submit a proposal or alternative proposals to the Board and to the Bureau of the Budget soon, regarding the collection of usable and consistent statistics at year-end. Therefore, I would appreciate your reaction to the feasibility of, and your technical help in the preparation of, a slip sheet (somewhat as set forth in the attachment to that memorandum) which would reconcile the differences between a national bank report as submitted and as it would have been if the previous form had been used. It is realized that, if the FDIC and/or Board adopt a revised format, a similar reconciliation sheet may be necessary from State banks in order to measure the breaks in the series relating to those banks.

Copies of this memorandum are being sent to Mr. Hospelhorn and to the conferees from the Federal Deposit Insurance Corporation.


Gerald M. Conkling,
Assistant Director,
Division of Bank Operations.