Minutes for October 25, 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 a meeting of the available members of the Board of Governors of the Federal Reserve System on Friday, October 25, 1963. The meeting was held in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Cardon, Legislative Counsel
Mr. Koch, Associate Director, Division of Research and Statistics
Mr. Brill, Adviser, Division of Research and Statistics
Mr. Holland, Adviser, Division of Research and Statistics
Mr. Furth, Adviser, Division of International Finance
Mr. Katz, Associate Adviser, Division of International Finance
Mr. Yager, Chief, Government Finance Section, Division of Research and Statistics
Miss Grunwell, Chief Draftsman, Division of Research and Statistics
Mr. Goldstein, Economist, Division of International Finance

Money market review. Mr. Yager discussed developments in the Government securities market, Mr. Koch reported on bank credit, the money supply, and bank reserves, and Mr. Goldstein reviewed foreign exchange market developments. A summary of monetary developments in the four weeks ended October 23, 1963, was distributed.

After discussion based on these reports, all of the members of the staff who had been present except Messrs. Sherman, Kenyon, and Koch withdrew from the meeting and the following persons entered the room:
The following actions were taken subject to ratification at the next meeting of the Board at which a quorum was present:

**Discount rates.** The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, and Dallas on October 24, 1963, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

<table>
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<th>Item No.</th>
<th>Item Description</th>
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<td>1</td>
<td>Letter to Provident Tradesmens Bank and Trust Company, Philadelphia, Pennsylvania, granting permission to organize a corporation under section 25(a) of the Federal Reserve Act, to be known as Provident Tradesmens International Corporation, Philadelphia, Pennsylvania, for the purpose of engaging in international or foreign banking or financial operations, and transmitting a preliminary permit.</td>
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<td>3</td>
<td>Letter to The Chase Manhattan Bank, New York, New York, approving the establishment of a branch in Pelham.</td>
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Letter to The Marine Trust Company of Western New York, Buffalo, New York, approving the establishment of a limited facility branch in Batavia.

Letter to The Sylvania Savings Bank Company, Sylvania, Ohio, approving the establishment of a branch in Sylvania Township.

Letter to Industrial State Bank of Kalamazoo, Kalamazoo, Michigan, approving the establishment of a branch at 1216 South Burdick Street.

Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in the vicinity of Market and Polk Streets, San Francisco.

Letter to The Central Trust Company, Cincinnati, Ohio, granting an extension of time to establish a branch at 3300 Central Parkway.

Report on competitive factors (Wytheville-Rural Retreat, Virginia).

A report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Peoples Bank of Rural Retreat, Rural Retreat, Virginia, and Wythe County National Bank of Wytheville, Wytheville, Virginia, was approved unanimously for transmittal to the Comptroller. The conclusion stated therein was as follows:

Combining these two relatively small banks (The Peoples Bank of Rural Retreat--Wythe County National Bank of Wytheville) located in an area where a substantially larger bank provides active competition would not have an adverse effect on competition.

Report on competitive factors (San Francisco-Turlock, California).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of
Security State Bank of Turlock, Turlock, California, into The Bank of California, N. A., San Francisco, California. The conclusion stated in the draft report was as follows:

A merger of The Bank of California, N. A., and Security State Bank of Turlock would eliminate competition presently existing between the banks and also increase slightly the concentration of banking resources in California. While consummation of the proposed merger would not have serious adverse competitive effects on other banks in the service area of the resulting institution, the over-all effect of this merger on competition would be adverse.

In discussion, Governor Mills raised the question whether the last part of the proposed conclusion might not be too severe. Bank of California was smaller than the other banks that had already expanded through branches into this area, and there might be some advantage in its entering the competitive picture. Moreover, Wells Fargo Bank, San Francisco, had now obtained approval for a branch in Turlock. If, in addition, Bank of California went in with a de novo branch, the local independent bank might come under strong competitive pressures. The owners of the local bank were disposed to sell, and it could be their salvation; otherwise, in the longer run the local bank might be affected adversely by intensified competitive conditions.

Governor Balderston observed that Governor Mills had raised a fundamental question: what was meant by intensive competition? California was now essentially a State of large branch banking institutions. It would not be desirable for the largest bank in the State to dominate the banking picture, but at the same time increased concentration of banking
resources in a relatively few large banks made it difficult for the remaining smaller banks to compete effectively. If, however, intensive competition was referred to in the sense of providing wide freedom of choice for banking customers, that freedom of choice was, of course, reduced every time a smaller bank was absorbed by merger. The problem at hand was the future of the banking structure in California and in certain other States. In California, it looked almost as though the point of no return had been reached.

Governor Robertson suggested changes in the conclusion that he felt might accommodate the views of the other Board members as well as his own. He would say that the proposed merger represented a continuation of the trend in the State toward the elimination of independent banks and concentration of power in the hands of a few large institutions. He doubted whether it could be said that there was too much competition between the two banks proposing to merge or that competition within the community in question would be particularly affected. His thought would be to point out the trend and stand on that statement.

Governor Mills indicated that he would be generally agreeable to such a formulation, except that he would not want to refer to the concentration of financial resources in the hands of a few large banks in such a way as to imply an adamant position that under no circumstances would the Board go along with any further concentration of banking resources.
Governor Robertson said he would be agreeable to a modification of language to avoid giving that impression. Fundamentally, he would suggest simply calling attention to the continuous process of elimination of smaller banks, thus concentrating further the control of banking in the State in a relatively few institutions. A merger such as proposed in this case should not necessarily be stopped unless all similar mergers were going to be stopped throughout the State, but attention should be called to the trend.

Governor Mills said that he would not object to calling attention to the trend but at the same time would not want to say that it was completely evil. He would merely refer to the trend and from that point let the bank supervisory agency with jurisdiction make the decision in a particular case in the light of all the factors involved.

Mr. Solomon pointed out that it should be born in mind that despite mergers and absorptions the number of banks in California had increased in the past year due to the granting of new charters, and some of the new banks were of more substantial size than some of the banks eliminated.

At the conclusion of the discussion, the report was approved for transmittal to the Comptroller with the substitution of a conclusion as follows:

Consummation of a merger of The Bank of California, N. A., and Security State Bank of Turlock would have only a minor effect on the competitive situation in the service area of the resulting institution. It would, however, continue the trend toward concentration of banking resources in California.
First Colorado Bankshares, Inc. (Item No. 9). There had been circulated to the Board a memorandum from the Legal Division and the Division of Examinations dated October 17, 1963, regarding the application of First Colorado Bankshares, Inc., Englewood, Colorado, for permission under the Bank Holding Company Act to acquire shares of Security National Bank, Denver, Colorado. This application was approved by the Board on October 9, 1963, but the Board's order and statement had not yet been issued.

First Colorado Bankshares advised of certain changes in its plan for acquisition of shares of Security National Bank, and the Board's staff had concluded that such changes would have no effect from the standpoint of consideration of the case on its merits. It was proposed, however, that the changes would be described in the statement to be issued in support of the Board's decision on the application.

Following comments by Mr. O'Connell, unanimous approval was given to the letter to First Colorado Bankshares, Inc., of which a copy is attached as Item No. 9, with the understanding that a copy of the letter would be sent to counsel for the protesting banks in the matter of the application of First Colorado Bankshares.

Request of American Bankers Association. On May 9, 1963, the Board authorized the furnishing of certain daily figures to the Banking and Financial Research Committee (formerly the Research Committee) of the American Bankers Association for use in a study of possible lengthening and staggering of the reserve settlement periods of member banks. In
a letter dated October 14, 1963, addressed to Mr. Koch, the Secretary of the Committee requested permission to use these figures in a paper on the subject that would be published in one of the scholarly journals.

In commenting, Mr. Koch said that when the figures were originally supplied, it was with a feeling that they might eventually be published. Thus, the current request was not unanticipated. He gathered that there had been differences of opinion within the Committee as the study proceeded, and no particular proposal had come forward. The Board's staff was not impressed with the idea embodied in the study. The Secretary of the Committee had now asked permission to publish a paper in a journal, probably to dispose of the issue, and the staff would see no objection to the use of the figures that had been supplied.

It was understood that Mr. Koch would inform the Secretary of the Committee that there would be no objection to the use of the figures in the manner indicated.

Window dressing. Governor Robertson referred to receipt by the Board of a letter dated October 24, 1963, from an assistant to the Comptroller of the Currency in reply to the Board's letter of October 7, 1963, proposing an interagency approach, through moral suasion, to the problem of window dressing by commercial banks. The tenor of the reply was to cast doubt on the effectiveness of the proposed approach and to suggest, in the alternative, requiring banks to submit call reports on a surprise basis in the form of averages or figures for selected random dates in addition to the use of fixed call dates at mid-year and year end.
A reply expressing a favorable reaction to the Board's proposal had been received from Director Wolcott of the Federal Deposit Insurance Corporation.

Governor Robertson pointed out that the reply from the Comptroller's Office suggested fixed end-of-month dates for the June and December calls, which seemed to reflect a reversal of the Comptroller's earlier position. He (Governor Robertson) suggested that the staff be requested to draft for the Board's consideration a letter to the Presidents of the Federal Reserve Banks outlining a program of moral suasion that would be conducted, in cooperation with the Federal Deposit Insurance Corporation, along lines previously discussed by the Board. A letter might likewise be drafted to the Comptroller noting his adverse reaction to the proposed program and also noting with interest his current view that the mid-year and end-of-year calls should be on fixed dates.

It was understood that such letters would be drafted for the Board's consideration.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from the Division of Administrative Services, Governor Robertson, acting in the absence of Governor Shepardson, today approved on behalf of the Board the appointment of Richard C. Leavitt as Teletype Operator in that Division, with basic annual salary at the rate of $4,110, effective the date of entrance upon duty.
Mr. Erwin Weber, 
Vice President, 
Provident Tradesmens Bank and Trust Company, 
Fourth and Chestnut Streets, 
Philadelphia 6, Pennsylvania.

Dear Mr. Weber:

The Board of Governors has approved the Articles of 
Association and the Organization Certificate, dated September 25, 
1963, of Provident Tradesmens International Corporation, and there 
is enclosed a preliminary permit authorizing that Corporation to 
exercise such of the powers conferred by Section 25(a) of the Fed-
eral Reserve Act as are incidental and preliminary to its organiza-
tion.

Except as provided in Section 211.3(a) of Regulation K, 
the Corporation may not exercise any of the other powers conferred 
by Section 25(a) until it has received a final permit from the Board 
authorizing it generally to commence business. Before the Board 
will issue its final permit to commence business, the president, 
treasurer, or secretary, together with at least three of the direc-
tors, must certify (1) that each director is a citizen of the United 
States; (2) that a majority of the shares of capital stock is held 
and owned by citizens of the United States, by corporations the con-
trolling interest in which is owned by citizens of the United States, 
chartered under the laws of the United States or of a State of the 
United States, or by firms or companies the controlling interest in 
which is owned by citizens of the United States; and (3) that of the 
authorized capital stock specified in the Articles of Association at 
least 25 per cent has been paid in in cash and that each shareholder 
has individually paid in in cash at least 25 per cent of his stock 
subscription. Thereafter the treasurer or secretary shall certify 
to the payment of the remaining installments as and when each is 
paid in, in accordance with law.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael, 
Assistant Secretary.

Enclosure
IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association and Organization Certificate, dated September 25, 1963, of PROVIDENT TRADESMENS INTERNATIONAL CORPORATION duly filed with said Board of Governors, and that PROVIDENT TRADESMENS INTERNATIONAL CORPORATION is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Seal)

By (Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael, Assistant Secretary.
Board of Directors,
Chemical Bank New York
Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Chemical Bank New York Trust Company, New York, New York, of a branch in the Arcadian Shopping Center, South Highland Avenue, Village of Ossining, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board’s letter of November 9, 1962 (S-1846), should be followed.)
October 25, 1963.

Board of Directors,
The Chase Manhattan Bank,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Chase Manhattan Bank, New York, New York, of a branch at 305 Wolfs Lane, Pelham, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)
Board of Directors,
The Marine Trust Company of
Western New York,
Buffalo, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System
approves the establishment by The Marine Trust Company of
Western New York, Buffalo, New York, of a limited facility
branch at the southeast corner of Main and Court Streets,
Batavia, New York, provided the branch is established within
one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the
Board also had approved a six-month extension
of the period allowed to establish the branch;
and that if an extension should be requested,
the procedure prescribed in the Board's letter
of November 9, 1962 (S-1846), should be followed.)
Board of Directors,  
The Sylvania Savings Bank Company,  
Sylvania, Ohio  

Gentlemen:  

The Board of Governors of the Federal Reserve System approves the establishment of a branch by The Sylvania Savings Bank Company, Sylvania, Ohio, at 5756 Central Avenue in an unincorporated area of Sylvania Township, Lucas County, Ohio, provided the branch is established within one year from the date of this letter.

Very truly yours,  

(Signed) Elizabeth L. Carmichael  

Elizabeth L. Carmichael,  
Assistant Secretary.  

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)
Board of Directors,
Industrial State Bank of Kalamazoo,
Kalamazoo, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Industrial State Bank of Kalamazoo, Kalamazoo, Michigan, of an in-town branch at 1216 South Burdick Street, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)
Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank in the vicinity of the intersection of Market and Polk Streets, San Francisco, California, provided the branch is established within 18 months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)
Board of Directors,
The Central Trust Company,
Cincinnati, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to November 12, 1963, the time within which The Central Trust Company, Cincinnati, Ohio, may establish a branch at 3300 Central Parkway, Cincinnati, Ohio.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
October 25, 1963.

David Butler, Esq.,
Holland & Hart,
500 Equitable Building,
Denver 2, Colorado.

Dear Mr. Butler:

This refers to your letter of October 9, 1963, relating to the application of First Colorado Bankshares, Inc., for approval of its acquisition of 67 per cent of the voting shares of Security National Bank, a proposed new bank to be opened in Denver, Colorado. The stated purpose of your letter is to advise the Board of changes, both effected and proposed, in respect to the means by which Security National Bank would initially be capitalized, and by which Applicant would finance its proposed acquisition of that bank. On Applicant's behalf, you request that the Board confirm Applicant's belief that the changes as set forth in your letter will not materially affect the issues to be decided in connection with the application.

Assuming that Applicant would secure the funds necessary for the proposed acquisition through the exchange of its stock for that of Security National Bank and from borrowings, in the manner and amounts set forth in your letter, the Board is of the opinion that the changes from the financing program originally proposed are not such as to affect materially the ultimate issues now before the Board for decision in this matter. Accordingly, while a copy of both your October 9 letter and this reply thereto are being transmitted to counsel for Protesting Banks for information purposes, the Board will proceed to a determination of the matter without receipt of further views or comments from the parties.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.